AEQUUS PHARMACEUTICALS INC.

// CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended June 30, 2023 and 2022

(Unaudited, Expressed in Canadian dollars)

AEQUUS PHARMACEUTICALS INC.

// CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited, Expressed in Canadian dollars)

	Note	June 30, 2023 $	December 31, 2022 $
ASSETS			
Current			
Cash		30,389	249,815
Short-term investments	4	44,850	44,850
Inventory	5	32,151	93,823
Amounts receivable		10,778	310,097
Prepaid expenses		47,603	204,108
		165,771	902,693
Property and equipment, net	7	2,504	5,835
Right-of-use lease asset, net	8	716,774	782,938
Total assets		885,049	1,691,466
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
LIABILITIES			
Current			
Accounts payable	11	238,603	88,475
Accrued liabilities	11	101,006	200,111
Lease liability	9	99,682	89,140
Demand loan from related party	10,11	2,600,000	2,000,000
		3,039,291	2,377,726
Lease liability	9	639,926	693,778
Total liabilities		3,679,217	3,071,504
SHAREHOLDERS' DEFICIT			
Share capital	12	23,990,904	23,990,904
Reserves		4,379,652	4,348,584
Deficit		(31,164,724)	(29,719,526)
Total shareholders' deficit		(2,794,168)	(1,380,038)
Total liabilities and shareholders' deficit		885,049	1,691,466

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 29, 2023 and signed on its behalf by:

"Douglas Janzen"
Director

"Christopher Clark"
Director

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

// CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited, Expressed in Canadian dollars)

	Note	Three Months Ended June 30, 2023 $	Three Months Ended June 30, 2022 $	Six Months Ended June 30, 2023 $	Six Months Ended June 30, 2022 $
Revenue					
Promotional services	15	-	295,454	-	557,974
Product sales	15	98,409	51,040	190,660	90,800
		98,409	346,494	190,660	648,774
Cost of goods sold	5	46,482	12,660	85,473	22,441
		51,927	333,834	105,187	626,333
Expenses					
Research and development	13	25,824	7,945	227,185	254,052
Sales and marketing	13	372,844	663,082	723,895	1,152,214
General administration	13	353,584	457,177	598,826	933,005
		752,252	1,128,204	1,549,906	2,339,271
Loss before other income (loss)		(700,325)	(794,370)	(1,444,719)	(1,712,938)
Other income (loss)					
Interest income	4	17	6,934	405	12,111
Foreign exchange		(567)	15,326	(884)	11,832
		(550)	22,260	(479)	23,943
Net loss and comprehensive loss		(700,875)	(772,110)	(1,445,198)	(1,688,995)
Basic and diluted loss per common share		(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of common shares outstanding – basic and diluted		132,634,431	132,634,431	132,634,431	132,634,431

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

// CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(Unaudited, Expressed in Canadian dollars)

	Share Capital		Reserves	Deficit	Total
	Number	$	$	$	$
Balance, December 31, 2021	132,634,431	23,990,904	4,307,643	(26,509,482)	1,789,065
Share-based payments	-	-	35,856	-	35,856
Net loss	-	-	-	(1,688,995)	(1,688,995)
Balance, June 30, 2022	132,634,431	23,990,904	4,343,499	(28,198,477)	135,926
Share-based payments	-	-	5,085	-	5,085
Net loss	-	-	-	(1,521,049)	(1,521,049)
Balance, December 31, 2022	132,634,431	23,990,904	4,348,584	(29,719,526)	(1,380,038)
Share-based payments	-	-	31,068	-	31,068
Net loss	-	-	-	(1,445,198)	(1,445,198)
Balance, June 30, 2023	132,634,431	23,990,904	4,379,652	(31,164,724)	(2,794,168)

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

// CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited, Expressed in Canadian dollars)

	Six months Ended June 30, 2023 $	Six months Ended June 30, 2022 $
OPERATING ACTIVITIES		
Net loss	(1,445,198)	(1,688,995)
Add items not affecting cash:		
Accretion expense	-	82,459
Depreciation of property and equipment	3,331	3,465
Depreciation of right-of-use asset	66,164	59,879
Foreign exchange on convertible promissory note and accounts payable and accrued liabilities	405	(8,320)
Interest expense	33,970	9,478
Share-based payments	31,068	35,856
	(1,310,260)	(1,506,178)
Changes in non-cash working capital items relating to operations:		
Inventory	61,672	(15,926)
Amounts receivable	299,319	644,486
Prepaid expenses	156,505	34,102
Interest receivable on promissory note	-	(7,752)
Accounts payable and accrued liabilities	50,618	(115,824)
Cash used in operating activities	(742,146)	(967,092)
FINANCING ACTIVITIES		
Demand loan	600,000	2,000,000
Repayment of convertible debt	-	(2,008,000)
Payments of lease obligation	(77,280)	(75,440)
Cash used in financing activities	522,720	(83,440)
Decrease in cash	(219,426)	(1,050,532)
Cash, beginning	249,815	2,436,431
Cash, ending	30,389	1,385,899
Supplemental information:		
Interest paid	8,082	75,139
Taxes paid	-	-

There were no cash investing activities during the six months ended June 30, 2023 and 2022.

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

1. NATURE OF OPERATIONS AND GOING CONCERN //

Aequus Pharmaceuticals Inc. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on January 3, 2013 and is a public company listed on the TSX Venture Exchange (the "Exchange") under the symbol "AQS". The Company is a specialty pharmaceutical company with a sales force that currently markets third-party or exclusively licensed products for which the Company receives revenues from direct product sales. The Company also earned revenue from a profit share arrangement that expired on December 31, 2022.

The Company's registered and records office is located at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1L3, and its head office is located at Suite 2820, 200 Granville Street, Vancouver, British Columbia, Canada, V6C 1S4.

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

The Company has incurred losses and negative operating cash flows since its inception. As of June 30, 2023 the Company has accumulated a deficit of $31,164,724 (December 31, 2022 - $29,719,526). The Company will require further financing to meet its financial obligations and sustain its operations in the normal course of business. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to meet its long-term business strategy depends on its ability to obtain additional equity debt or equity financing and to generate operational cash flow from commercial services revenue. The Company may not be able to raise additional financing on terms agreeable to the Company, or at all.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

2. BASIS OF PRESENTATION //

[a] Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited 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.

2. BASIS OF PRESENTATION (CONTINUED)

[b] Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

[c] Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary, Aequus Pharma (Canada) Ltd., which is controlled by the Company. Control exists when an entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions, balances, income, and expenses are eliminated on consolidation.

[d] Functional and foreign currency

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

[e] Significant accounting estimates and judgments

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

CRITICAL JUDGMENTS

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

i. Research costs are recognized as an expense when incurred, but development costs may be capitalized as intangible assets if certain conditions are met, as described in 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.

2. BASIS OF PRESENTATION (CONTINUED)

CRITICAL JUDGMENTS (continued)

ii. 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.

iii. Management is required to determine whether the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future, including the availability of financing and revenue projection, as well as the current working capital balance and future commitments of the Company.

ESTIMATION UNCERTAINTY

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

i. 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.

ii. 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.

3. SIGNIFICANT ACCOUNTING POLICIES //

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual consolidated financial statements for the fiscal year ended December 31, 2022.

4. SHORT-TERM INVESTMENTS //

As at June 30, 2023 and December 31, 2022, the Company has two collateral investments: $21,850 maturing on August 8, 2023 with interest at prime less 2.9%, and $23,000 maturing on June 4, 2024 with interest at prime less 2.70%. During the six months ended June 30, 2023, the Company recognized interest income of $405 (June 30, 2022 - $4,443) from the demand deposit account and $nil (June 30, 2022 - $7,668) from investment in convertible promissory note receivable.

5. INVENTORY //

Inventory consists of finished goods only and is valued at the lower of cost or net realizable value, on a first-in, first-out basis. The cost value for finished goods includes the purchase price, import duties, and other directly attributable costs. The Company evaluates the carrying value of inventory on a regular basis, considering such factors as historical and anticipated future sales compared with quantities on hand, the price the Company expects to obtain for products in their respective markets compared with historical cost, and the remaining shelf life of inventory goods on hand.

During the six months ended June 30, 2023, total inventory of $60,924 (June 30, 2022 - $22,441) was recognized as cost of goods sold.

6. CONVERTIBLE PROMISSORY NOTE RECEIVABLE //

On August 17, 2021, the Company entered into an Exclusive Right of First Negotiation Agreement with reVision Therapeutics, Inc. (“reVision”) and invested $503,840 (US$400,000) through reVision’s open convertible note offering. reVision is a privately-held, early-stage biopharmaceutical company focused on the development and commercialization of innovative therapies for ocular and rare diseases.

The convertible note bears interest at 3% annually. The interest is not compounded, and any interest accrued on the outstanding balance is due on conversion or redemption at maturity.

The promissory note is convertible into common shares of reVision at a conversion price of 80% of price per share of the next financing. The option to settle the convertible note in common shares of reVision represents an embedded derivative in the form of a call option to the Company. reVision is a private company, and its shares cannot be reliably valued using any market-derived indicators. Accordingly, the derivative asset is recognized by the Company at $nil value.

As at December 31, 2022, the Company has determined that there was evidence of impairment in the value of this investment, and as a result, the Company has recognized an impairment of $566,756 (December 31, 2021 - $nil) based on its assessment of 100% expected credit losses using reasonable and supportable information available, in accordance with level 3 of the fair value hierarchy. There were no changes to the impairment assessment during the six months ended June 30, 2023. The carrying amount at June 30, 2023 and December 31, 2022 is $nil.

(Unaudited, Expressed in Canadian dollars)

7. PROPERTY AND EQUIPMENT //

	Office Furniture and Equipment $	Computer Equipment $	Leasehold Improvements $	Total $
Cost:				
Balance, December 31, 2021 and 2022 and June 30, 2023	10,553	28,598	4,211	43,362
Accumulated depreciation:				
Balance, December 31, 2021	10,553	15,833	4,211	30,597
Depreciation	-	6,930	-	6,930
Balance, December 31, 2022	10,553	22,763	4,211	37,527
Depreciation	-	3,331	-	3,331
Balance, June 30, 2023	10,553	26,094	4,211	40,858
Net book value:				
As of December 31, 2022	-	5,835	-	5,835
As of June 30, 2023	-	2,504	-	2,504

8. RIGHT-OF-USE LEASE ASSET //

The Company's Right-of-Use ("ROU") asset relates to the lease of office space.

The Company recognized its ROU asset measured at the present value of the remaining lease payments and discounted using the lessee's incremental borrowing rate of 9.5%. The lease was renewed in September 2022.

	$
Cost:	
Balance, December 31, 2021	588,806
Adjustment to the ROU asset	676,304
Balance, December 31, 2022 and June 30, 2023	1,265,110
Accumulated amortization:	
Balance, December 31, 2021	359,271
Depreciation	122,901
Balance, December 31, 2022	482,172
Depreciation	66,164
Balance, June 30, 2023	548,336
Net book value:	
As of December 31, 2022	782,938
As of June 30, 2023	716,774

(Unaudited, Expressed in Canadian dollars)

9. LEASE LIABILITY //

	$
Balance, December 31, 2021	226,776
Interest expense	31,025
Lease payments	(151,187)
Lease remeasurement	676,304
Balance, December 31, 2022	782,918
Interest expense	33,970
Lease payments	(77,280)
Balance, June 30, 2023	739,608

Which consists of:	
Current lease liability	99,682
Non-current lease liability	639,926
Balance, June 30, 2023	739,608

The Company's original lease agreement for its Vancouver head office premises expires November 30, 2023. Pursuant to this agreement, the Company is obligated to pay basic rent of $12,573 and operating costs, including electricity and related taxes of approximately $7,570, on a monthly basis during the year ended December 31, 2022. 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 $154,560 during the year end December 31, 2023 and will increase $3,680 per year for five years. The Company accounted for the lease extension as a lease modification and recalculated the lease liability and ROU asset based on the revised lease payments and the remaining lease term. The difference between the carrying amount of the lease liability before and after the modification was recognized as an adjustment to the ROU asset.

10. DEMAND LOAN FROM RELATED PARTY //

On April 29, 2022, the Company entered into a demand loan agreement with chairman and chief executive officer 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. The purpose of the short-term financing was to repay the convertible debentures that matured May 2, 2022.

On April 3, 2023, the Company entered into a demand loan agreement with the 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 on March 27, 2023, and the remaining balance was advanced on April 3, 2023. The demand loan bears interest at an annual rate of 2.5%, to be accrued 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 six-month ended June 30, 2023 an interest expense of $27,787 (June 30, 2022 - $8,631) was recorded relating to the demand loan and $19,705 was outstanding (June 30, 2022 - $nil).

Subsequent to June 30, 2023, the Company entered into a demand loan agreement with the chairman and chief executive officer of the Company, for an additional unsecured demand loan of $600,000. The demand loan bears interest at an annual rate of 2.5%, to be accrued 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.

(Unaudited, Expressed in Canadian dollars)

11. RELATED PARTY DISCLOSURE //

[a] Transactions with related parties

Related parties include members of the Board of Directors and officers of the Company, and enterprises controlled by these individuals.

Amounts due to related parties, including amounts due to key management personnel, at June 30, 2023 are unsecured and interest-free, and settlement generally occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Included in accounts payable and accrued liabilities at June 30, 2023 were amounts totaling $72,032 (December 31, 2022 - $23,895) due to key management personnel. The chief executive officer entered into a demand loan with the Company (Notes 10 and 16).

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 June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
	$	$	$	$
Management	94,174	184,836	179,261	331,863
Share-based payments	17,524	10,265	20,729	22,377
Total	111,698	195,101	199,990	354,240

[b] Other

The Company charges office lease expenditures to Northview Ventures Ltd., a company with a common management and director, and Fehr & Associates, a company with common management. During the six months ended June 30, 2023, office lease expenditures and operating costs billed to Northview Ventures Ltd. and Fehr & Associates amounted to $4,432 and $34,675 (June 30, 2022 - $4,320 and $25,846), respectively. On June 30, 2023, Northview Ventures Ltd. owed $2,327 (June 30, 2022 - $nil) in office lease expenditures. The Company recorded $27,787 (June 30, 2022 - $8,631) interest on demand loan to the chief executive officer

12. SHARE CAPITAL //

[a] Preferred shares

The authorized share capital of the Company consists of an unlimited number of Class A preferred shares without par value. As at June 30, 2023 and December 31, 2022, there were no preferred shares issued and outstanding.

[b] Common shares

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

There were no common share transactions during the six months ended June 30, 2023 and the year ended December 31, 2022.

(Unaudited, Expressed in Canadian dollars)

12. SHARE CAPITAL (CONTINUED)

[c] Common share purchase warrants

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

	Number	Weighted Average Exercise Price $
Balance, December 31, 2021	8,603,573	0.23
Expired	(5,270,240)	(0.22)
December 31, 2022	3,333,333	0.25
Expired	(3,333,333)	(0.25)
Balance, June 30, 2023	-	-

The expiry date of the share purchase warrants was February 26, 2023 and the remaining life as of December 31, 2022 was 0.16 years.

[d] Compensation warrants

During the year ended December 31, 2020, the Company issued 781,250 compensation warrants (“Compensation Warrants”) with an exercise price of $0.08 per unit. Each Compensation Warrant entitles the agent to purchase one unit at a price of $0.08 for 36 months, with each unit consisting of one common share and one-half of one warrant (each whole common share purchase warrant, a "Broker Warrant"). At June 30, 2023, there were 781,250 (December 31, 2022-781,250) compensation warrants outstanding with an expiry date of August 6, 2023.

[e] Stock options

The maximum number of common shares issuable under the Amended and Restated Stock Option Plan is fixed at 16,000,000 common shares. Under the Amended and Restated Stock Option Plan, the maximum number of common shares that may be optioned in favor of any single individual will not exceed 5% of the issued and outstanding common shares at the date of grant. The maximum number of common shares that may be optioned in favor of directors and senior officers under the Amended and Restated Stock Option Plan is 10% of the issued and outstanding common shares at the date of grant. The options can be granted for a maximum term of 10 years.

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 eight years and vest in tranches over a three-year period.

During the six months ended June 30, 2023, the Company recorded share-based payments of $31,068 (June 30, 2022 - $35,856) related to stock options that vested in the period.

(Unaudited, Expressed in Canadian dollars)

12. SHARE CAPITAL (CONTINUED)

[e] Stock options (continued)

The fair value of 2,775,000 stock options granted during the six months ended June 30, 2023 (December 31, 2022- 15,000) is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six Months Ended, June 30, 2023	Year Ended, December 31, 2022
Risk-free interest rate	3.04%	2.07%
Estimated annualized volatility	91.58%	91.60%
Expected life	8 years	8 years
Expected dividend yield	0%	0%

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

	Number	Weighted Average Exercise Price $
Balance, December 31, 2021	9,254,337	0.19
Granted	15,000	0.11
Forfeited	(490,000)	(0.11)
Expired	(1,100,000)	(0.26)
Balance, December 31, 2022	7,679,337	0.18
Granted	2,775,000	0.03
Forfeited	(265,000)	(0.16)
Expired	(350,000)	(0.55)
Balance, June 30, 2023	9,839,337	0.13

Date of Expiry	Exercise Price $	Number of Options Outstanding	Number of Options Exercisable
July 9, 2023*	0.57	150,000	150,000
April 21, 2024	0.47	140,000	140,000
July 22, 2024	0.35	150,000	150,000
December 6, 2025	0.20	1,120,000	1,120,000
April 16, 2026	0.25	30,000	30,000
November 6, 2026	0.18	800,000	800,000
February 1, 2027*	0.18	400,000	400,000
February 14, 2028	0.13	350,000	350,000
June 4, 2028	0.09	1,124,337	1,124,337
August 23, 2028	0.13	1,000,000	750,000
December 8, 2028	0.11	1,195,000	1,071,250
January 8, 2029*	0.10	100,000	100,000
January 25, 2029*	0.14	10,000	10,000
February 15, 2029	0.23	350,000	350,000
November 12, 2029	0.12	140,000	70,000
March 14, 2030	0.11	5,000	5,000
April 18, 2031	0.03	2,775,000	693,750
Total		9,839,337	7,314,337

As of June 30, 2023 the weighted average remaining life for outstanding options was 7.39 (December 31, 2022 – 4.47) years.
(*) Subsequent to June 30, 2023 150,000 stock options expired and 125,000 options were forfeited.

(Unaudited, Expressed in Canadian dollars)

13. OPERATING EXPENSES //

[a] Research and development expenses

	Three Months Ended June 30, 2023 $	Three Months Ended June 30, 2022 $	Six Months Ended June 30, 2023 $	Six Months Ended June 30, 2022 $
Consulting	25,824	7,945	69,096	254,052
Development costs	-	-	158,089	-
Total	25,824	7,945	227,185	254,052

[b] Sales and marketing expenses

	Three Months Ended June 30, 2023 $	Three Months Ended June 30, 2022 $	Six Months Ended June 30, 2023 $	Six Months Ended June 30, 2022 $
Advertising and promotion	52,742	90,331	86,792	127,714
Consulting	14,018	-	37,918	-
Depreciation and amortization *[note 7]*	1,665	1,732	3,331	3,465
Management, wages, and related *[note 11]*	256,043	445,131	519,470	841,596
Printing and other	19,471	65,047	31,079	88,712
Share-based payments *[notes 11 and 12]*	6,811	724	9,533	3,507
Travel and accommodation	22,094	60,117	35,772	87,220
Total	372,844	663,082	723,895	1,152,214

[c] General and administration expenses

	Three Months Ended June 30, 2023 $	Three Months Ended June 30, 2022 $	Six Months Ended June 30, 2023 $	Six Months Ended June 30, 2022 $
Accretion	-	22,568	-	82,459
Consulting	12,011	5,737	12,986	36,237
Depreciation of right-of-use lease asset *[note 8]*	33,082	29,940	66,164	59,879
Interest *[notes 9 and 10]*	32,268	30,590	61,757	82,756
Legal and professional fees	94,951	112,730	135,438	159,656
Management, wages, and related *[note 11]*	84,004	138,974	151,973	283,394
Office and general	48,800	59,402	96,807	123,048
Regulatory and transfer agent fees	20,026	24,947	34,127	51,393
Share-based payments *[notes 11 and 12]*	19,637	15,481	21,535	32,349
Travel and accommodation	8,805	16,808	18,039	21,834
Total	353,584	457,177	598,826	933,005

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT //

Fair value

The Company's financial instruments at June 30, 2023 and December 31, 2022 include cash, short-term investments, amounts receivable, accounts payable, accrued liabilities, and 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 liability, 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.

[a] Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises for the Company from its cash and amounts receivable.

The Company has adopted practices to mitigate the deterioration of principal, to enhance the Company's ability to meet its liquidity needs and to optimize yields within those parameters. These investment practices limit the investing of excess funds to liquid term deposits or cashable guaranteed investment certificates with banks and government guaranteed securities with maturities of one year or less.

The Company has adopted practices to mitigate risk of loss from amounts receivable by accepting credit cards.

[b] Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's exposure to liquidity risk is dependent on its purchasing commitments and obligations and its ability to raise funds to meet commitments and sustain operations. The Company manages liquidity risk by continuously monitoring its actual and forecasted working capital requirements, and actively managing its financing activities. As of June 30, 2023, the Company had a working capital deficit of $2,873,520 (December 31, 2022 - working capital deficit of $1,475,033). The Company will be required to raise additional financing to meet its obligations.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[c] Market risk

i. Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The Company is not exposed to significant cash flow fluctuations due to interest rate changes on its demand loans, as these bear interest at a fixed rate of 2.5% per annum. As such, fluctuations in the market interest rates during the six months ended June 30, 2023 and 2022 had no significant impact on its interest income.

ii. Currency risk

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

As at June 30, 2023, the Company had cash of $1,647 (December 31, 2022 - $1,520) denominated in US dollars.

As at June 30, 2023, the Company had accounts payable of $181 (December 31, 2022 - $6,891) denominated in US dollars and EUR 12,500 (December 31, 2022 - EUR nil) denominated in Euro.

[d] Capital disclosure

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

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

The Company manages its capital structure and adjusts it considering changes in economic conditions and risk characteristics of the underlying assets. The Company may issue new securities. The Company is not subject to any externally imposed capital requirements other than the issuance of convertible debentures. There were no changes to the Company's approach to capital management during the six months ended June 30, 2023 and 2022.

15. SEGMENTED DISCLOSURE //

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

The Company's property and 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. For the year ended December 31, 2022, 82% of its generated revenues are from one arm's length customer related to an agreement that expired December 31, 2022. Since the expiration of the agreement and for the six-month ended June 30, 2023 that customer generated no revenue for this period. The Company operates in one geographical segment, being the Canadian market.

For the six months ended June 30, 2023, the Company had revenues of $nil (June 30, 2022 - $557,974) and $190,660 (June 30, 2022 - $90,800) for promotional services and dry eye products sales, respectively.

As at June 30, 2023, the Company has dry eye product inventory in the amount of $32,151 (December 31, 2022- $93,823).