MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As of August 28, 2015

For the three and six months ended June 30, 2015

*This management discussion and analysis ("**MD&A**") of Aequus Pharmaceuticals Inc. (the "**Company**" or "**Aequus**") is for the three and six months ended June 30, 2015 and is performed by management using information available as of August 28, 2015. 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 unaudited condensed interim financial statements and notes thereto for the three and six months ended June 30, 2015 (the "**Interim Financial Statements**"), as well as audited financial statements for the year ended December 31, 2014 and the related notes thereto ("**Annual Financial Statements**"). The Company's Interim Financial Statements and Annual Financial Statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are expressed in Canadian dollars unless otherwise indicated.*

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable Canadian securities laws that may not be based on historical fact, including, without limitation, statements containing the words "believe", "may", "plan", "will", "estimate", "continue", "anticipate", "intend", "expect" and similar expressions. Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as the factors we believe are appropriate. Forward-looking statements in this MD&A include but are not limited to statements relating to:

- *the intention to enrol patients in a non-IND Phase 1a Proof of Concept clinical trial for our transdermal aripiprazole patch;*
- *the initiation, timing, cost, progress and success of our research and development programs, pre-clinical studies and clinical trials;*
- *our ability to advance product candidates into, and successfully complete, clinical trials;*
- *our ability to recruit sufficient numbers of patients for our future clinical trials;*
- *our ability to achieve profitability;*
- *our ability to obtain funding for our operations, including research funding;*
- *the Company's ability to establish and maintain relationships with collaborators with acceptable development, regulatory and commercialization expertise and the benefits to be derived from such collaborative efforts;*
- *whether our third party collaborators will maintain their intellectual property rights in the technology we license;*
- *the manufacturing capacity of third-party manufacturers for our product candidates;*
- *the implementation of our business model and strategic plans;*
- *our ability to develop and commercialize product candidates;*
- *our commercialization, marketing and manufacturing capabilities and strategy;*
- *our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;*
- *our expectations regarding federal, provincial and foreign regulatory requirements;*
- *whether the Company will receive, and the timing and costs of obtaining, regulatory approvals in the U.S., Canada, the European Union and other jurisdictions;*

- *the therapeutic benefits, effectiveness and safety of our product candidates;*
- *the accuracy of our estimates of the size and characteristics of the markets that may be addressed by our products and product candidates;*
- *the rate and degree of market acceptance and clinical utility of our future products, if any;*
- *the timing of, and our ability and our collaborators' ability, if any, to obtain and maintain regulatory approvals for our product candidates;*
- *our expectations regarding market risk, including interest rate changes and foreign currency fluctuations;*
- *our ability to engage and retain the employees required to grow our business;*
- *the compensation that is expected to be paid to employees of the Company;*
- *our future financial performance and projected expenditures;*
- *our use of proceeds from any financings;*
- *developments relating to our competitors and our industry, including the success of competing therapies that are or become available; and*
- *estimates of our expenses, future revenue, capital requirements and our needs for additional financing.*

Such statements reflect our current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Aequus, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. In making the forward looking statements included in this MD&A, the Company has made various material assumptions, including, but not limited to: (i) obtaining positive results of clinical trials; (ii) obtaining regulatory approvals; (iii) general business and economic conditions; (iv) the Company's ability to successfully out-license or sell its current products and in-license and develop new products; (v) the assumption that our current good relationships with our manufacturer and other third parties will be maintained; (iv) the availability of financing on reasonable terms; (vii) the Company's ability to attract and retain skilled staff; (viii) market competition; (ix) the products and technology offered by the Company's competitors; and (x) the Company's ability to protect patents and proprietary rights.

*In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined under the heading "Risk Factors" in the Company's prospectus ("**Prospectus**") filed on SEDAR (www.sedar.com) on February 19, 2015. 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.*

All references to dollars ($) in this MD&A are expressed in Canadian funds, unless otherwise indicated.

OVERVIEW OF THE COMPANY

Aequus was incorporated under the name "Aequus Pharmaceuticals Inc." pursuant to the *Business Corporations Act* (British Columbia) on January 3, 2013. Aequus is a Vancouver-based, specialty pharmaceutical company primarily focused on developing and commercializing high quality, differentiated products. Aequus' development stage pipeline includes several products in neurology and psychiatry with a goal of addressing the need for improved medication adherence through enhanced delivery systems. Aequus intends to commercialize its internal programs in Canada and to establish strategic partnerships to accelerate product development and maximize market reach of its product candidates worldwide. Through the recent acquisition of TeOra Health Ltd completed on July 28th, 2015, Aequus now has access to a Canadian commercial platform to build on for launching products that are either created internally or brought in through an acquisition or license.

Significant Events in Company History

On July 30, 2013, Aequus formalized its in-licensing of exclusive worldwide rights for the intellectual property enabling a transdermal formulation of aripiprazole for all uses from Transdermal Pharma Research Laboratories LLC ("**TRPL**"). On August 1, 2013, Aequus and TRPL entered into a Research Service Contract (the "**Research Service Contract**"). The Research Service Contract covers formulation work in connection with the aripiprazole formulation and other pipeline programs as directed by Aequus.

In June of 2013, Aequus entered into a confidentiality agreement with Corium International, Inc. ("**Corium**") and began discussions regarding establishing a manufacturing relationship. On May 23, 2014, Aequus entered into a development agreement with Corium (the "**Development Agreement**", as amended November 11, 2014, January 16, 2015 and February 16, 2015) whereby both parties would collaborate on the evaluation and development of AQS1301. On the same date, Aequus and Corium agreed to negotiate a multi-product collaboration (the "**Multi-product Collaboration Agreement**" or "**Collaboration Agreement**") to co-fund and develop additional transdermal products. On April 28, 2015, the Company and Corium entered into the Collaboration Agreement (see "*Significant events subsequent to March 31, 2015*", below). Shortly after the execution of and pursuant to the Development Agreement, Aequus began the technology transfer process with Corium and transferred all Aequus' clinical and technical data, along with certain analytical methods and materials, to Corium. In July, a research plan was created as part of the Development Agreement by Aequus and Corium setting out the development objectives for AQS1301, and in August, a joint development committee, consisting of members from both Aequus and Corium, was established to govern the ongoing development of the aripiprazole program.

On June 1, 2014, the Company and TRPL entered into an amendment agreement to remove Aequus' obligations of future royalty payments under a license agreement between the Company and TRPL dated July 30, 2013 (the "**License Agreement**", as amended June 1, 2014 and March 11, 2015).

Significant events during the six months ended June 30, 2015

- On January 29, 2015, Mr. Jason Flowerday was appointed to the Board of Directors of the Company (the "**Board**").

- On February 19, 2015, Aequus obtained a receipt (the "**Receipt**") for a final prospectus filed with securities regulators in British Columbia, Alberta, Manitoba and Ontario (the "**Jurisdictions**"). The Receipt made the Company a reporting issuer in the Jurisdictions with all of the reporting requirements associated with that status. As a result of the Receipt, all 7,618,780 special warrants of the Company (the "**Special Warrants**") and 425,521 agents' special warrants of the Company (the "**Agents' Special Warrants**") issued pursuant to the Company's November 20, 2014 offering of Special Warrants (the "**Offering**") were deemed exercised on February 25, 2015. The Special Warrants converted into 7,618,780 common shares

in the capital of the Company (each, a "**Common Share**") and 3,809,388 Common Share purchase warrants (the "**Underlying Warrants**"). The Underlying Warrants are exercisable for an equal number of Common Shares at a price of $0.75 per Underlying Warrant until November 20, 2016. The 425,521 Agents' Special Warrants converted into an equal number of agents' warrants (the "**Agents' Warrants**"). Each Agents' Warrant is exercisable into one Common Share and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, an "**Agents' Underlying Warrant**") at a price of $0.55 per Agents' Warrant until November 20, 2016.

- On March 16, 2015, Mr. Hamed Shahbazi was appointed to the Board.

- On March 17, 2015, the Company's Common Shares commenced trading on the TSX Venture Exchange ("**TSX-V**") under the trading symbol "AQS" (the "**TSX-V Listing**").

- On April 28, 2015, the Company and Corium entered into the Multi-product Collaboration Agreement under which the parties may co-fund new transdermal products with an initial focus on neurological disorders. Under the terms of the Multi-product Collaboration Agreement, for each product selected for development, the parties will assign an allocation of responsibilities, costs, rights and product revenues.

Significant Events subsequent to June 30, 2015

- On July 13, 2015, Miss. Anne Stevens is promoted to Chief Operating Officer of Aequus.

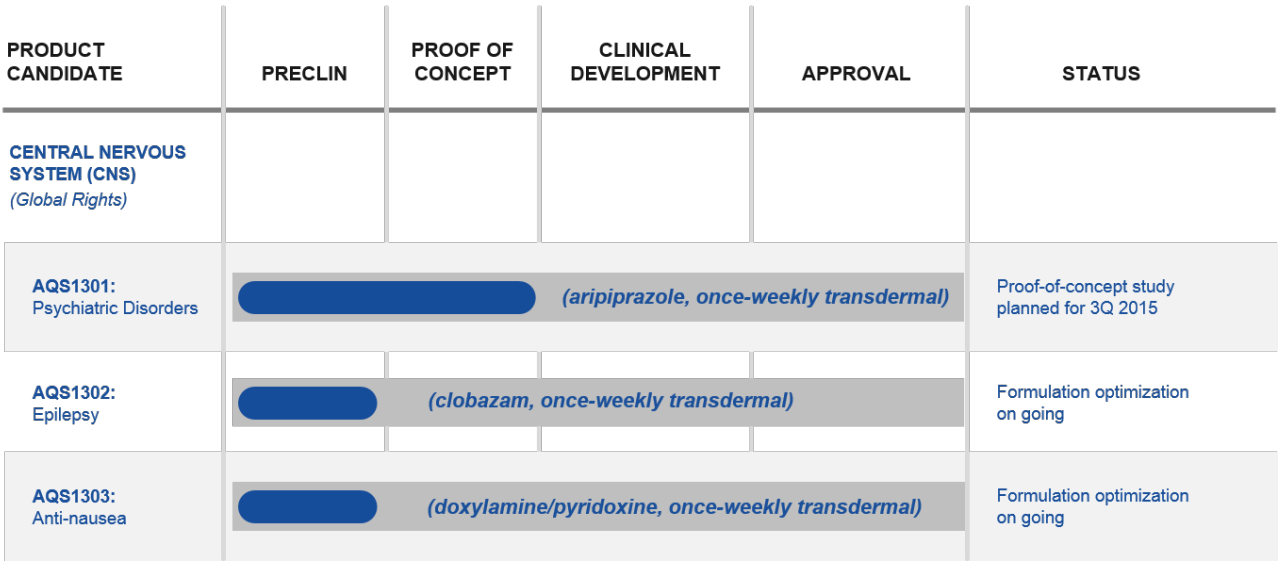
- On July 28, 2015, the Company acquired all issued and outstanding shares of TeOra Health Ltd. ("**TeOra**"), a privately held Canadian specialty pharmaceutical company (the "**Acquisition**"). The Acquisition provided the Company with sales and marketing capabilities, and a right to promote and market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

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

Aequus' Products and Development

Aequus' lead development stage product candidate, AQS1301, is expected to be a once-weekly transdermal formulation of aripiprazole. The oral, once-daily formulation of aripiprazole is currently marketed under the trade name Abilify™ for the treatment of bipolar I disorder, schizophrenia, irritability associated with autistic disorder, and major depressive disorder. Abilify™, a unique atypical antipsychotic, is a market leader in the U.S., and Aequus believes it has limitations due to its daily dosing regimen which is associated with a high rate of non-adherence, which may result inrelapse. Aequus' proposed once-weekly transdermal aripiprazole patch is designed to consistently deliver aripiprazole over a seven-day period at levels comparable to currently marketed once-daily formulations. By delivering aripiprazole over seven days in a comfortable, convenient and easy-to-use weekly patch, AQS1301 is intended to promote enhanced patient adherence.

In addition to AQS1301, Aequus is developing a pipeline of other CNS product candidates that specifically benefit from the various attributes that transdermal and other long-acting delivery systems can provide. The following table summarizes the current status of Aequus' main product candidates:



The development of a new dosage form for an already approved drug, such as a change from a solid oral dosage form to a transdermal patch, can rely to some extent on previous safety and/or efficacy data provided by the literature or can reference past findings of safety and effectiveness for the approved drug according to a Section 505(b)(2) New Drug Application ("**NDA**") with the U.S. Food and Drug Administration ("**FDA**"). Thus, the development timelines and costs associated with the studies required to be conducted by Aequus for approval of a transdermal formulation of aripiprazole under the 505(b)(2) regulatory pathway in the U.S. (and equivalent approval pathways in other jurisdictions) would be less than what is required for a new chemical entity.

Aequus' Development Program

Aequus has completed in-vitro skin flux, skin irritation and porcine pharmacokinetic ("**PK**") pre-clinical studies to determine the optimal formulation for a once-weekly, transdermal aripiprazole patch and anticipates enrolling its first patient in a non-IND Phase 1a Proof of Concept ("**POC**") clinical trial in the second half of 2015 (see "*Clinical Development*", below). Under the terms of the Multi-product Collaboration Agreement, Corium has an option to co-fund up to 50% of the clinical program following review of the non-IND Phase 1a POC clinical trial results and in return, Corium would participate in a higher level of the economics of the sales or licensing revenues accordingly.

Aequus anticipates filing a Section 505(b)(2) NDA with the FDA for approval of AQS1301, which is required before marketing a new drug in the United States. A Section 505(b)(2) NDA relies in part on clinical trials that Aequus needs to conduct, and in part on third-party findings of safety and efficacy for the active ingredients for which Aequus has not obtained a right of reference or which have been established in the scientific literature in the public domain.

Aequus expects to commercialize AQS1301 in the U.S. and the rest of the world, if approved by the FDA and other relative regulatory bodies for commercial sales, via a third party commercial partner or partners. However, Aequus may retain commercialization rights in certain territories, such as Canada, where it may commercialize the product through a direct specialized sales force should AQS1301 be approved for sale in those jurisdictions.

Clinical Development

Non-IND Phase 1 Proof of Concept and Phase 1 Bioequivalence study

Aequus, along with its key advisors, has designed and filed a clinical trial application ("**CTA**") for a POC study to determine the pharmacokinetic profile of AQS1301 in healthy human subjects. This study is expected to be a double blinded, single-dose, randomized, placebo controlled, 7 day safety assessment and bioavailability study in twelve subjects. If the results are positive, the Company intends to follow with a 4 week, repeat-dose bioavailability study planned for initiation in Q4 of 2015. This follow-on POC study will determine the unit flux and the level and constancy of blood levels over a 7 day period and provide guidance for the appropriate patch sizes (dosages) for clinical and commercial use. These POC studies should be completed within 3 months from initiation.

Following completion of the POC studies, patches with the specifications derived from the POC study will be manufactured and a clinical trial site will be established in the US or Canada to conduct a study suitable to support a NDA 505(b)(2) submission. Aequus expects to engage a clinical Contract Research Organization to complete the design and conduct of these trials.

The Phase 1b Bioequivalence study is currently expected to enroll approximately 30 healthy subjects. We anticipate subjects will be exposed to a single dose of AQS1301 to determine the bioequivalence of our target product profile over a seven day period. This Phase 1 Bioequivalence study is not expected to take more than three months to complete.

Phase 2 Registration study

In order to obtain regulatory approval, the Company will be required to carry out at least one Registration study with at least several hundred patients. The target patient population will be dependent on the advice of our clinical advisors and the results from the POC and Bioequivalence Phase 1 studies. For the Phase 2 Registration study, we anticipate patients will be exposed to AQS1301 over a 28-day period. This study is expected to take approximately one year to complete. Aequus intends to have a third party development collaborator or commercialization partner engaged prior to initiating this study to support the funding requirements of this study.

Clinical Development Timeline

Aequus plans to advance the development of AQS1301 through to completion of the Phase 1b Bioequivalence study in the next two years. Concurrent with the Phase 1 clinical programs for AQS1301, Aequus anticipates engaging in partnering discussions to advance AQS1301 through the Phase 2 Registration study. In the next two years, Aequus also plans to accelerate its second internal program, AQS1302, through formulation development; and conduct exploratory research on AQS1303 primarily for patent application purposes. The following table summarizes Aequus' current development plan for its product pipeline for the next two years.

Table 1 – Planned Development Timeline

Program	Development Milestone	2015				2016			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
AQS-1301	Formulation and optimization Manufacturing IND enable studies and IND Phase 1a Proof of Concept Phase 1b Bioequivalence Phase 2 Registration preparation Registration Study(1)								
AQS-1302	Formulation development Formulation Optimization Manufacturing IND enable studies and IND Phase 1a Proof of Concept Phase 1b Bioequivalence								
All programs	Patent conversions & applications								

Notes:
(1) Anticipate funding through partnership or licensing arrangement.

The Company's product development progress is contingent upon a number of factors. See the heading "*Risk Factors*" in the Prospectus. There can be no assurances that Aequus will complete each stage of development in accordance with the timelines set out above, or at all.

Steps to Reach Commercial Production

In order for AQS1301 and AQS1302 to reach commercial production, the Company anticipates the following additional steps. With respect to AQS1301, a (i) registration study; and (ii) a regulatory application with the FDA for commercial approval, will both be required. The Company anticipates achieving commercial production of AQS1301 in Q3 2017 at a total cost of $35,535,000. Of this amount, $1,435,000 is expected to be incurred by the Company in fiscal year ending December 31, 2015.

With respect to AQS1302, a (i) formulization optimization; (ii) a Phase 1a POC study; (iii) a Phase 1b Bioequivalence study; (iv) a registration study; and (v) a regulatory application with the FDA for commercial approval, will be required. The Company anticipates achieving commercial production of AQS1302 in Q2 2018 at an additional cost of $35,715,000. Of this amount, $480,000 is expected to be incurred by the Company in fiscal year ending December 31, 2015.

Aequus' Business Strategy

Aequus' business strategy is to develop alternative routes of delivery for currently approved drugs where non-compliance can result in clinically significant consequences to patients, and to commercialize these and other high-quality products within the Canadian market. In order to accomplish this objective, Aequus intends to advance the development of its internal product pipeline through Phase 1 clinical studies and will look to establish strategic partnerships for late stage product development, from Phase 2 registration studies through commercial launch in certain territories. Aequus plans to focus its commercial efforts within the Canadian regions, and expects to grant development and commercial rights to its collaborative partners. This allows Aequus to leverage its partners' infrastructure and established networks necessary for accelerated product development and wider market reach in other regions worldwide. Aequus has accelerated its commercialization strategy through the recent acquisition of TeOra. The acquisition provides the Company with Canadian sales capabilities, a commercial platform to build on, as well as the right to promote and market a branded generic ophthalmology product within Canada.

Aequus has identified four key areas of potential growth over the next 24 months:

New Routes of Delivery. While Aequus' initial focus is on transdermal routes of delivery to leverage its internal expertise, Aequus believes there is an opportunity to expand its product pipeline to include reformulated drugs using alternate routes of delivery through entering into additional strategic development partnerships.

New Pipeline Programs. Currently, Aequus has three preclinical stage programs. Aequus anticipates adding commercial or near-commercial stage programs to its pipeline to complement the programs it has in development. These additions may be through in-licensing intellectual property or acquiring external assets.

New Therapeutic Areas. Aequus is initially focused on building its CNS portfolio with targeted end-users which the Company expects will allow it to partner with or develop a specialty sales force in certain territories. Aequus anticipates expanding into new specialty-focused therapeutic areas to broaden its later stage pipeline.

New Commercial Rights. Through the acquisition of TeOra, Aequus has obtained the right to promote and market a branded generic ophthalmology product in Canada. The Company is in discussion for additional commercial rights within the Canadian regions, and plans to expand its product portfolio to include life-cycle patented brands and branded generic products within specialty therapeutic areas.

OVERALL PERFORMANCE

Since its inception in January 2013, Aequus had accumulated a deficit of $6,309,624 as at June 30, 2015. The Company has not generated any revenue from product sales to date and does not expect to generate any revenues until it licenses out, partners or commercializes its current product candidates and any product candidates it may advance in the future. Aequus expects its operating losses to continue as it invests in its product development, with primary focus for the next two years on AQS1301, AQS1302, and AQS1303, and develop its newly acquired business of TeOra.

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

Discussion of Operations

Aequus recorded a net loss of $1,142,920 ($0.03 per Common Share) in the three months ended June 30, 2015 ("**Q2 2015**"), as compared to $366,050 ($0.01 per Common Share) in the three months ended June 30, 2014 ("**Q2 2014**"). On a year to date basis, net loss for the six months ended June 30, 2015 ("**YTD 2015**") was $2,269,149 (or $0.07 per Common Shares) as compared to $625,684 for the same period in the preceding year (**"YTD 2014"**). The increases in net loss in the current reporting periods were primarily due to the higher operating expenditures as the Company built its corporate infrastructure and expanded its operations necessary to advance the development of AQS-1301 and AQS1302. The Company achieved a number of corporate milestones in the current reporting periods including the Receipt of its final long form prospectus on February 19, 2015, the TSX-V Listing on March 17, 2015, completing the multi-product collaboration deal with Corium on April 28, 2015, and advancing product development of AQS1301 and AQS1302.

Specifically, the increase of $776,870 in net loss in Q2 2015, as compared to Q2 2014, was due to an increase of $774,545 in operating expenditures, which was offset by a decrease of $2,325 in other income. Net loss in YTD 2015 was $1,643,465 higher than the net loss in YTD 2014 due to the higher operating expenses by $1,622,200 and the lower other income by $21,265. The following table provides an overview of the financial results in Q2 2015 and YTD 2015 as compared to the same periods in the preceding year:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Research and development expenses	606,272	185,878	985,858	298,636
General and administration expenses	548,315	194,164	1,282,447	347,469
Total operating expenses and loss before other income	(1,154,587)	(380,042)	(2,268,305)	(646,105)
Other income (loss)	11,667	13,992	(844)	20,421
Net loss	**(1,142,920)**	**(366,050)**	**(2,269,149)**	**(625,684)**

Revenues

Aequus did not generate any revenue from product sales in Q2 2015 and YTD 2015. Through the acquisition of TeOra, Aequus has a right to promote and market a branded generic ophthalmology product within Canada and expects to generate revenues upon launching this ophthalmology product in late 2015. The Company does not expect any revenues from its product candidates in development until they are licensed out, or until collaborative partnerships are formed for these product candidates.

Research and Development Expenses

Research and development expenses were $606,272 in Q2 2015, as compared to $185,878 in Q2 2014. The variance of $420,394 was primarily attributable to an increase in subcontract research and development costs by $328,577. Consulting and management fees, patent costs and other expense categories also contributed increases of $71,698, $13,180 and $6,939 in research and development expenses, respectively. On a year-to-date basis, research and development expenses were $985,858 in YTD 2015, as compared to $298,636 in YTD 2014. The increase of $687,222 was primarily due to the higher subcontract research and development costs by $519,025. Consulting and management fees, patent costs and other expense categories also contributed $129,357, $26,300 and $12,540 of increases in research and development expenses, respectively.

The increased subcontract costs in Q2 2015 were primarily related to (i) prototype development and clinical study preparation of AQS1301 at Corium and (ii) formulation optimization of AQS1302 at TRPL. The development work in Q2 2015, together with technology transfer and formulation optimization of AQS1301 completed by TRPL and Corium in the previous quarter, contributed to the increased subcontract costs in YTD

2015. These compared to pre-clinical development work conducted at one single location, at TRPL, in the preceding year.

The increases in consulting and management fees in Q2 2015 and YTD 2015 were primarily due to higher involvement of Aequus' scientific consultants to manage the increased subcontract activities and to contribute in AQS1301 prototype development and AQS1302 formulation development. The same factors also contributed to the increases in other expense categories. The increased patent costs in Q2 2015 and YTD 2015 were related to the Company's patent conversions from Patent Cooperation Treaty ("**PCT**") stage to issued patents in different regions.

The following table summarizes the Company's research and development expenditures in Q2 2015 and YTD 2015, as compared to those in the same periods in the preceding year:

	There Months Ended Jun 30,		**Six Months Ended Jun 30,**	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Patent expenses	20,025	6,845	42,102	15,802
Consulting and management fees	115,639	43,941	206,423	77,066
Share-based payments	12,296	15,042	24,591	30,082
Subcontract costs	442,440	113,863	688,198	169,173
Travel and accommodation	15,872	6,187	24,544	6,513
	606,272	**185,878**	**985,858**	**298,636**

General and Administration Expenses

General and administration expenses were $548,315 in Q2 2015 as compared to $194,164 in Q2 2014. On a year-to-date basis, general and administration expenses increased to $1,282,447 in YTD 2015 from $347,469 in YTD 2014. The increases of $354,151 and $934,978 in Q2 2015 and YTD 2015, respectively, as compared to the same periods in the preceding year, were primarily due the Company's expanded business operations, negotiation of the Multi-product Collaboration Agreement and the TSX-V Listing. These operational activities resulted higher consulting, legal and professional fees. Also contributed to the increased consulting and management fees in YTD 2015 were management performance bonuses of $40,000 and $72,500 linked to closing of a multi-product collaboration deal with Corium and the TSX-V Listing, respectively. These are described in detail the Related Party Transaction section. Initial application fees for the new TSX-V listing as well as costs associated with being a public company, including transfer agent cost and regulatory filing fees, also added general and administration expenditures in the current reporting periods.

The Company added new support staff and moved into a new office facility in Q2 2015 to support its expanded operations. These caused increases in salaries and benefits and office expenditures in Q2 2015 and YTD 2015, compared the same periods in 2014. The higher share-based payments in Q2 2015 and YTD 2015 were due to the appointments of new officers, directors, consultants and employees. The following table summarizes Aequus' general and administration expenditures in Q2 2015 and YTD 2015, compared the same periods in the preceding year:

	There Months Ended Jun 30,		Six Months Ended Jun 30,	
	2015	2014	2015	2014
	$	$	$	$
Consulting and management fees	128,050	58,557	300,150	125,700
Office, advertising, promotion and others	75,480	29,055	121,963	67,304
Legal and professional fees	53,842	84,306	194,836	110,063
Regulatory, transfer agent and listing expenses	150,420	—	229,789	—
Salaries and benefits	30,051	—	41,587	—
Share-based payments	79,183	18,091	339,996	36,182
Travel and accommodation	31,289	4,155	54,126	8,220
	548,315	**194,164**	**1,282,447**	**347,469**

QUARTERLY FINANCIAL INFORMATION

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

	Quarter Ended			
	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
	("Q2 2015") $	("Q1 2015") $	("Q4 2014") $	("Q3 2014") $
Revenue	—	—	—	—
Research and development expenditures	606,272	379,586	437,985	304,803
General administration expenditures	548,315	734,131	925,418	163,009
Other income (loss)	11,667	(12,511)	13,677	32,023
Net loss for the period	(1,142,920)	(1,126,228)	(1,349,726)	(435,789)
Basic and diluted loss per common share	(0.03)	(0.04)	(0.05)	(0.02)

	Quarter Ended			
	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
	("Q2 2014") $	("Q1 2014") $	("Q4 2013") $	("Q3 2013") $
Revenue	—	—	—	—
Research and development expenditures	185,878	112,758	180,298	141,015
General administration expenditures	194,164	153,305	170,898	106,990
Other income	13,992	6,429	9,937	10,780
Net loss for the period	(366,050)	(259,634)	(341,259)	(237,225)
Basic and diluted loss per common share	(0.02)	(0.01)	(0.01)	(0.01)

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

- In general, research and development expenditures trended upwards as Aequus advanced its product development of AQS1301 and AQS1302. These expenditures fluctuated more significantly in certain quarters due to the costs associated with (i) payment of licensing fees to TRPL which were primarily incurred in Q2 2013; (ii) formulation assessment work at Corium which started and completed in Q3 and Q4 2014, respectively; and (iii) formulation optimization and prototype development work at Corium which began in Q1 2015.

- In general, general administration expenses also trended upwards as the Company added personnel and built its corporate infrastructure to support its expanded operations. These expenditures fluctuated more significantly in certain quarters due to the costs associated with the Company's negotiation of the Multi-product Collaboration Agreement which closed in Q2 2015 and the TSX-V Listing in Q1 2015.

- Other income was derived from foreign exchange gains in connection with (i) the receipt of research grants in Q3 and Q4 2014; (ii) receipt of government grants for new graduate employments, and (iii) the receipt of US dollars for financing contract terms denominated in Canadian dollars. These positive variances were offset by foreign exchange losses from transactions requiring US dollar settlement and translation into US dollar denominated accounts due to the strengthened US dollar against the Canadian dollar.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operational activities during Q2 2015 and YTD 2015 were financed mainly by capital resources carried forward from the preceding year. At June 30, 2015, Aequus had cash and cash equivalents of $1,339,948 and working capital of $1,045,056. Management believes that Aequus' current cash position will be sufficient to finance Aequus' operational and capital needs for the next twelve months, subject to the successful execution of the Company's business plan of the newly acquired business of TeOra Health. The Company expects to start selling the newly acquired branded generic ophthalmology product in Canada by late 2015. In the meantime, Management plans to raise additional capital through equity financing to finance its working capital requirements and clinical development of AQS1301 and AQS1302. Aequus' future cash requirements may vary materially from those now expected due to a number of factors, including the costs associated with product development, clinical trials, and strategic opportunities. As a result, it may be necessary to raise additional funds sooner than currently expected. These funds may come from sources such as entering into strategic collaboration arrangements, the issuance of shares from treasury, or alternative sources of financing. However, there can be no assurance that the Company will successfully raise funds to continue the development and commercialization of AQS1301, AQS1302 or other product candidates in its pipeline.

Sources and Uses of Cash

	YTD 2015	YTD 2014
	$	$
Cash used in operating activities	(2,267,927)	(555,753)
Cash used in investing activities	(3,196)	—
Cash provided by financing activities	35,000	539,495
Net decrease in cash and cash equivalents	**(2,236,123)**	**(16,258)**

Cash used in operating activities was comprised of net loss, add-backs of non-cash expenses, and net change in non-cash working capital items. Cash used in operating activities in YTD 2015 was higher by $1,712,174, as compared to the amount reported in YTD 2014. This was primarily due to (i) an increase in net loss by $1,643,465 as a result of the Company's expanded operations; and (ii) a negative net change of $367,943 in non-cash working capital which was primarily attributable to the payments of accounts payable. These negative variances were offset by the increased add-backs of non-cash expenses of $299,234, which was mainly due to the increased recognition of share-based payments in YTD 2015, as compared to those in YTD 2014. Cash used in investing activities in YTD 2015 was primarily related to the leasehold improvement at the Company's new office facility; and there was no cash used in investing activities in YTD 2014.

Cash provided by financing activities declined by $504,495 in YTD 2015 as compared to the amount reported in YTD 2014. Aequus had no financing transaction completed in YTD 2015 and YTD 2014. Cash received in YTD 2015 was related exercises of stock options. Cash received in YTD 2014 was related to exercise of common share purchase warrants and advance subscriptions of a private placement closed subsequent to YTD 2014.

OUTSTANDING SHARE CAPITAL

As of August 28, 2015, there were no Class A Preferred shares without par value in the capital of the Company ("**Class A Preferred Shares**") issued and outstanding, 33,594,127 Common Shares issued and outstanding and other securities convertible into Common Shares as summarized in the following table:

	Number outstanding as of August 28, 2015
Common Shares issued and outstanding	37,079,127
Class A Preferred Shares	Nil
Options[(1)]	3,522,337
Warrants[(2)]	4,319,778
Agents' Warrants[(3)]	425,521

Notes:

(1) Of the 3,522,337 options outstanding, 2,037,253 are vested and exercisable at a weighted average price of $0.41 per Common Shares. The remaining 1,485,084 options are not vested and have a weighted average price of $0.38 per Common Share.

(2) All outstanding Common Share purchase warrants are exercisable into an equal number of Common Shares at a price of $0.75 per each such warrant.

(3) Each Agents' Warrant entitles the holder to acquire one Common Share and one-half of one Agents' Underlying Warrant at a price of $0.55 per Agents' Warrant, subject to certain conditions. Each Agents' Underlying Warrant is exercisable into one Common Shares at a price of $0.75 per Agents' Underlying Warrant.

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 our results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that is material to investors.

RELATED PARTY TRANSACTIONS

[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. The following fees and expenses were incurred in the normal course of business:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	$	$	$	$
Management fees[(i)(ii)]	121,000	30,000	262,000	70,000
Consulting fees[(iii)]	75,739	24,000	161,473	48,000
Subcontract research and licensing fees[(iv)]	86,111	107,863	159,565	163,173
	282,850	**161,863**	**583,038**	**281,173**

(i) Effective September 1, 2014, the Company entered into a management services agreement with Northview Ventures and Associates General Partners ("Northview"), Doug Janzen, and Anne Stevens (the "Services Agreement"). Mr. Janzen is Chairman, President, and Chief Executive Officer and Miss. Stevens is Secretary and Chief Operating Officer. Pursuant to the Service Agreement, Mr. Janzen, Miss. Stevens and other employees of Northview, direct and manage the affairs and the day-to-day operations of the Company at a monthly rate of $27,000. Northview is entitled to incentive bonuses upon the satisfaction of specified milestones. Management fee is allocated to research and development and general and administration based on Mr. Janzen and Ms. Steven's time involvement in the respective activities. During the six months ended June 30, 2015, Northview received $40,000 and $60,000 for completing a multi-product collaboration deal with Corium and listing on the TSX Venture Exchange, respectively.

As of June 30, 2015, the Company included in its accounts payable and accrued liabilities $34,242 (December 31, 2014 – $28,350) and amounts receivable $9,884 due to and from Northview, respectively. The amounts receivable were related to sublet office rental and other related charges.

(ii) In the preceding year, the Company had a consultancy arrangement with Mr. Janzen for his management services at a monthly rate of $10,000. This arrangement was replaced by the Service Agreement on September 1, 2014.

(iii) Consulting fees include fees paid to other officers and directors detailed as follows:

(a) On December 1, 2014, the Company entered into a consulting services agreement with KeenVision Consulting Inc. ("**KeenVision**") and Christina Yip (the "Consulting Agreement"). Ms. Yip is the Acting Chief Financial Officer of the Company. Pursuant to the Consulting Agreement with a term expiring on November 30, 2016, Ms. Yip and other personnel of KeenVision provide financial services normally assumed by the Chief Financial Officer and Controller of a publicly listed company. KeenVision is compensated at a monthly rate of $8,000 and is entitled to incentive bonuses upon the satisfaction of specified milestones. During the six months ended June 30, 2015, KeenVision received a payment of $12,500 for listing on the TSX Venture Exchange.

As of June 30, 2015, the Company has included in its accounts payable and accrued liabilities $549 (December 31, 2014 – $8,400) due to KeenVision.

(b) The Company entered into a consulting service agreement with Dr. Don McAfee who serves as the Acting Chief Scientific Officer of the Company. Pursuant to the Consulting Agreement which expired on April 22, 2015, Dr. McAfee was compensated at a daily rate of US$1,000. The Company is in discussion with Dr. McAfee to extend his consulting contract. During the six months ended June 30, 2015, Dr. McAfee charged a total consulting fee of $49,234.

As of June 30, 2015, the Company has included in its accounts payable and accrued liabilities $57,459 (December 31, 2014 – $33,778) due to Dr. McAfee.

(c) In the preceding year, the Company paid consulting fees to Peter Wilson and K. Charlie Perperidis, at a monthly rate of $4,000 each pursuant to their consulting agreements with them. Mr. Wilson and Mr. Perperidis ceased to be directors of the Company in October 2014.

(iv) On July 30, 2013, the Company and Transdermal Pharma Research Laboratories LLC ("**TRPL**"), entered into a licensing agreement. TRPL is controlled by Dr. Fotios Plakogiannis and Dr. Rodoula Plakogiannis, the current directors of the Company. Pursuant to the licensing agreement, and subsequent amendments dated June 1, 2014 and March 11, 2015, the Company obtains an exclusive worldwide right to a novel transdermal formulation of aripiprazole for all uses. The Company paid TRPL $310,790 of licensing fees and other associated costs and fulfilled all of its obligations under the licensing agreement in 2013.

On August 1, 2013, the Company and TRPL further entered into a research service contract to cover formulation work in connection with the aripiprazole formulation and other pipeline programs as directed by the Company. Pursuant to the terms of this research service contract expiring on June 30, 2015, the Company compensates TRPL for research work requested and pre-approved by the Company in exchange for the right to acquire an exclusive worldwide right to any intellectual property arising from or related to the research work. There is no fixed financial commitment under this research service contract.

The Company incurred subcontract research and licensing fees of $159,565 and $163,173 during six months ended June 30, 2015 and 2014, respectively. As of June 30, 2015, the Company included in its accounts payable and accrued liabilities $Nil (December 31, 2014 – $57,363) due to TRPL.

[b] 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,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Management fees	121,000	30,000	262,000	70,000
Consulting fees	75,739	24,000	161,473	48,000
Share-based payments	83,161	15,479	347,952	30,958
	279,900	**69,479**	**771,425**	**148,958**

PROPOSED TRANSACTIONS

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of the 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 financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These Interim Financial Statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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.

Aequus 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 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 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.

ii. Management is required to assess the functional currency of the Company. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.

iii. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

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 amount of assets and liabilities within the current and next reporting period:

i. The Company uses the Black-Scholes option pricing model method to account for share-based payments and warrants. This pricing model requires management to make assumptions and estimates including future volatility of share price, expected yield and expected risk-free interest rate. Given their inherently uncertain nature, any changes in these assumptions and estimates will affect the fair value of share-based payments and warrants.

ii. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of

these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

iii. The fair value of accrued liabilities at the time of initial recognition is made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors.

FINANCIAL INSTRUMENTS AND RISKS

Fair value

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

IFRS 13 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 and cash equivalents is based on Level 1 inputs of the fair value hierarchy.

[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 on deposits and amounts receivable. The Company has adopted practices to mitigate against the deterioration of principal, to enhance the Company's ability to meet its liquidity needs, and to optimize yields within those parameters. These investment practices limit the investing of excess funds to liquid term deposits with banks and government guaranteed securities with maturities of one year or less. The Company had $1,150,000 investments in a cashable guaranteed investment contract with a Canadian chartered bank. Amounts receivable consist of primarily goods and services tax due from the Government of Canada.

[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, 2015, the Company had working capital of $1,045,056 (December 31, 2014 - $2,916,154). Given its current working capital, the Company may not be able to meet its financial obligations and sustain its

operations in the normal course of business, all of which cast substantial doubt about the Company's ability to continue as a going concern [Note 1]. The Company plans to raise capital through equity financing in the near term to bridge its working capital requirements to product sales and to finance its product development. If the Company fails to execute its business and financing plans, and is unable to continue as a going concern, the Company will not be able to meet its obligations as they come due.

[c] Market risk

[i] Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. During the periods ended June 30, 2015, fluctuations in the market interest rates had no significant impact on its interest income.

[ii] Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchanges rates. The Company has a portion of its operating expenses in US dollars. 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 could have an effect on the Company's results of operations, financial position or cash flows.

As at June 30, 2015 and December 31, 2014, the Company had the following assets and liabilities denominated in US dollars:

	June 30, 2015 US$	**December 31, 2014 US$**
Cash (cheques issued in excess of deposits)	149,583	195,585
Prepaid expenses	22,000	—
Accounts payable and accrued liabilities	(238,475)	(202,342)
Total	**(66,892)**	**(6,757)**

Based on the above net exposure as at June 30, 2015, assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the US dollar would result in a change of $4,177 in the Company's net loss and comprehensive loss.

ADDITIONAL INFORMATION

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