AEQUUS PHARMACEUTICALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the six months ended June 30, 2025

As of August 27, 2025

This management discussion and analysis ("MD&A") of Aequus Pharmaceuticals Inc. (the "Company" or "Aequus") is for the six months ended June 30, 2025 and is performed by management using information available as of August 27, 2025. 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 interim financial statements as at June 30, 2025 and for the six months then ended, and the related notes thereto. The Company's condensed interim financial statements are prepared in with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The condensed 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 financial statements as at December 31, 2024 and for the fiscal year then ended, 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;*
- *expected product launch success of preservative-free bimatoprost 0.03% eye drops termed "ZIMED® PF" ("ZIMED");*
- *the expected benefits of Evolve™ ("Evolve") and ZIMED;*
- *sales of Evolve returning to Canada;*
- *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. 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 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 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.

In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined below under the heading "Risks".

// OVERVIEW

Aequus is a specialty pharmaceutical company, with a focus on commercializing value-added products in specialty therapeutic areas in the Canadian market. The Company is entering a transitional period as it re-evaluates the best strategy to find value in its assets and operations.

The Company has incurred losses and negative operating cash flows since its inception. As of June 30,2025, the Company has accumulated a deficit of $35,670,920 (December 31, 2024 - $34,861,910). 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 product sales and commercial services revenue. The Company may not be able to raise additional financing on terms agreeable to the Company, or at all.

// HIGHLIGHTS

- The Company's near-term strategy includes the following key components:
  - The Company is working to materially reduce costs in the short term to allow more time to re-evaluate its current business plan.
  - As part of its ongoing efforts to manage costs and maintain contractual obligations, the Company has drastically reduced the number of commercial personnel while ensuring that core business functions are maintained and that ZIMED continues to be available to Canadian physicians and their patients.
- The Company recognized $444,765 (June 30, 2024 - $213,968) in product sales for the six months ended June 30, 2025. This is a total revenue increase of $230,797, or 108%, over the same period last year, which was expected as a result of the increase in ZIMED sales.
- Anne Stevens and Chris Clark resigned as directors effective April 25, 2025.
- On April 25, 2025, the Canadian Investment Regulatory Organization ("CIRO") imposed a temporary trading halt on the Company's shares. The halt was related to the Company's exchange compliance status, and management is actively working with regulators to address the matter and restore normal trading as soon as possible.
- On May 22, 2025, the Company entered into an Asset Purchase Agreement with Luvo Medical Technologies Inc. to sell certain assets related to Zimed® PF, including the product DIN, website rights, Medicom contract, customer data, and qualifying inventory, subject to customary closing conditions, with the transaction expected to close in the fourth quarter of 2025.

// KEY STRATEGIC COLLABORATIONS

MEDICOM HEALTHCARE LTD. //

In 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 ZIMED.

The agreement allows the Company an opportunity to co-commercialize a portfolio of products with Medicom and pursue non-competing products that bring synergistic value to the organization and partnerships.

// PRODUCT INFORMATION

ZIMED® PF, A PRESERVATIVE-FREE BIMATOPROST PRESCRIPTION DRUG //

ZIMED became available for wholesale distribution in Canada on August 24, 2023. As part of the sales launch, the Company launched a user-friendly education website for patients and professionals. With a focus on elevated interocular pressure and glaucoma, this website features ZIMED, the first preservative-free multi-dose bimatoprost available in Canada. Retail distribution to pharmacies across Canada began in August 2023, with full national distribution, wholesale and retail pharmacies, completed in Q1 2024. Marketing awareness programs, digital, trade and professional in-clinic sales efforts will coincide with product availability in key wholesale and retail pharmacies nationally. In Q1 2024, the commercial team built upon the launch activities, executed strategic marketing initiatives and rolled out education campaigns targeting key health care providers nationally.

In July 2019, Aequus completed the formal agreement with Medicom for the promotion of preservative-free bimatoprost 0.03% ophthalmic product, ZIMED, in Canada. 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. Aequus received a NDS (new drug submission) approval from Health Canada in December 2022.

Prostaglandins are the first-line approach among intraocular pressure-lowering agents, and bimatoprost is the highest selling prostaglandin on the market. ZIMED is positioned as the most efficacious molecule in a non-preserved format, with minimal packaging. ZIMED is the first preservative-free prostaglandin in a convenient multi-dose bottle available in Canada.

// OVERALL PERFORMANCE

The Company has restructured its commercial infrastructure to focus on ZIMED as it enters a transitional period while exploring the best strategy to find value in its assets and operations. The significant reduction in expenses and increase in product sales has resulted in an improved net loss for Q2 2025. The transaction with Luvo Medical Technologies will enable continued, and cost-effective, distribution of Zimed® PF in Canada.

The Company has historically funded its operations with proceeds from revenue, equity financing, debt and through the exercise of warrants. Aequus relies upon 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 $809,010 for the six months ended June 30, 2025, which is 39,86 % less than the loss of $1,345,121 for the six months ended June 30, 2024. The decrease in net loss was mainly due to an increase of $134,112 in gross income and a 92% % reduction in sales and marketing costs, partially offset by a $485,200 impairment expense related to the right-of-use lease asset.

During the six months ended June 30, 2025, the Company recognized $444,765 of ZIMED product sales compared to $ 213,968 for the six months ended June 30, 2024.

// SELECTED FINANCIAL INFORMATION

The following table provides an overview of the financial results in the three and six months ended June 30, 2025, as compared to those in three and six months ended June 30, 2024.

	Three Months Ended June 30			Six Months Ended June 30		
	2025	2024	Change	2025	2024	Change
	$	$	$	$	$	$
Revenue						
Product sales	218,220	161,413	56,807	444,765	213,968	230,797
Cost of goods sold	110,751	86,562	24,189	200,838	104,153	96,685
	107,469	74,851	32,618	243,927	109,815	134,112
Operating expenditures:						
Sales and marketing	42,985	538,159	(495,174)	82,266	980,878	(898,612)
General and administration	226,597	259,428	(32,831)	481,563	514,550	(32,987)
	(269,582)	(797,587)	(528,005)	(563,829)	(1,495,428)	(931,599)
Loss before other income (loss)	(162,113)	(722,736)	560,623	(319,636)	(1,385,613)	1,065,977
Other income (loss)	(1,796)	39,703	(41,499)	(489,374)	40,492	(529,866)
Net loss	(163,909)	(683,033)	(519,124)	(809,010)	(1,345,121)	(536,111)

REVENUES //

During the six months ended June 30, 2025, the Company recognized $444,765 of ZIMED product sales compared to $ 213,968 for the six months ended June 30, 2024.

SALES AND MARKETING EXPENSES //

S&M expenses were $42,985 for the three months ended June 30 , 2025 compared to $538,159 for the three months ended June 30, 2024, a decrease of $495,174. The changes in S&M expenses were primarily impacted by the following items:

- Advertising and promotion costs were $66,448 lower during the three months ended June 30, 2025, as compared to the three months ended June 30, 2024, mainly due to a reduction in marketing initiatives of promoting ZIMED.
- Consulting fees decreased by $36,653 for the three months ended June 30,, 2025, compared to the same period in 2024, primarily due to a lower demand for specific new information related to ZIMED.
- The remaining variations resulted from the complete layoff of the Sales and Marketing team in Q4 2024.

S&M expenses were $82,266 for the six months ended June 30, 2025 compared to $980,878 for the six months ended June 30, 2025, an increase of $898,612. The changes in S&M expenses were primarily impacted by the following items:

- Advertising and promotion costs decreased by $118,989 for the six months ended June 30, 2025, compared to the same period in 2024, primarily due to the absence of marketing initiatives to promote Zimed® in the current period.
- Consulting fees decreased by $43,467 during the six months ended June 30, 2025, as compared to the six months ended June 30, 2024, due primarily due to lower demand for external advisory services related to ZIMED.
- The remaining variations resulted from the complete layoff of the Sales and Marketing team in Q4 2024.

The following table summarizes the Company's S&M expenses for the three and six months ended June 30, 2025 compared to the three and six months ended June 30, 2024:

	Three Months Ended June 30			Six Months Ended June 30		
	2025	2024	Change	2025	2024	Change
	$	$	$	$	$	$
Advertising and promotion	21,841	88,289	(66,448)	40,783	159,772	(118,989)
Consulting	20,967	57,620	(36,653)	48,800	92,267	(43,467)
Management, wages, and related	-	328,376	(328,376)	-	639,105	(639,105)
Printing and other	-	3,520	(3,520)	-	8,198	(8,198)
Share-based payments	-	6,264	(6,264)	(7,494)	9,024	(16,518)
Meal	-	12,660	(12,660)	-	21,036	(21,036)
Travel and accommodation	177	41,430	(41,253)	177	51,476	(51,299)
	42,985	538,159	(495,174)	82,266	980,878	(898,612)

GENERAL AND ADMINISTRATION AND INTEREST EXPENSES //

General and administration and interest (or "G&A") expenses were $226,597 for the three months ended June 30, 2025 compared to $259,428 for the three months ended June 30, 2024, a decrease of $32,831. The changes in G&A expenses were mainly driven by general cost-cutting measures:

- Interest expenses increase by $9,280 in Q2 2025, as compared to Q2 2024, primarily due to a higher balance of demand loans during Q2 2025 compared to Q2 2024.
- Legal and professional fees increased by $41,725 in Q2 2025 compared to the same period in 2024, mainly reflecting higher legal costs related to business strategies and employment matters.
- Office and general increased by $14,7420 during the three months ended June 30, 2025, as compared to the three months ended June 30, 2024, primarily driven by higher rent expense primarily driven by higher rent expense, partially offset by general cost-cutting measures.
- Management wages and related costs decreased by $42,890 for the three months ended June 30, 2025, primarily due to the CFO position being vacant during Q2 2025, unlike Q2 2024.

G&A expenses were $481,297 for the six months ended June 30, 2025 compared to $514,550 for the six months ended June 30, 2024, a decrease of $33,253. The changes in G&A expenses were mainly driven by general cost-cutting measures offset for higher loan-related expenses:

- Consulting increased by $10,406 during the six months ended June 30, 2025, as compared to the same period in 2024, primarily due to account service for the period.
- Legal and professional fees increased by $68,441 due to a increase in legal work required related to business strategies and employment matters in comparison with the six months ended June 30,2024.
- Management, wages and related expenses decreased by $79,609 for the six months ended June 30, 2025, primarily due to the CFO position remaining vacant since November 2024.
- Office and general increased by $18,378 during the six months ended June 30, 2025, as compared to the six months ended June 30, 2024, due to higher rent and the loss of sublease income since November 2024.
- Depreciation of right-of-use lease assets decreased by $33,082 for the six months ended June 30, 2025, compared to the same period in 2024, as the Company impaired its right-of-use lease assets to $nil during Q1 2025.

The following table summarizes the Company's G&A expenses for the three and six months ended June 30, 2025, as compared to the three and six months ended June 30, 2024.

	Three Months Ended June 30			Six Months Ended June 30		
	2025	2024	Change	2025	2024	Change
		$	$		$	$
Consulting	7,833	1,125	6,708	19,256	8,850	10,406
Depreciation of right-of-use lease	-	33,082	(33,082)	33,082	66,164	(33,082)
Interest	70,305	61,025	9,280	140,279	113,362	26,917
Legal and professional fees	66,208	24,483	41,725	114,910	46,469	68,441
Management, wages, and related	41,467	84,357	(42,890)	83,493	163,102	(79,609)
Office and general	38,878	24,158	14,720	80,181	61,803	18,378
Regulatory and transfer agent fees	-	13,359	(13,359)	11,042	27,310	(16,268)
Share-based payments	1,906	11,187	(9,281)	(946)	16,283	(17,229)
Travel and accommodation	-	6,652	(6,652)	-	11,207	(11,207)
	226,597	259,428	(32,831)	481,297	514,550	(33,253)

// FOURTH QUARTER ANALYSIS

The Company recorded a net loss of $163,909 for Q2 2025 compared to a loss of 645,101 for Q1 2025. The decrease in net loss was mainly due to impairment related to a right-of-use asset of $485,200 during previous quarter.

// QUARTERLY FINANCIAL INFORMATION

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

	Quarters Ended			
	Q2 2025 June 30 $	Q1 2025 March 31 $	Q4 2024 December 31 $	Q3 2024 September 30 $
Revenue				
Product sales	218,220	226,545	221,949	148,320
Cost of goods sold	110,751	90,087	74,902	72,879
	107,469	136,458	147,047	75,441
Sales and marketing expenditures	(42,985)	(39,281)	(307,112)	(446,583)
General and administration and interest expenditures	(226,597)	(254,700)	(218,933)	(244,814)
Other income/losses	(1,796	(487,578)	161,188	1,225
Net loss for the period	(163,909)	(645,101)	(217,810)	(614,731)
Basic and diluted loss per common share	(0.00)	(0.00)	(0.01)	(0.01)

	Quarters Ended			
	Q2 2024 June 30 $	Q1 2024 March 31 $	Q4 2023 December 31 $	Q3 2023 September 30 $
Revenue				
Product sales	161,413	52,555	50,877	13,359
Cost of goods sold	86,562	17,591	15,303	10,458
	74,851	34,964	35,574	2,901
Research and development expenditures	-	-	-	(74,095)
Sales and marketing expenditures	(538,159)	(442,719)	(446,795)	(458,101)
General and administration and interest expenditures	(259,428)	(255,122)	(301,821)	(278,412)
Other income/loss)	39,703	789	(2,829)	4,054
Net loss for the period	(683,033)	(662,088)	(715,871)	(803,653)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.01)	(0.01)

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

- During Q1 2025, the Company identified indicators of impairment related to a right-of-use asset. The recoverable amount was assessed and determined to be nil, resulting in the recognition of an impairment loss of $485,200 on the asset's carrying amount.
- Sales and marketing expenses are expected to decrease due to a reduction in the sales team
- Q4 2024 includes a one-time payment of $203,646 as a result of an amendment of the Distribution Agreement with Medicom.

// LIQUIDITY AND CAPITAL RESOURCES

ash used in operating activities is comprised of net loss, the add-back of non-cash expenses, and changes in non-cash working capital. Cash flow from operating activities improved by $1,212,643 during the six months ended June 30, 2025, with a cash outflow of $15,164 compared to an outflow of $1,227,807 in the same period of 2024. This improvement was primarily driven by a significant non-cash impairment charge, favorable changes in working capital (notably prepaid expenses and accounts payable), and other non-cash adjustments.

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024	Change
	$	$	$
Cash used in operating activities	(15,164)	(1,227,807)	1,212,643
Cash provided by financing activities	-	1,101,690	(1,101,690)
Net (decrease) in cash	(15,164)	(126,117)	110,953

For the six months ended June 30, 2025, cash provided by financing activities decreased by $1,101,690 compared to the prior year, primarily due to a $1,185,410 reduction in demand loan proceeds and the absence of lease obligation payments in 2025 (versus $83,720 paid in the same period of 2024).

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 June 30, 2025, the Company had a working capital deficiency of $6,847,535 compared to $6,514,394 as of December 31, 2024. 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. Potential future sources of capital include 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.

The Company entered into a series of demand loan agreements with the chairman and CEO of the Company for unsecured demand loans. These loans bear interest at an annual rate to be calculated and accrued monthly, and they are repayable on demand.

Date	Amount $	Interest rate
April 29, 2022	2,000,000	2.5%
April 3, 2023	500,000	2.5%
July 6, 2023	400,000	2.5%
August 28, 2023	200,000	2.5%
September 28, 2023	270,000	2.5%
October 18, 2023	1,000,000	5%
January 23, 2024	285,410	6%
March 13, 2024	350,000	6%
May 9, 2024	250,000	6%
June 6, 2024	300,000	6%
July 26, 2024	141,884	6%
August 28,2024	30,000	6%
September 11, 2024	100,000	6%
September 26, 2024	100,000	6%
October 24, 2024	70,000	6%
November 13, 2024	79,000	6%
December 13, 2024	(47,392)	
Total	**6,028,902**	

// COMMITMENTS AND CONTINGENCIES

On December 1, 2018, the Company entered into a lease agreement for its Vancouver head office premises for five years, expiring on November 30, 2023. Pursuant to this lease, the Company was 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 increased 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 $171,120 for the year ended December 31, 2025, $174,800, $178,480 and $182,160 in each of the subsequent years. The estimated amount owing for base rent, along with operating expenses, is $1,127,868 through the end of the lease agreement.

On July 22 2025, the Company entered into a lease settlement agreement (the "Termination Agreement") with the landlord, pursuant to which the lease term was reduced to expire on August 31, 2025. Under the Termination Agreement, the Company agreed to pay a one-time termination fee of $175,000 (plus applicable taxes) on or before November 30, 2025.

On September 6, 2024, Aequus terminated Mr. Grant Larsen's employment as Chief Commercial Officer without cause, providing him with four (4) weeks' pay in lieu of notice, totaling $19,230. On December 17, 2024, Mr. Larsen filed a Statement of Claim for wrongful dismissal, seeking $202,577 in damages. In response, Aequus denied the claim and filed a Counterclaim for the repayment of the severance amount, stating that it had after-acquired cause for termination due to Mr. Larsen's acceptance of external engagements during his employment. Mr. Larsen filed a reply denying both the after-acquired cause and the repayment claim.

// 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 are summarized in the following table:

	Number Outstanding as of August 29, 2025	Number Outstanding as of June 30,2025
Common shares issued and outstanding	132,634,431	132,634,431
Options	2,110,000	4,854,337
	134,744,431	137,488,768

Of the 2,110,000 options outstanding at the date of this report, 1,597,500 vested and have a weighted average exercise price of $0.13 per option. The remaining 512,500 options are not vested and have a weighted average exercise price of $0.04 per option.

// 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

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. 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 former chief financial officer ("CFO") of the Company. Pursuant to this consulting agreement, Mrs. Fehr was compensated at a rate of $1,000 per month plus $120 per hour. Mrs. Fehr resigned as CFO of the Company on November 08,2024. During the six months ended June 30, 2025, Fehr & Associates charged total management, wages and related fees of $nil (June 30, 2024 - $57,386) for CFO and outsourced accounting services. Share-based payments of $nil (June 30, 2024 - $3,285).

iii. Grant Larsen, the former chief commercial officer, was compensated at a monthly rate of $20,833. During the six months ended June 30, 2025, Mr. Larsen received $nil (June 30, 2024 - $125,000) in salaries recognized as management, wages and related expenses. Share-based payment of $nil (June 30, 2024 - $5,846).

iv. During the six months ended June 30, 2025 a share-based payment of $nil (June 30, 2024 - $1,554) was granted to the Company's directors.

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

Key Management Compensation

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 June 30, 2025 $	Three Months Ended June 30, 2024 $	Six Months Ended June 30, 2025 $	Six Months Ended June 30, 2024 $
Management	-	92,277	-	182,386
Share-based payments	-	8,194	-	13,432
Total	-	100,471	-	195,818

Other – Related Party Loans

As detailed above, the Company entered into a series of demand loan agreements with the chairman and CEO of the Company for unsecured demand loans. These loans bear interest at an annual rate to be calculated and accrued monthly, and they are repayable on demand.

The demand loan balance was $6,028,902 at June 30, 2025 (December 31, 2024 - $6,028,902).

During the six months ended June 30, 2025, interest expense of $115,704 (June 30, 2024 - $83,492) was recorded relating to the demand loans. As at June 30, 2025, $382,122 (December 31, 2024 - $266,419) is outstanding and recognized in accounts payable.

During the year ended December 31, 2017, the Company entered into two separate sublease arrangements with NVI and Fehr & Associates for recovery of rent expenses. The sublease arrangements were in place until November 30, 2024. During the six months ended June 30, 2025, the Company received $nil and $nil (June 30, 2024 – 5,370 and $55,354) respectively.

// FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

The Company's financial instruments at June 30, 2025 include cash, amounts receivable, accounts payable, accrued liabilities, demand loans from related party and lease liability. The fair values of cash, amounts receivable, accounts payable, accrued liabilities and demand loans 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 AND 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 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 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 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 Company applies judgment in determining whether the contract contains an identified asset, whether they have the right to control the asset and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.
- Management assessed the lease modification in accordance with IFRS 16 and determined that it met the criteria, as it involved a substantive change in scope and commensurate adjustment in lease payments. Consequently, the lease liability and right-of-use ("ROU") asset were recalculated based on the revised terms. This judgment significantly impacts the financial statements by affecting the recognition and measurement of the lease liability, ROU asset and related expenses.

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:

- 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.
- The Company regularly reviews inventory to determine whether the inventory cost exceeds its net realizable value. The determination of the net realizable value requires management to make estimates and use judgment in considering shelf life of a product, estimates of future demand and new product introductions.
- Management uses judgment in estimating provisions for sale allowance, such as cash discounts, return, rebates and chargebacks. The product revenue recognized quarter over quarter is net of these estimated allowances. Such estimates require the need to make estimates about matters that are inherently uncertain. These estimates take into consideration historical experience, current contractual and statutory requirements, specific known market events and trends, such as competitive pricing and new product introductions, estimated inventory levels and the shelf life of products. If actual future results vary, these estimates need to be adjusted, with an effect on sales and earnings in the period of the adjustment.

// RISKS

Current and prospective shareholders should specifically consider various factors and risks as outlined below. Should one or more of these risks or uncertainties, including the risks listed below, or a risk that is not currently known to us materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein.

Volatility of Market Price

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

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

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

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

Dilution

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

Negative Cash Flow from Operations

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.

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.

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.

// ADDITIONAL INFORMATION

Additional information about the Company, including the condensed interim financial statements of the Company is available on SEDAR+ at *www.sedarplus.ca.*