# AEQUUS PHARMACEUTICALS INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2023
As of May 30, 2023

This management discussion and analysis ("MD&A") of Aequus Pharmaceuticals Inc. (the "Company" or "Aequus") is for the three months ended March 31, 2023 and is performed by management using information available as of May 30, 2023. We have prepared this MD&A with reference to National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators. This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements for the three months ended March 31, 2023 and the related notes thereto. The Company's condensed consolidated interim financial statements are prepared in with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Interpretation Committee.. All amounts are expressed in Canadian dollars unless otherwise indicated.

*Certain statements and information in this MD&A contain forward-looking statements or forward-looking information under applicable Canadian securities legislation (collectively, "forward-looking statements") that may not be based on historical fact, including, without limitation, statements containing the words "believe", "may", "plan", "will", "estimate", "continue", "anticipate", "intend", "expect", "predict", "project", "potential", "continue", "ongoing" or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words and similar expressions.*

*Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as the factors we believe are appropriate. Forward-looking statements in this MD&A include, but are not limited to, statements relating to:*

- *our ability to obtain funding for our operations, including funding for research and commercial activities;*
- *our ability to promote and market third-party products and the anticipated timing thereof;*
- *expected product launch timing of preservative-free bimatoprost 0.03% eye drops termed 'ZIMED® PF' ("ZIMED") and the OPTASE® range of prescription-free dry eye products ("OPTASE");*
- *the expected benefits of Evolve™ ("Evolve"), REV-0100, ZIMED and the OPTASE range;*
- *our estimates of the size and characteristics of the potential markets for Evolve and other third-party products and our internal product candidates;*
- *our business model and strategic plans;*
- *our ability to achieve profitability;*
- *our ability to establish and maintain relationships with collaborators with acceptable development, regulatory and commercialization expertise and the benefits to be derived from such collaborative efforts;*
- *whether we will be able to extend our current commercial relationships with third-party collaborators;*
- *our ability to expand commercial relationships with third-party collaborators to include additional products;*
- *whether our third-party collaborators will maintain their intellectual property rights in the technology we license;*
- *the manufacturing capacity of third-party manufacturers for our product candidates;*
- *the implementation of our business model and strategic plans;*
- *our ability to develop and commercialize product candidates;*
- *our commercialization, marketing and manufacturing capabilities and strategy;*

- *our ability to leverage internal capabilities and know-how;*
- *our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;*
- *our expectations regarding federal, provincial and foreign regulatory requirements;*
- *whether we will receive, and the timing and costs of obtaining, a development and commercial partner for our product candidates;*
- *the therapeutic benefits, effectiveness and safety of our product candidates;*
- *the accuracy of our estimates of the size and characteristics of the markets that may be addressed by our products and product candidates;*
- *the rate and degree of market acceptance and clinical utility of our future products, if any;*
- *whether our e-commerce and digital technology platform will result in greater access to or benefit eyecare professionals;*
- *the timing of, and our ability and our collaborators' ability, if any, to obtain and maintain regulatory approvals for our product candidates;*
- *our expectations regarding market risk, including interest rate changes and foreign currency fluctuations;*
- *our ability to engage and retain the employees or consultants required to grow our business;*
- *the compensation that is expected to be paid to employees and consultants of the Company;*
- *our future financial performance, projected expenditures and ability to make investments;*
- *our expectations regarding the use of proceeds from the Company's investments, including investments in reVision Therapeutics, Inc. ("reVision") or REV-0100;*
- *developments relating to our competitors and our industry, including the success of competing therapies that are or become available;*
- *estimates of our expenses, future revenue, capital requirements and our needs for additional financing;*
- *our ability to advance product candidates into, and successfully complete, clinical trials; and*
- *our ability to recruit sufficient numbers of patients for our future clinical trials.*

*Many factors could cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language above and on subsequent pages, including under the heading "Forward-Looking Statements and Other Risk Factors". Readers are advised to refer to the cautionary language when reading any forward-looking statements.*

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

*In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined below under the heading "Financial Instruments and Risk Management" and below under the heading "Risks", as well as under the heading "Risk Factors" in the Company's Annual Information Form dated May 1, 2023 filed on SEDAR (www.sedar.com).*

## // OVERVIEW

Aequus is a specialty pharmaceutical company, with a focus on commercializing value-added products in specialty therapeutic areas in the Canadian market. Aequus' sales force currently markets third-party or exclusively licensed products for which the Company receives revenues from product sales or based upon a percentage of net sales. The Company continues to build its pipeline in ophthalmology and has recently added several commercial stage products through in-licensing agreements. Our commercial infrastructure is currently Canadian based, with specialty sales representatives currently available to promote specialty medicines to physicians and over the counter ("OTC") products to eye care professionals.

Our commercial investments are supported and validated by insights from patients, physicians, and payers to ensure there is a realizable benefit for all parties. Aequus' management team has a proven track record of successfully managing the required clinical development, regulatory approval processes, and marketing of products either directly or through collaborations. We are actively pursuing longer-term licensing agreements, in key therapeutic areas to bring more stable and accelerated growth to commercial operations.

## // GROWTH STRATEGY

Aequus is a revenue-generating, specialty pharmaceutical company with commercial activities in Canada. Aequus looks to leverage its core capabilities, commercial infrastructure, existing product portfolio, and experienced personnel in the pursuit of new products and innovation. The Company's near-term growth strategy includes the following key components:

- Progressive build-out of the Company's commercial platform, including leveraging its specialty sales force in Canada to enable Aequus to continue to in-license and sell high-value, branded products in Canada.
- Advance near commercial stage programs through Health Canada required studies.
- Targeted Business Development in key therapeutic areas: Ophthalmology, Optometry, Specialty Rx and Online/Retail.
- Accelerate our short-term strategy of bringing Innovative, Eyecare professionally exclusive, market ready Prescription/OTC/Valued added ethical healthcare products to Canadians.
- Leverage our success of accelerating partner product launches, particularly in Generic and Biosimilar areas, with diverse, well-organized resources.

To the date of this MDA, Aequus continued to promote two third-party products in the Canadian market that include products for Dry Eye disease. Aequus is actively preparing for the launch of its third commercial product, a preservative-free glaucoma prescription medication called ZIMED® PF (as defined herein). This is the first available multi-dose, preservative free, bimatoprost product, will provide a unique treatment option for Canadian clinicians and their patients. We received the New Drug Submission ("NDS") approval from Health Canada in December 2022, for a mid-2023 launch.

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

## // HIGHLIGHTS

- The Company recognized $nil (March 31, 2022 - $262,250) in promotional services revenue and $92,251 (March 31, 2022 - $39,760) in product sales for the three months ended March 31, 2023. Gross revenue was $92,251 (March 31, 2022 - $302,280) for the three months ended March 31, 2023. This is a total revenue decrease of $210,029, or 69%, over the same period last year which was expected as a result of the end of Sandoz promotional service agreement past December 31, 2022. To mitigate these short-term losses in revenue we are accelerating our launch plans by prioritizing OTC products for 2023, increasing promotional efforts on Evolve that increased $52,491, or 132% over the same period last year and expanding our existing partnerships into both existing and new specialty therapeutic areas.
- On April 3, 2023, the Company entered into a demand loan agreement with Doug Janzen, who is chairman and CEO of the Company, for an additional unsecured demand loan of $500,000. The loan bears interest at an annual rate of 2.5% to be calculated and paid monthly and is repayable on demand. Proceeds of the loan are to be used for working capital needed to launch ZIMED® PF in mid-2023.

## // KEY STRATEGIC COLLABORATIONS

### *MEDICOM HEALTHCARE LTD. //*

In July 2019, Aequus signed an exclusive distribution agreement with Medicom, a United Kingdom-based pharmaceutical company with a focus on preservative-free therapies in ophthalmology. Under the distribution agreement, Aequus will receive commercial rights within Canada to novel portions of Medicom's portfolio of ophthalmology products, including the Evolve line of preservative-free dry eye products, which contains five commercial products, as well as a preservative-free, multi-dose bottle, ophthalmic formulation of bimatoprost. The preservative free formulation will complement the existing preserved multi-dose format, creating an expanded revenue opportunity in the ophthalmology division.

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

### *SCOPE OPHTHALMICS //*

In July 2022, Aequus signed an exclusive distribution agreement with SCOPE Ophthalmics Inc, an Irish based eyecare company with a focus on preservative free therapies in ophthalmology. Under the distribution agreement, Aequus will receive commercial rights within Canada to approximately 10 ophthalmology products.

### *SANDOZ CANADA, INC. //*

In October 2015, Aequus became the exclusive promotional and marketing partner for the first-to-market generic form of Tacrolimus IR pursuant to the terms of a promotional services agreement with Sandoz. In April 2016, Aequus also launched promotional efforts in Canada under the terms of the promotional services agreement with Sandoz for Vistitan, a treatment for the reduction of elevated intraocular pressure ("IOP") in patients with open angle glaucoma or ocular hypertension.

While the term of the original contract lapsed, amended agreements were negotiated to December 31, 2022. The two parties agreed not to extend the promotional service agreement past December 31, 2022.

## // COMMERCIAL PRODUCT UPDATES

| Product | Therapeutic Area | Indication | Stage | Program Status |
|---|---|---|---|---|
| | | | Preclinical / Clinical / Approval / Marketed | |
| Evolve | Ophthalmology | Dry Eye Disease | Marketed | Two products launched March 2021 |
| ZIMED® PF (bimatoprost 0.03% Preservative free prescription drug) | Ophthalmology | Glaucoma | Approval | Launch expected mid-2023 |
| SCOPE Portfolio | Ophthalmology | Dry Eye disease | Approval | Launch expected in late 2023/early 2024 |


### *PRESERVATIVE FREE BIMATOPROST PRESCRIPTION DRUG //*

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

Prostaglandins are the first-line approach among IOP-lowering agents and bimatoprost is the highest selling prostaglandin on the market; in the twelve months ending in June 2021, bimatoprost accounted for 46% of all prostaglandin prescription sales in Canada (IQVIA). ZIMED® PF is positioned as the most efficacious molecule in a non-preserved format, with minimal packaging. ZIMED® PF is expected to be the first preservative-free prostaglandin in a convenient multi-dose bottle, available in Canada.

### *EVOLVE™ DRY EYE PRODUCTS //*

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

- On October 19, 2020, the Company, together with its partner Medicom, was issued a new Medical Device License for the first of three product submissions made for the Evolve preservative-free dry eye product line. The new Medical Device License has been issued for Evolve Intensive Gel – a unique cross-linked combination of Carbomer 980, Hyaluronate and Glycerol – that act together to provide intensive, durable hydration for patients with moderate to severe forms of dry eye disease. The formulation will be made available in an easy-squeeze eye drop bottle, containing 360 micro-drops, and no preservatives, phosphates, or buffers.
- On October 29, 2020, Aequus, together with its partner Medicom, announced that Aequus had been issued a new Medical Device License for the second of three product submissions made for the Evolve preservative-free dry eye product line. The new Medical Device License was issued for Evolve Daily Intensive – an advanced formulation of 0.2% hyaluronate, free of preservatives and phosphates, and made available in a multidose bottle for ease of use for all patients. The formulation contains 350 micro-drops that can be dispensed with gentle squeezing – an important feature for chronic users and many dry eye patients.
- In March 2021, Aequus launched the newly approved Evolve products for the treatment of dry eye.

### *REVISION //*

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

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

As part of the option terms, the Company made an initial US$400,000 investment in reVision by way of a convertible debt with the option to fully fund the development program in return for the North American commercial rights. Funds from the initial investment are earmarked to cover the costs of a pre-clinical toxicology study for REV-0100, which are complete and which results are currently being analyzed. reVision is continuing to work on pre-clinical animal testing. Clinical trial plans expected in 2023. Negotiations on the full co-agreement are dependent on successful a pre-clinical results.

### *SCOPE PORTFOLIO //*

On July 6, 2022, Aequus and SCOPE Ophthalmics ("SCOPE") announced the signing of an exclusive distribution agreement. Under the agreement, Aequus will have the right to commercialize 10 of SCOPE's OTC products that are already available in Europe and the US. This new product line will significantly expand Aequus' footprint in Dry Eye Disease management and gives Canadian eyecare professions additional preservative-free treatment options to offer their patients. Aequus will have first right of refusal on any new products SCOPE wishes to commercialize in Canada. Operational plans will see a phased launch of several products starting in mid-2023. The OPTASE® range of prescription-free dry eye products include OTC eyedrops, devices, supplements, and potential innovative treatment options.

### *TACROLIMUS IR //*

Aequus began promotional activities for Tacrolimus IR, an immunosuppressant, in December 2015 and receives a tiered revenue split on incremental sales of the product over the established baseline set prior to promotion. On October 16, 2020, Aequus and Sandoz announced an extension to the current marketing agreement up to December 31, 2022. Aequus' promotional activities with respect to Tacrolimus IR ceased December 31, 2022.

### *PR VISTITAN™ //*

Aequus' ophthalmology focused sales force marketed a branded ophthalmology product, Vistitan (bimatoprost 0.03%, ophthalmic solution), which is a prostaglandin. Commercial activities for this product commenced in May 2016. Aequus split revenues of this product with Sandoz in a tiered structure. Aequus' promotional activities with respect to Vistitan ceased December 31, 2022. Value added services, sampling, training, digital promotion, patient programs and targeted advertising were all refined and complemented by a senior salesforce with experience that spans decades and multiple subspecialties within ophthalmology.

## // OVERALL PERFORMANCE

The Company added to its pipeline of products in ophthalmology and optometry with the December 2022 regulatory approval of ZIMED® PF while it continues to look for additional eyecare partners. Aequus has used the past several months of reduced selling requirements, post contract expiration, to retool sales and marketing capabilities. Reformatting CRM databases, digital sales training, validating advertising capabilities and KOL outreach are just some of the resource upgrades and prelaunch activities that Aequus has invested in since Q3 2022. Business Development continues to focus on eyecare commercial products that complement our existing portfolio, including the SCOPE line of Dry Eye Products launching in late 2023. Our senior pharmaceutical personnel, diverse skills and flexible business model allows us to look at products, research and companies in multiple therapeutical areas, including innovative drugs and biosimilars.

The Company continues to generate revenue from its commercial platform, which was launched in 2016. Since then, Aequus has developed its promotional services business and expects to continue growing sales revenues by increasing its portfolio of commercial stage products. In March 2021, the Company expanded commercial efforts into the treatment of Dry Eye with the introduction of Evolve preservative-free lubricating eye drops and in July 2022 the Company announced 10 new products by SCOPE which are expected to start generating sales revenue in during 2023. With plans to add innovative, differentiated therapeutic products and devices, Aequus' channel focus is exclusively for Canadian Eyecare professionals. This business-to-business focus will be complemented with online professional sales, digital marketing efforts to drive traffic to professionals for improved care, and additional products and services that bring better outcomes for patients.

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

## // DISCUSSION OF OPERATIONS

Aequus recorded a net loss of $744,323 for the three months ended March 31, 2023, which is 19% lower than the loss of $916,886 for the period ending March 31, 2022. The decrease in net loss was mainly due to a decrease of $413,413, or 34% in expenses offset by the reduction of $239,239 in gross income due to the end of the promotional services agreement with Sandoz on both Vistitan and Tacrolimus products.

During the three months ended March 31, 2023, the Company continued development activities related to bringing ZIMED® PF through regulatory approval, and as a result, the related expenses in research and development (or "R&D") was $201,361 (March 31, 2022- $246,107).

The Company realized a 132% increase in Evolve product sales during the three months ended March 31, 2023, relative to the prior year. The Company recognized $92,251 from three months of Evolve product sales during 2023 compared to $39,760 for three months of Evolve product sales during the three months ended March 31, 2022.

## // SELECTED FINANCIAL INFORMATION

The following table provides an overview of the financial results in the three months ended March 31, 2023 as compared to those in three months ended March 31, 2022.

| | Three Months Ended March 31 | | |
|---|---|---|---|
| | 2023 | 2022 | Change |
| | $ | $ | $ |
| Revenue | | | |
| Promotional services | - | 262,520 | (262,250) |
| Product sales | 92,251 | 39,760 | 52,491 |
| | 92,251 | 302,280 | (210,029) |
| Cost of goods sold | 38,991 | 9,781 | 29,210 |
| | 53,260 | 292,499 | (239,239) |
| | | | |
| Operating expenditures: | | | |
| Research and development | 201,361 | 246,107 | (44,746) |
| Sales and marketing | 351,051 | 489,132 | (138,081) |
| General and administration | 245,242 | 475,828 | (230,586) |
| | 797,654 | 1,211,067 | (413,413) |
| | | | |
| Loss before other income (loss) | (744,394) | (918,568) | (174,174) |
| Other income (loss) | 71 | 1,682 | (1,611) |
| Net loss | (744,323) | (916,886) | (172,563) |

### *Revenues //*

Aequus experienced an increase in revenue related to Evolve sales of $52,491, but a decrease in overall revenue of $210,029, or 69%, in revenue for the three months ended March 31, 2023, compared to same period in 2022, which was driven by the ended of contractual terms with Sandoz. The Company's promotional services agreement with Sandoz was terminated upon expiry on December 31, 2022. Aequus plans to reduce the risks associated with short-term contracts by diversifying revenue to new licensed products, focusing resources on sales related activities, adding additional partners with new product licenses with immediate revenue potential or alternate channel opportunities.

### *RESEARCH AND DEVELOPMENT EXPENSES //*

The Company incurred R&D expenses of $201,361 for the three months ended March 31, 2023 compared to $246,107 during the same period in 2022. The decrease was attributable to lower expenses related to the approval process for preservative-free bimatoprost 0.03% eye drops termed "ZIMED® PF" during the three months ended March 31, 2023.

The following table summarizes the Company's R&D expenses for the three months ended March 31, 2023, compared to for the three months ended March 31, 2022:

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 | Change |
|---|---|---|---|
| | $ | $ | $ |
| Consulting and related | 43,272 | - | 43,272 |
| Development costs | 158,089 | 246,107 | (88,018) |
| | 201,361 | 246,107 | (44,746) |

### *SALES AND MARKETING EXPENSES //*

Sales and marketing ("S&M") expenses were $351,051 for the three months ended March 31, 2023 compared to $489,132 for the three months ended March 31, 2022, an decrease of $138,081. The changes in S&M expenses were primarily impacted by the following items:

- Travel and accommodation costs were $13,425 lower during the three months ended March 31, 2023, as compared to three months ended March 31, 2022, due to a decrease in sales force travel, remote selling and digital marketing programs.
- Management, wages and related decreased by $118,038 during the three months ended March 31, 2023, as compared to the same period in 2022. This decrease was primarily from a general decrease in the number of full-time sales staffs.
- Printing, courier and office decreased by $12,057 for the three months ended March 31, 2023, as compared to the same period in 2022, due to a lower number of products that require marketing material.
- Consulting fees increased by $8,900 during the three months ended March 31, 2023, as compared to three months ended March 31, 2022, due to expenses specifically related to the ZIMED® PF launch in mid- 2023.

The following table summarizes the Company's S&M expenses for the three months ended March 31, 2023, compared to for the three months ended March 31, 2022.

| | Three months ended March 31, 2023 $ | Three months ended March 31, 2022 $ | Change $ |
|---|---|---|---|
| Advertising and promotion | 34,050 | 37,383 | (3,333) |
| Consulting | 23,900 | 15,000 | 8,900 |
| Depreciation and amortization | 1,665 | 1,733 | (68) |
| Management, wages and related | 263,427 | 381,465 | (118,038) |
| Printing, courier and office | 11,609 | 23,665 | (12,056) |
| Share-based payments | 2,722 | 2,783 | (61) |
| Travel and accommodation | 13,678 | 27,103 | (13,425) |
| | 351,051 | 489,132 | (138,081) |

### *GENERAL AND ADMINISTRATION EXPENSES //*

General and administration (or "G&A") expenses were $245,242 for the three months ended March 31, 2023, as compared to $475,828 for the three months ended March 31, 2022, a decrease of $230,585. The changes in G&A expenses were mainly driven by general cost-cutting measures and lower loan-related expenses. The changes in G&A expenses were primarily impacted by the following items:

- Accretion expenses decreased by $59,891 for the three months ended March 31, 2023, as compared to three months ended March 31, 2022, due to the convertible debt reaching maturity on May 2, 2022. The convertible debt was replaced with a demand loan that does not have related accretion expense.
- Consulting fees decreased by $29,525 due to reduced expenditures related to management consultants.
- Interest expenses decreased by $22,675 during the three months ended March 31, 2023, as compared to the three months ended March 31, 2022, primarily due to more favorable loan terms.
- Legal and professional fees decreased by $6,439 due to a decrease in legal work required related to regulatory matters.
- Management, wages and related decreased by $76,451, during the three months ended March 31, 2023, as compared to the same period in 2022. This decrease was primarily driven by a reduction of $8,190 in accounting expenses and the Chief Executive Officer ceased charging a management fee for the three months ended March 31,2023.
- Office and general decreased by $15,639 due to a lower number of full-time employees.

The following table summarizes the Company's G&A expenses for the three months ended March 31, 2023, compared to for the three months ended March 31, 2022:

| | Three months ended March 31, 2023 $ | Three months ended March 31, 2022 | Change $ |
|---|---|---|---|
| Accretion | - | 59,891 | (59,891) |
| Consulting | 975 | 30,500 | (29,525) |
| Depreciation of right-of-use leased asset | 33,082 | 29,939 | 3,143 |
| Interest | 29,490 | 52,166 | (22,675) |
| Legal and professional fees | 40,487 | 46,926 | (6,439) |
| Management, wages and related | 67,969 | 144,420 | (76,451) |
| Office and general | 48,007 | 63,646 | (15,639) |
| Regulatory and transfer agent fees | 14,101 | 26,446 | (12,345) |
| Share-based payments | 1,898 | 16,868 | (14,970) |
| Travel and accommodation | 9,233 | 5,026 | 4,207 |
| | 245,242 | 475,828 | (230,585) |

## // QUARTERLY FINANCIAL INFORMATION

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

| | Quarters Ended | | | |
|---|---|---|---|---|
| | Q1 2023 March 31 $ | Q4 2022 December 31 $ | Q3 2022 September 30 $ | Q2 2022 June 30 $ |
| Revenue | | | | |
| Promotional[(1)] | - | 310,096 | 268,970 | 295,454 |
| Products | 92,251 | 72,979 | 78,953 | 51,040 |
| | 92,251 | 383,075 | 347,923 | 346,494 |
| Cost of goods sold | 38,991 | 56,499 | 24,619 | 12,660 |
| | 53,260 | 326,576 | 323,304 | 333,834 |
| Research and development expenditures | (201,361) | 91,379 | (6,041) | (7,945) |
| Sales and marketing expenditures | (351,051) | (567,737) | (506,230) | (663,082) |
| General administration expenditures | (245,242) | (306,786) | (353,571) | (457,177) |
| Other income | 71 | (564,009) | 42,067 | 22,260 |
| Net loss for the period | (744,323) | (1,020,577) | (500,471) | (772,110) |
| Basic and diluted loss per common share | (0.01) | (0.01) | (0.00) | (0.01) |

| | Quarters Ended | | | |
|---|---|---|---|---|
| | Q1 2022 March 31 $ | Q4 2021 December 31 $ | Q4 2021 September 30 $ | Q2 2021 June 30 $ |
| Revenue | | | | |
| Promotional[(1)] | 262,520 | 827,462 | 669,000 | 632,900 |
| Products | 39,760 | 31,862 | 43,036 | 18,616 |
| | 302,280 | 859,324 | 712,036 | 651,516 |
| Cost of goods sold | 9,781 | 24,667 | 10,549 | 4,949 |
| | 292,499 | 834,657 | 701,487 | 646,567 |
| Research and development expenditures | (246,107) | (53,433) | (49,122) | (106,395) |
| Sales and marketing expenditures | (489,132) | (619,867) | (551,966) | (523,929) |
| General administration expenditures | (475,828) | (491,225) | (488,039) | (497,393) |
| Other income (loss) | 1,682 | 2,511 | 6,104 | 2,109 |
| Net loss for the period | (916,886) | (327,357) | (381,536) | (479,041) |
| Basic and diluted loss per common share | (0.01) | (0.00) | (0.00) | (0.00) |

[(1)] Service revenue during each quarter is recognized based on actual third-party sales of products for the reporting period based on data provided by the third-party.

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

- Costs related to ZIMED® PF are expected to continue with a launch planned for August 2023. Sales and marketing expenses are expected to continue at higher levels as the SCOPE product launch is also expected during 2023. However, overall wages related to sales and marketing are expected to be lower as the company adjusts operations for the cessation of the Sandoz agreements.
- On March 1, 2021, the Company announced the commercial availability of Evolve preservative-free lubricating eye drops for dry eye care. In Q1 2021, sales commenced soon after Health Canada approval of the product for sale in Canada. Launch activities and advertising has been affected in several provinces due to COVID-19-related reductions in healthcare services and limited direct access to optometry and ophthalmology offices.

- The Company expects to continue to generate higher revenues from the sale of Evolve products in 2023; this is additive to existing promotional sales activity and leverages the investments the Company has already made in existing sales infrastructure. Significant efforts and investments were made into e-commerce platforms, digital business-to-business and remote selling technology. The Company is regularly evaluating its current sales force resources distribution and may modify the team structure accordingly.
- The Tacrolimus IR and Vistitan contracts were amended and extended to the end of 2022 then terminated effective December 31, 2022. The company does not expect revenue from promotional services in 2023 until later in the year as there is currently no active service contract. The Company expects higher net losses in the first half of 2023 as the company transitions its focus to new products.
- During 2021, the Company invested in future growth, launching the Evolve products, funding the regulatory costs of ZIMED® PF, increasing our commercial team, and expanded our global sourcing efforts for new products and research investments, including the reVision transaction.
- A temporary increase in S&M costs in 2021 and the first half of 2022 was expected due to the Evolve product launch and related new product development costs associated with the regulatory submission in February 2022 for ZIMED® PF. These startup costs also include the creation of a new e-commerce platform, website, remote selling and customer relationship management databases. We will continue to evaluate resources and adjust as necessary to meet financial and market conditions.
- Q4 2022 and Q4 2021 include a one time re-classification of expenses into costs of goods sold.

## // SEGMENT DISCLOSURE

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

The Company's equipment and its corporate assets, comprising mainly of cash, are located in Canada. All corporate expenses are incurred in Canada.

The Company received revenues from the sale of dry eye products and by providing promotional services to sell third-party owned products, namely Tacrolimus IR and Vistitan. During the three months ended March 31, 2022, -87% of its generated revenues were from one arm's length customer related to an agreement that expired December 31, 2022. The Company operates in one geographical segment, being the Canadian market.

For the three months ended March 31, 2023, the Company had revenues of $nil (March 31, 2022 - $262,520) and $92,251 (March 31, 2022 - $39,760) for promotional services and dry eye products sales, respectively.

At March 31, 2023, the Company has dry eye product inventory in the amount of $68,956 (December 31, 2022- $93,824).

Revenues and expenses from the two operating segments are summarized as follows:

| | Three months ended March 31, 2023 $ | Three months ended March 31, 2022 $ |
|---|---|---|
| Net revenues | | |
| Commercial platform | 53,260 | 292,499 |
| Expenses | | |
| Development pipeline | 201,361 | 246,107 |
| Commercial platform | 351,051 | 489,132 |
| General corporate expenses | 245,242 | 475,828 |
| | 797,654 | 1,211,067 |
| Loss before other income | (744,394) | (918,568) |
| Other income | 71 | 1,682 |
| Net loss and comprehensive loss | (744,323) | (916,886) |

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

## // LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities is comprised of net loss, add-back of non-cash expenses and net change in non-cash working capital items. Cash used in operating activities increased to $266,994 as of March 31, 2023, from $115,804 compared to March 31, 2022. This increase is primarily driven by the decrease in net loss during the quarter ended March 31, 2023 and offset by a decrease in accounts receivable.

| | Three months ended March 31, 2023 $ | Three months ended March 31, 2022 $ | Change $ |
|---|---|---|---|
| Cash used in operating activities | (266,994) | (115,804) | 151,190 |
| Cash used in investing activities | - | - | - |
| Cash provided by (used in) financing activities | 61,360 | (37,720) | 99,080 |
| Net increase (decrease) in cash | (205,634) | (153,524) | 52,110 |

The cash increase in financing activities is related to a new a demand loan entered with the chairman and CEO of the Company.

There was no new investing activity during the quarters ended March 31, 2023 and 2022.

Historically, the Company has used net proceeds from issuances of debt and common shares to provide sufficient funds to meet its near-term asset development plans and other contractual obligations when due. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and its success with its strategic collaborations. Any quoted market for the Company's shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating new revenues, cash flows or earnings.

As of March 31, 2023, the Company had a working capital deficiency of $2,206,608 compared to working capital deficiency of $1,475,033 as of December 31, 2022. The Company’s working capital needs fluctuated due to changes in commercial agreements and multiple projects, which place variable demands on resources and timing of expenditures. The Company is working to find additional products to promote or sell with its existing sales force, which would decrease current demands on working capital. The Company anticipates receiving cash proceeds from future revenue,

the exercise of options, public offerings and private placements; however, the Company cannot predict the timing or amount of additional options and warrants that may be redeemed, if any.

On April 29, 2022, the Company entered into an agreement with Doug Janzen, chairman and CEO of the Company, for an unsecured demand loan of $2,000,000. The loan bears interest at an annual rate of 2.5%, to be calculated and repaid monthly, and is repayable on demand. The purpose of a short-term financing was to repay the existing convertible debentures that matured May 2, 2022.

On April 3, 2023, the Company entered into another agreement with Doug Janzen, chairman and CEO of the Company, for an unsecured demand loan of $500,000. The loan bears interest at an annual rate of 2.5%, to be calculated and repaid monthly, and is repayable on demand. The purpose of short-term financing is for general working capital necessary to launch ZIMED® PF.

## // COMMITMENTS AND CONTINGENCIES

On December 1, 2018, the Company entered into a lease agreement for its Vancouver head office premise for five years, expiring November 30, 2023. Pursuant to this lease, the Company is obligated to pay basic rent of $12,573 and operating costs, including electricity and related taxes at approximately $7,570, on a monthly basis. The base annual rent was $150,880 for the year ended December 31, 2022, and will increase to $154,560 per year in 2023.

On September 14, 2022, the Company extended the term of the lease for a further five years commencing on December 1, 2023 and expiring on November 30, 2028. The base annual rent will increase to $167,440 for the year ended December 31, 2024, and $171,120, $174,800, $178,480 and $182,160 in each of the subsequent years.

The Company has entered into sublease arrangements of the space providing monthly average rental inflow of approximately $7,314 to offset rent expense. Lease agreements have been accounted for in accordance with IFRS 16 *Leases*.

## // OUTSTANDING SHARE CAPITAL

As of the date of this MD&A, there were no Class A preferred shares without par value in the capital of the Company. The issued and outstanding common shares and other securities convertible into common shares, as summarized in the following table:

| | Number Outstanding as of May 30, 2023 | Number Outstanding as of March 31, 2023 |
|---|---|---|
| Common shares issued and outstanding | 132,634,431 | 132,634,431 |
| Options | 9,839,337 | 7,099,337 |
| Compensation warrants | 781,250 | 781,250 |
| | 143,255,018 | 140,515,018 |

Of the 9,839,337 options outstanding at the date of this report, 6,564,337 are vested and have a weighted average exercise price of $0.13 per option. The remaining 3,275,000 options are not vested and have a weighted average exercise price of $0.05 per option.

On April 18, 2023, the Company granted stock options to directors, officers, employees and consultants of the Company to purchase up to an aggregate 2,775,000 common shares of the Company. These stock options are exercisable at a price of $0.03 per share, for a term of 8 years and vest in tranches over a 3-year period.

Subsequent to March 31, 2023, 35,000 stock options were forfeited.

## // OFF-BALANCE SHEET ARRANGEMENTS

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

## // RELATED PARTY DISCLOSURE

### Transactions with Related Parties

Related parties include members of the Board of Directors and officers of the Company, and enterprises controlled by these individuals. The following fees and expenses were incurred:

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| | $ | $ |
| Management | 67,587 | 147,027 |
| Share-based payments | 3,205 | 12,112 |
| Total | 70,792 | 159,139 |

i. Effective December 1, 2016, the Company entered into a consulting agreement with Northview Ventures Inc. ("NVI") and Doug Janzen, the CEO of the Company. During the three months ended March 31, 2023, NVI received $nil (March 31, 2022 - $56,250) in management, wages and related expenses. As of December 31, 2022, NVI ceased charging the monthly management fee.

ii. The Company entered into a consulting service agreement with Fehr & Associates and Ann Fehr, the chief financial officer ("CFO") of the Company. Pursuant to this consulting agreement, Mrs. Fehr is compensated at a rate of $1,000 per month plus $120 per hour. During the three months ended March 31, 2023, Fehr & Associates charged total management, wages and related fees of $22,587 (March 31, 2022 - $30,777) for CFO and outsourced accounting services. As of March 31, 2023, the Company has included in its accounts payable and accrued liabilities $16,979 (March 31, 2022- $61,754) due to Fehr & Associates.

iii. The Company entered into a consulting service agreement with Transcend Research and Consulting and Stuart Fowler, a director and strategic commercial advisor of the Company. During the three months ended March 31, 2023, the Company recognized management, wages and related expense of $nil (March 31, 2022 - $15,000) related to Mr. Fowler's services. As of March 31, 2023, the Company has included in its accounts payable and accrued liabilities $nil (March 31, 2022 - $15,750) due to Transcend Research and Consulting. The consulting agreement ended in October 2022.

iv. Grant Larsen, the chief commercial officer, was compensated at a monthly rate of $15,000. During the three months ended March 31, 2023, Mr. Larsen received $45,000 (March 31, 2022 - $45,000) in salaries recognized as management, wages and related expenses.

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

### Key Management Compensation

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

| | Three months ended March 31, 2023 $ | Three months ended March 31, 2022 $ |
|---|---|---|
| Management, wages and related, general administration | 22,587 | 87,027 |
| Management, wages and related, sales and marketing | 45,000 | 60,000 |
| Share-based payments, general administration | 3,205 | 11,550 |
| Share-based payments, sales and marketing | - | 562 |
| Total | 70,792 | 159,139 |

### Other

On April 29, 2022, the Company entered into a demand loan agreement with Doug Janzen, who is chairman and CEO of the Company, for an unsecured demand loan of $2,000,000. The demand loan bears interest at an annual rate of 2.5%, to be calculated and paid monthly, and is repayable on demand. During the three months ended March 31, 2023, the Company had incurred an interest rate of $12,356 (March 31, 2022 - $nil). As of March 31, 2023, the Company has included in its accounts payable and accrued liabilities $4,274 (March 31, 2022 - $nil).

On April 3, 2023, the Company entered into a demand loan agreement with Doug Janzen, who is chairman and chief executive officer of the Company, for an unsecured demand loan of $500,000. The funds were advanced in two tranches, where $100,000 was advanced in March 2023 and the balance was advanced subsequent to March 31, 2023. The demand loan bears interest at an annual rate of 2.5%, to be calculated and paid monthly, and is repayable on demand. The purpose of the short-term financing was for general working capital needed for the launch of a new product. During the year ended December 31, 2017, the Company entered into two separate sublease agreements with NVI and Fehr & Associates for recovery of rent expenses. During the three months ended March 31, 2023, the Company received $2,216 and $12,554 (March 31, 2022- $2,160 and $12,923), respectively.

## // FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Fair Value

The Company's financial instruments at March 31, 2023 include cash, short-term investments, amounts receivable, accounts payable, accrued liabilities, demand loan from related party. The fair values of cash, short-term investments, amounts receivable, accounts payable, accrued liabilities and demand loan from related party approximate their carrying values due to their short-term nature.

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

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

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

## // SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND POLICIES

In applying the Company's accounting policies, management makes several judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from the judgments, estimates and assumptions made by management and will seldom equal the estimated results.

### *CRITICAL JUDGMENTS & ESTIMATION UNCERTAINTY //*

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements:

- Research costs are recognized as an expense when incurred, but development costs may be capitalized as intangible assets if certain conditions are met, as described in International Accounting Standard ("IAS") 38 *Intangible Assets*. Management has determined that development costs do not meet the conditions for capitalization under IAS 38, and all research and development costs have been expensed.
- Management is required to assess the functional currency of the Company and its subsidiary, Aequus Pharma (Canada) Ltd. In concluding that the Canadian dollar is the functional currency of the Company and its subsidiary, management considered the currency that mainly influences revenues and the operating expenditures in the jurisdiction in which the Company and its subsidiary operate.
- Management is required to determine whether the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future, including the availability of financing and revenue projection, as well as the current working capital balance and future commitments of the Company.

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

- Promotional services revenues were recognized based on a calculation of estimated profits using actual third-party sales figures. Changes in estimates of revenues, including changes in estimates of revenue due to returns, are recognized prospectively as adjustments to revenue and amounts receivable. At each reporting period the entity reviews and, when necessary, revises the estimates of revenue as services are performed. When an uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognized as an expense.
- The fair value of share-based payments is determined using the Black-Scholes option pricing model. Such option pricing models require the input of subjective assumptions, including the expected price volatility, option life, dividend yield, risk-free rate, and estimated forfeitures at the initial grant date.
- The Company estimates a market interest rate in determining the fair value of the liability component of its convertible debt and the fair value of the ROU assets and lease liabilities. The determination of the market interest rate is subjective and could materially affect these fair value estimates.

## // RISKS

Current and prospective shareholders should specifically consider various factors, including the risks outlined below and under the heading "*Risk Factors*" in the 2022 AIF filed on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties, including the risks listed below, or a risk that is not currently known to us materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein.

## Volatility of Market Price

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of common shares to sell their securities at an advantageous price. Market price fluctuations in the common shares may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the common shares.

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

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

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

## Dilution

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

## Negative Cash Flow from Operations

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

## Commercial Platform Development

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

uncertainties that are outside of its control, including agreements with third-party suppliers not being renewed or being terminated in accordance with their terms and supply and reputational risks in the event that a third-party supplier is in default under the provisions of such agreement.

## Dependence on Key Personnel

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

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

## Conflicts of Interest

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

## Intellectual Property

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

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

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

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

Litigation may also be necessary to enforce patents issued or licensed to us or our corporate collaborators or to determine the scope and validity of a third-party's proprietary rights. We could incur substantial costs if litigation is required to defend ourselves in patent suits brought by third parties, if we participate in patent suits brought against or initiated by our corporate collaborators or if we initiate such suits, and there can be no assurance that funds or

resources would be available in the event of any such litigation. An adverse outcome in litigation or an interference to determine priority or other proceeding in a court or patent office; could subject us to significant liabilities, require disputed rights to be licensed from other parties or require us or our corporate collaborators to cease using certain technology or products, any of which may have a material adverse effect on our business, financial condition, and results of operations.

### Reliance on Third-party Sales Data

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

### Coronavirus Pandemic

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

### Indemnification Provisions

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

### Forward-looking Statements and Other Risk Factors

By their very nature, forward-looking statements or information involve known and unknown risks, uncertainties and other factors that may cause our actual results, events or developments, or industry results, to be materially different from any future results, events or developments expressed or implied by such forward-looking statements or information. In evaluating these statements, current and prospective shareholders should specifically consider various factors, including the risks outlined herein, under the heading "*Risk Factors*". Some of these risks and assumptions include, without limitation, risks related to:

- Aequus having a limited history of generating revenue by promoting third-party products;
- Aequus currently generating revenue from a limited number of promotional or distribution services agreements;
- Aequus being subject to potential product liability claims relating to third-party products it markets;
- Aequus having continued access to skilled contractors and consultants;
- Aequus' third-party products potentially being subject to sales quotas and additional regulatory approvals;
- third-party products not achieving market acceptability;
- third parties that Aequus is reliant upon not meeting their commitments with respect to their products;
- Aequus not having reached profitability to date and the risk that the Company may never become profitable;
- Aequus having incurred operating losses since its inception and expecting to incur losses for the foreseeable future;

- Aequus being unable to complete the development or commercialization of its product candidates or obtain their regulatory approval if it fails to obtain the necessary capital to fund its operations;
- Aequus raising additional capital, which may restrict operations or cause dilution to Aequus' existing shareholders;
- Aequus' business to date and future viability being hard for investors to evaluate due to Aequus having a limited history with marketed drug products produced by third parties;
- Aequus having a history of negative operating cash flow, which may continue into the future;
- Aequus having a limited history of marketing drug products produced by third parties;
- Aequus potentially being required to abandon development of a product if clinical trials are not successful;
- regulatory approval of Aequus' products being delayed or unobtainable if additional time or studies are required;
- regulatory approval or sales being affected if Aequus' product candidates or promoted third-party products cause adverse effects;
- the commercial success of Aequus' product candidates being substantially dependent on forming a third-party partnership;
- the difficulty of profitably selling Aequus' product candidates or promoted third-party products if their coverage and reimbursement is limited;
- Aequus' potential international business relationships adversely affecting its business;
- Aequus' S&M infrastructure potentially being unable to generate enough revenue to cover commercial expenses;
- developments relating to our competitors and our industry, including the success of competing therapies that are or become available;
- potential legislation increasing the difficulty and cost for Aequus to obtain marketing approval of and to commercialize product candidates;
- Aequus' product candidate being subject to labeling and other restrictions;
- third-party coverage, reimbursement, cost containment initiatives, and treatment guidelines potentially constraining Aequus' future revenue;
- Aequus' reliance on third-party manufacturing for their clinical and commercial supply;
- Aequus being subject to penalties if it fails to comply with regulatory requirements or experiencing unanticipated problems with its product candidates;
- Aequus' future collaboration arrangements potentially adversely affecting the development and commercialization of Aequus' product candidates;
- Aequus being subject to extensive regulatory review and potentially expensive ongoing obligations even if marketing approval for its product candidates is obtained;
- adverse effects on Aequus' business if Aequus fails to obtain FDA or Health Canada approval for any proposed product candidates;
- Aequus' relationships with physicians, customers and payors being subject to various laws and regulations, which could expose Aequus to various adverse consequences that could diminish profits and future earnings;
- Aequus potentially not being able to protect its proprietary technology in the marketplace;
- Aequus or its consultants or contractors potentially infringing, or facing claims it infringed on, third-party intellectual property rights, including know-how or trade secrets;
- Aequus potentially being unable to adequately prevent disclosure of trade secrets and other proprietary information;
- potential lawsuits relating to infringement of intellectual property rights, which could be costly, time consuming, and adversely impact the price of common shares in the capital of Aequus;

- potential intellectual property disputes distracting Aequus' personnel and causing diversion of substantial resources;
- Aequus' growth and profitability being contingent on successfully maintaining and building additional third-party partnerships or commercializing its internal products;
- Aequus being unable to license or acquire additional product candidates or technologies from third parties;
- Aequus' business activities potentially being adversely impacted by the recent outbreak of the novel coronavirus (COVID-19);
- successful implementation of Aequus' business strategy being dependent on attracting and retaining highly qualified personnel;
- potential product liability lawsuits being brought against Aequus, and any liabilities incurred potentially limiting commercialization of product candidates;
- any potential benefits of the collaboration with reVision (as defined below), Medicom (as defined below) or Sandoz (as defined below), or any further strategic alliances that Aequus enters into not being realized;
- Aequus' business being affected by macroeconomic conditions;
- Aequus incurring significant costs and devoting substantial time to compliance initiatives;
- potential business interruptions delaying development of Aequus' product candidates and disrupting sales;
- Aequus' business and operations suffering in the event of system failures;
- Aequus' business potentially being significantly harmed by misconduct perpetrated by non-arm's length parties;
- the directors and officers of Aequus being subject to conflicts of interest;
- the timing of the BCSC's revocation of the failure-to-file CTO impacting trading of the Company's securities;
- future sales or issuances of Aequus' securities causing the market price of Aequus' equity securities to decline;
- risks relating to the dilution of the Company's securities;
- fluctuations in the market price for the Company's securities;
- Aequus' ability to repay the Loan, which Loan may become payable on demand at any time;
- Aequus potentially being subject to securities litigation, which is expensive and could divert management attention;
- Aequus' existing shareholders, officers, and directors being able to exert significant control over matters submitted to Aequus' shareholders for approval due to their substantial equity ownership;
- potential future sales of common shares by existing shareholders causing the price of Aequus' common shares to decline;
- Aequus not being required to make representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting due to its status as a venture issuer;
- Aequus never having paid, and not anticipating paying, dividends on its common shares;
- the price of Aequus' common shares potentially declining due to equity research analysts publishing negatively about Aequus' business, or not publishing about Aequus' business at all; and
- anti-takeover provisions in Aequus constating documents potentially discouraging third parties from making takeover bids that could benefit Aequus' shareholders.

Many factors could cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. In making the forward looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to: (i) obtaining positive results of clinical trials; (ii) obtaining regulatory approvals; (iii) general business and economic conditions; (iv) the Company's ability to successfully out-license or sell its current products and in-license and develop new products; (v) the assumption that our current good relationships with our manufacturer and other third parties will be maintained; (vi) the availability of financing on reasonable terms; (vii) the Company's

ability to attract and retain skilled staff; (viii) market competition; (ix) the products and technology offered by the Company's competitors; (x) the Company's ability to protect patents and proprietary rights; and (xi) the Company's ability to integrate acquired or licensed products into the Company's existing pipeline and sales infrastructure.

Should one or more of these risks or uncertainties, or a risk that is not currently known to us materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein. These forward-looking statements are made as of the date of this MD&A and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

## // ADDITIONAL INFORMATION

Additional information about the Company, including the consolidated financial statements of the Company and the Company's 2023 AIF, is available on SEDAR at *www.sedar.com.*