Management's Discussion & Analysis

Financial Year Ended March 31, 2022

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PRELIMINARY NOTES

This management's discussion and analysis of financial position and results of operations (**MD&A**) of Medexus Pharmaceuticals Inc. and its subsidiaries (collectively **Medexus** or **Company**) relates to the financial year ended March 31, 2022. It was approved by Medexus's board of directors (**Board**) on June 22, 2022.

The audited consolidated financial statements of Medexus for the financial year ended March 31, 2022 were prepared in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**). This MD&A should be read in conjunction with Medexus's audited consolidated financial statements and most recently filed annual information form (**AIF**).

Unless the context otherwise requires, all financial information in this MD&A is presented on an IFRS basis and all amounts are presented in United States dollars.

Forward-looking statements

Certain statements in this MD&A contain forward-looking information within the meaning of applicable securities laws (**forward-looking statements**). Such forward-looking statements include statements that express or involve discussions as to expectations, beliefs, plans, objectives, assumptions, or future events or performance, and which are not historical facts. Forward-looking statements are often, but not always, indicated by words or phrases such as "anticipates", "believes", "budget", "could", "estimates", "expects", "forecasts", "goals", "intends", "may", "might", "objective", "outlook", "plans", "projects", "schedule", "should", "will", "would" and "vision". All forward-looking statements in this MD&A are expressly qualified by the cautionary statements in this section.

Specific forward-looking statements in this MD&A include, but are not limited to, information contained in statements regarding any of the following: Medexus's business strategy, outlook, and other expectations regarding financial or operational performance; anticipated trends and challenges in Medexus's business and the markets in which it operates, including the company's competitive position in and demographics of those markets; Medexus's expectations and plans regarding future growth and revenues and ability to pay dividends and distributions; Medexus's expectations regarding the business strategies of its competitors; Medexus's expectations regarding availability of funds from operations, cash flow generation, and capital allocation, and anticipated cash needs, capital requirements, and needs for additional financing; Medexus's ability to secure and fund commercialization rights to promising products and the performance of those products against expectations; the ability of Medexus and its business partners to secure regulatory approvals from the U.S. Food and Drug Administration (**FDA**), Health Canada, and other agencies when required; and the potential ongoing impact of the Covid-19 pandemic (including any variants) and Medexus's response, including any balance-sheet and cost management strategies and any benefits from those strategies. In addition, forward-looking statements in this MD&A also include statements regarding the potential benefits of treosulfan and the timing and expected outcome of the FDA approval process for treosulfan, including submission of information to the FDA and the FDA's acceptance and review of that information, and a related launch of the product in the United States and expectations regarding the product's prospects if approved by the FDA.

The forward-looking statements and information included in this MD&A are based on Medexus's current expectations and assumptions. Although Medexus believes that such expectations and assumptions are reasonable, readers of this MD&A should not place undue reliance on the forward-looking statements and information in this MD&A because Medexus can give no assurance that they will prove to be correct. Forward-looking statements and information involve inherent risks and uncertainties because they address future events and conditions. Actual results could differ materially from those currently anticipated by Medexus as a result of a number of factors, risks and uncertainties. Relevant risks and uncertainties include, among other things, the uncertainties inherent in research and development conducted by Medexus or, more frequently, its business partners, including the ability to meet anticipated clinical endpoints, commencement and/or completion dates for clinical trials, regulatory submission dates, regulatory approval dates and/or launch dates, as well as the possibility of unfavorable new clinical data and further analyses of existing clinical data; the risk that clinical trial data relating to product candidates are subject to differing interpretations and assessments by regulatory authorities; whether regulatory authorities will be satisfied with the design of and results from clinical studies of a given product candidate; whether and when drug applications may be filed in a given market for the relevant product; whether and when any such applications may be approved by regulatory authorities, which will depend on many factors, including making a determination as to whether the product candidate's benefits outweigh its known risks and determination of the product candidate's efficacy; decisions by regulatory authorities impacting labeling, manufacturing processes, safety, and/or other matters that could affect the availability or commercial potential of the product; and, if approved, whether the product will be commercially successful, including as a result of competitive developments. A further description of material risk factors that could cause actual results or events to differ materially from those expressed in Medexus's forward-looking statements can be found under the heading "Risk Factors and Risk Management" in this MD&A and "Risk Factors" in Medexus's most recent AIF. In addition, new factors and risks that affect Medexus can emerge from time to time. It is not possible for management to predict all such factors and risks and to assess in advance the impact of each such factor or risk on Medexus's business, or the extent to which any factor or risk, or combination of factors or risks, may cause actual results to differ materially from those contained in any of Medexus's forward-looking statements.

Unless otherwise noted, any forward-looking statement speaks only as of the date of this MD&A. Except as expressly required by applicable law, Medexus does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which that forward-looking statement is made or to reflect the occurrence of unanticipated subsequent events.

Non-GAAP measures

Company management uses, and this MD&A refers to, financial measures that are not recognized under IFRS and do not have a standard meaning prescribed by generally accepted accounting principles (**GAAP**) in accordance with IFRS or other financial or accounting authorities (**non-GAAP measures**). These non-GAAP measures may include "non-GAAP financial measures" and "non-GAAP ratios" (each defined in National Instrument 52-112, *Non-GAAP and Other Financial Measures Disclosure*). Medexus's method for calculating these measures may differ from methods used by other companies and therefore these measures are unlikely to be comparable to similarly-designated measures used or presented by other companies. Medexus believes that these non-GAAP measures complement its IFRS measures and provide additional insight into,

and allow for a more complete understanding of, the company's financial and operational results and management's perspective on Medexus's business and operations.

In particular, management uses Adjusted Net Income (Loss) and Adjusted EBITDA as measures of Medexus's performance. Adjusted Net Income (Loss), EBITDA (earnings before interest, taxes, depreciation, and amortization) and Adjusted EBITDA are non-GAAP financial measures. In addition, Adjusted Net Income (Loss) is presented in this MD&A on a per share basis. Adjusted Net Income (Loss) per Common Share is a non-GAAP ratio and is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of Common Shares outstanding during the applicable period.

Medexus considers Adjusted Net Income (Loss) and Adjusted EBITDA to be key metrics in assessing business performance and an important measure of operating performance and cash flow. However, Medexus's non-GAAP measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of Medexus's financial information as reported under IFRS.

A further explanation and discussion of each of these non-GAAP measures, including their limitations, is set out below. A reconciliation of each of these non-GAAP measures to the most directly comparable IFRS measure can be found under the heading "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

Adjusted Net Income (Loss)

Medexus defines **Adjusted Net Income (Loss)** as net income (loss), determined under IFRS, before unrealized loss (gain) on the change in fair value of the embedded derivatives in Medexus's 6% unsecured convertible debentures due 2023 (**Convertible Debentures**).

The Convertible Debentures are a compound financial instrument under IAS 32, *Financial Instruments: Presentation*, and have both a liability and an embedded derivative component. The fair value of the consideration for the compound instrument must be split into its liability and derivative components. The derivative is measured at fair value through profit or loss, and its fair value must be measured at each reporting period with subsequent changes in fair value recorded in the consolidated statement of loss. This non-cash value is sensitive to, among other things, fluctuations in Medexus's share price, which is largely outside management's control and subject to external factors. In addition, several key assumptions affect the results of this calculation, including estimated share price volatility. Medexus uses a derivative valuation model to estimate the fair value of the derivative at the inception date and again at subsequent reporting dates. The most significant assumption used in this model is the discount rate to fair value for the liability component of the Convertible Debentures. Several other assumptions affect the results of this calculation, including estimated share price volatility.

Adjusted Net Income (Loss) adjusts net income (loss) to exclude these non-cash unrealized losses (gains). Medexus believes that Adjusted Net Income (Loss) provides a better representation of Medexus's performance because it excludes these non-cash fair value adjustments on unrealized liabilities that are largely outside management's control and that Medexus can settle for shares.

Adjusted EBITDA

Medexus defines Adjusted EBITDA as net income (loss), or earnings, adjusted to exclude interest income and expense, income tax recovery and expense, depreciation of property and equipment, amortization of intangible assets, share-based compensation, financing and special transaction costs (for clarity, including fees related to acquisitions and related financings), termination benefits, foreign exchange gains or losses, unrealized gain or loss on the fair value of the embedded derivatives in the Convertible Debentures, unrealized gain or loss on the fair value of amounts payable in connection with business combination transactions, income from sale of assets, and impairment of intangible assets.

Medexus believes that Adjusted EBITDA, when used in conjunction with IFRS financial measures, is a useful supplemental measure of operating performance because Medexus believes that Adjusted EBITDA corresponds more closely over time to the performance of the company's underlying business assets. In particular, Medexus believes that Adjusted EBITDA facilitates comparisons of historical performance by excluding non-cash items (such as stock-based payments, fair value adjustments, and impairment charges) and other amounts not directly attributable to the company's primary operations (such as the impact of acquisitions, dispositions, and settlements).

Company management and the Board also use this non-GAAP measure to develop internal budgets and evaluate the performance of the company and its management team.

Key limitations to using Adjusted EBITDA include the following –

- Adjusted EBITDA does not reflect the cash requirements necessary to service interest or principal payments on Medexus's debt, that may be required to pay the company's taxes, that Medexus pays in connection with financing and special transactions, or that Medexus pays to former employees as termination benefits.
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for those potential future replacements.
- Although stock-based compensation expenses are non-cash charges, Medexus relies on equity instruments to compensate and incentivize company directors, officers, and employees, and expects to continue doing so in the future.
- Although adjusting for the fair value of the embedded derivatives in the Convertible Debentures and the fair value of amounts payable in connection with business combination transactions are non-cash adjustments, these charges generally reflect the present value of amounts that Medexus may be required to pay in Common Shares.

Trademarks and trade names

This MD&A contains references to trademarks and service marks, including those belonging to other companies, persons, or entities. Solely for convenience, trademarks and trade names referred to in this document may appear without the "®" or "™" symbols. Each such reference should be read as though it appears with the relevant symbol. Any such references are not intended to indicate, in any way, that the holder or holders of the relevant intellectual property

rights will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names.

COMPANY OVERVIEW

Medexus is a leader in innovative rare-disease treatment solutions with a strong North American commercial platform and a portfolio of proven best-in-class products. Medexus's experienced management team has a long and proven track record of successfully sourcing, developing, and commercializing pharmaceutical products in a variety of therapeutic areas at all stages of their life cycle throughout the United States and Canada.

Medexus's current focus is on the therapeutic areas of oncology, hematology, rheumatology, auto-immune diseases, and allergy. Medexus continues to build a highly differentiated company with a growing portfolio of innovative high-value orphan drug and rare disease products that will underpin the company's future growth.

Medexus's current leading products are –

- IXINITY, an intravenous recombinant factor IX therapeutic for use in patients 12 years of age or older with hemophilia B, a hereditary bleeding disorder characterized by a deficiency of clotting factor IX in the blood which is necessary to control bleeding;
- Rasuvo (U.S.) and Metoject (Canada), a unique formulation of methotrexate (auto-pen and pre-filled syringe) designed to treat rheumatoid arthritis and other auto-immune diseases; and
- Rupall, an innovative prescription allergy medication with a unique mode of action.

These existing products have primarily driven Medexus's performance to date. Medexus also actively pursues opportunities to complement its existing product portfolio by licensing and acquiring new products. For example –

- Medexus recently acquired exclusive U.S. and Canadian rights to commercialize Gleolan (aminolevulinic acid hydrochloride or ALA HCl). Gleolan is an optical imaging agent currently indicated in patients with glioma (suspected World Health Organization Grades III or IV on preoperative imaging) as an adjunct for the visualization of malignant tissue during surgery. Gleolan is approved by Health Canada and the U.S. Food and Drug Administration (FDA), and is orphan drug designated in the United States.
- Medexus previously acquired exclusive U.S. and Canadian rights to commercialize treosulfan. Treosulfan is part of a preparative regimen for allogeneic hematopoietic stem cell transplantation (allo-HSCT) to be used in combination with fludarabine, used in treating eligible patients with acute myeloid leukemia (AML) and myelodysplastic syndromes (MDS). Final study results and analysis of the pivotal phase 3 clinical trial of treosulfan conducted by medac, a strategic partner of Medexus, demonstrated clinically relevant superiority of treosulfan over a widely applied "reduced-intensity conditioning" busulfan regimen with regard to its primary endpoint, event-free survival and favorable conclusions on two key secondary endpoints, overall survival and non-relapse mortality. (Source: Beelen et al, "Treosulfan compared with reduced-intensity busulfan improves allogeneic hematopoietic cell transplantation outcomes of older acute myeloid leukemia and myelodysplastic syndrome patients: Final analysis of a prospective randomized trial", American Journal of Hematology (May 2022).) Treosulfan is approved by Health Canada, is currently the subject of an ongoing regulatory review process with the FDA, and is orphan drug designated in the United States.

For more information about Medexus's products and programs, see "Narrative Description of Medexus's Business—Core products and programs" in the AIF.

Medexus believes that its existing commercialization infrastructure will benefit from leverage effects as Medexus continues optimizing the company's product portfolio. Medexus therefore regularly explores additional complementary product opportunities in both current and planned therapeutic areas in both the United States and Canada, and regularly evaluates various transaction opportunities based on the company's strategic plan. The company's current objective is to execute near-term accretive transactions to achieve its growth targets over the coming years to deliver strong financial results for the company and its investors.

Medexus believes that the company offers a scalable commercial platform that can provide significant revenue and earnings potential. To achieve this objective, Medexus continues striving to increase revenue, develop and leverage the company's commercialization infrastructure across products, realize synergies across the company's predecessor companies, and maintain strict financial discipline.

SELECTED ANNUAL INFORMATION

(Amounts in $ '000s)

Financial year ended March 31,	2022	2021	2020
Revenue	76,701	79,660	55,506
Cost of goods sold	38,774	37,655	24,364
Gross profit	37,927	42,005	31,142
Selling and administrative expense	44,032	36,172	30,642
Research and development	5,873	4,596	1,158
Transaction fees	86	1,082	2,106
Termination benefits	784	1,025	1,857
Operating loss	(14,996)	(1,376)	(5,789)
Net loss	(2,879)	(28,264)	(4,701)
Adjusted net loss*	(23,976)	(7,626)	(13,947)
Adjusted EBITDA*	(3,931)	8,174	4,449
Basic and diluted net loss per share	0.15	1.86	0.33
Total assets	139,225	148,513	122,773
Total non-current liabilities	73,325	90,558	64,337
Cash provided (used) by operating activities	(1,180)	5,041	(1,731)
Cash used by investing activities	(8,196)	(11,707)	(30,320)
Cash provided by financing activities	663	18,683	15,422

* See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

Note regarding period-to-period variations

In February 2020, Medexus acquired Aptevo Biotherapeutics LLC from Aptevo Therapeutics Inc. (**IXINITY Acquisition**). Since the IXINITY Acquisition, IXINITY has become one of Medexus's

current leading products by revenue. Medexus's research and development expense has also increased in large part due to the IXINITY clinical trial and IXINITY manufacturing process improvement initiative discussed under "Operational Highlights—Product highlights—Current leading products by revenue—IXINITY".

HIGHLIGHTS FOR TWELVE-MONTH PERIOD ENDED MARCH 31, 2022

Financial Highlights

The following describes highlights in Medexus's financial performance for the 12-month period ended March 31, 2022. Throughout this MD&A, 12-month periods (ended March 31) are referred to as "financial years" and three-month periods within each financial year are referred to as sequentially-numbered "financial quarters" (with fourth financial quarters ended on March 31).

Financial year 2022

Medexus achieved revenue of $76.7 million, a decrease of $3.0 million, or 3.8%, compared to financial year 2021. The revenue decrease was primarily attributable to a decrease in net sales of IXINITY, partially offset by strong Rupall sales. Unit demand for IXINITY continues to grow, but net sales were lower in financial year 2022 because pharmacy and wholesale customers continued to work through inventory on hand. Medexus expects that the company will be able to reduce discounts as pharmacy and wholesale customers return to buying patterns better aligned with patient unit demand, which will improve gross margins for IXINITY.

Medexus achieved Adjusted EBITDA of $(3.9) million, a decrease of $12.1 million compared to financial year 2021. See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted EBITDA to Net Income (Loss)". The Adjusted EBITDA decrease was primarily attributable to significant investments in personnel and infrastructure to support Medexus's anticipated future growth (including improved capacity for future business development and continued preparation for a commercial launch of treosulfan in the United States), the reduction in IXINITY net sales discussed above, and a $1.9 million increase in cost of goods sold related to failed batches during the IXINITY manufacturing process earlier in the financial year.

Additional financial highlights for financial year 2022 include the following –

- Available liquidity of $11.2 million (March 31, 2022) compared to $24.8 million (March 31, 2021). See "Liquidity and Capital Resources".
- Net loss of $2.9 million compared to $28.3 million for financial year 2021.
- Adjusted net loss of $24.0 million compared to $7.6 million for financial year 2021. Adjusted net loss is adjusted for non-cash unrealized gain (loss) of $21.1 million for financial year 2022 and $(20.6) million for financial year 2021. See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

Operational Highlights

The following describes operating highlights in Medexus's business operations during financial year 2022 and subsequent to period end.

Product highlights

Current leading products by revenue

IXINITY
Unit demand in the United States experienced moderate growth in the trailing 12-month period ended March 31, 2022. (Source: customer-reported dispensing data.) The highly targeted IXINITY patient population means that limited changes in the IXINITY patient base continue to affect overall IXINITY sales and period-over-period comparability.

Medexus has undertaken an initiative to improve the IXINITY manufacturing process. Medexus continues to invest in this initiative, which remains ongoing. Preliminary results of this initiative have indicated meaningfully improved yields. Although it is not yet certain that these preliminary results indicate a sustained trend, Medexus continues to expect that gross margins for the product will ultimately improve as a result of operational efficiencies generated by these investments over the coming quarters.

Medexus continues to explore opportunities to expand the patient population eligible to use IXINITY. Medexus expects in first calendar quarter 2023 to complete the analysis and clinical study report of its phase 4 clinical trial to evaluate the safety and efficacy of IXINITY in previously treated patients under 12 years of age with hemophilia B. Successfully expanding the indicated patient population, together with reductions in associated manufacturing costs, could also render the product suitable for commercialization in other markets under out-licensing or other arrangements.

Rasuvo
Unit demand increased in the trailing 12-month period ended March 31, 2022. (Source: Symphony Sub National 3/31/2022 Data & Chargebacks, PAP.) However, increasing competition in the U.S. branded methotrexate market continue to negatively affect Rasuvo product-level revenue. Medexus implemented effective unit-level price reductions to defend its strong market position.

Rupall
Unit demand in Canada experienced strong growth in the trailing 12-month period ended March 31, 2022, which continues to position Rupall as one of the fastest-growing antihistamines in the Canadian prescription market. (Source: IQVIA CDH units – Drugstores and hospitals purchases, MAT March 2022.) Medexus attributes this growth to increasingly severe allergy seasons across Canada and successful sustained execution of the company's sales and marketing initiatives as physicians increasingly switch patients to Rupall from either the generic prescription antihistamines or over-the-counter products. Medexus has begun to evaluate appropriate business-planning options well in advance of Rupall's data exclusivity expiration date of January 2025.

Metoject
Unit demand increased in the trailing 12-month period ended March 31, 2022. (Source: IQVIA – TSA database.) However, product-level performance continues to experience disruption from the launch of a generic product in the Canadian methotrexate market in calendar year 2020. Medexus implemented effective unit-level price reductions to defend its strong market position.

In August 2020, Medexus and medac commenced a patent litigation in Canada's Federal Court relating to two generic versions of Metoject in Canada (**Metoject Litigation**). Medexus and medac intend to take all appropriate steps to enforce their intellectual property rights under medac's Canadian patent rights relating to concentrated methotrexate solutions, which Medexus licenses from medac to market and sell Metoject in Canada. A trial date has been set for early calendar year 2023. For more information about the Metoject Litigation, see the AIF.

Recently added products (last two financial years)

Treosulfan (United States)

In August 2021, Medexus was notified by medac GmbH (**medac**), a strategic partner of Medexus, that medac had received a Complete Response Letter from the FDA stating that the FDA would not approve medac's NDA for treosulfan in its then-current form.

In April 2022, medac resubmitted its New Drug Application (**NDA**) for treosulfan with the FDA. The resubmission included additional clinical data and statistical analysis relating to the previously-completed phase 3 clinical trial of treosulfan as well as an update of the integrated summary of safety, which the FDA had requested in their July 2021 Complete Response Letter to medac.

In May 2022, the FDA indicated that they required additional information related to medac's NDA resubmission in order to render it complete and initiate FDA review. The FDA requested certain updates to data files submitted by medac and certain supporting information relating to data provided by medac.

Based on Medexus's discussions with medac, Medexus understands that the data collection process is progressing well, and medac continues to expect to respond to the FDA's information requests regarding medac's April 2022 resubmission, which the FDA has not yet considered complete, within the 12-month timeline required by the Complete Response Letter. The review clock for the NDA resubmission will start after the response is considered complete by the FDA.

During the extended registration period, Medexus has continued to work diligently with medac to further prepare for the launch of treosulfan in the United States. Assuming medac satisfies the FDA's recent requests and formal FDA review commences within the timeline required by the Complete Response Letter, an FDA approval would allow a commercial launch of treosulfan in the United States in the first half of calendar year 2023. If approved by the FDA, Medexus expects that commercialization of treosulfan would have a materially positive impact on the company's total revenue, as management estimate that the current market-leading product in the United States generated approximately $126 million in peak annual revenue before genericization.

Gleolan (United States)

In March 2022, Medexus entered into a license, supply, and distribution agreement (**U.S. Gleolan Agreement**) with NX Development Corp. (**NXDC**), the U.S. subsidiary of photonamic GmbH & Co. (**Photonamic**). Under the U.S. Gleolan Agreement, Medexus acquired the exclusive right to commercialize Gleolan in the United States. This transaction extended Medexus's strong relationship with Photonamic and complements Medexus's existing commercialization rights to Gleolan in Canada, where Medexus executed a full commercial launch of Gleolan in February 2021.

Under the U.S. Gleolan Agreement, Medexus will commercialize Gleolan in the United States and will pay NXDC annual royalty payments (tiered based on net sales relative to an annual minimum

baseline and net of supply price paid) and periodic low- to mid-single-digit-million dollar milestone payments (including a payment made at signing, two payments triggered by passage of time, and three payments triggered by achievement of net sales thresholds). NXDC will supply Gleolan to Medexus and will remain the sponsor of the NDA for Gleolan on file with the FDA. NXDC, as sponsor, will continue research and development activities, including pursuit of additional indications for Gleolan. Medexus's exclusive commercialization rights extend to one additional indication, meningioma, with the opportunity to negotiate commercialization rights to future indications. The initial term of the U.S. Gleolan Agreement extends through and including March 31, 2028 with successive two-year extension terms thereafter.

The transition period contemplated by the transaction is progressing well. Since signing the U.S. Gleolan Agreement and during the transition period, Medexus has worked diligently with NXDC to assume responsibility for commercialization and prepare for the full commercial relaunch of Gleolan in the United States. Medexus currently expects to assume full responsibility for commercialization of Gleolan during second financial quarter 2023. At that time, Medexus expects net sales of Gleolan to be recognized in full in Medexus's total revenue, in contrast to the transition period during which Medexus recognizes a portion of net sales of Gleolan as specified in the U.S. Gleolan Agreement, which was immaterial for fourth financial quarter 2022 in large part because of the timing of the transaction. Medexus previously estimated that Gleolan had generated $3.0 million to $4.0 million in revenue in the last full quarter before Medexus licensed the product, and the company expects to continue that strong performance following the U.S. relaunch of the product by Medexus.

Trecondyv (Treosulfan) (Canada)

In September 2021, Medexus commercially launched treosulfan in Canada under the brand name Trecondyv. Commercial launch followed Health Canada's Notice of Compliance in June 2021 and Medexus's entry into an exclusive license agreement with medac in July 2021 (Canada Treosulfan Agreement). Previously, beginning in March 2019, Medexus had distributed treosulfan in Canada under Canada's Special Access Program.

Under the Canada Treosulfan Agreement, Medexus holds the exclusive right to commercialize treosulfan in Canada. Medexus will commercialize Trecondyv in Canada and will pay medac quarterly royalty payments (single- or low double-digit percentage of annual net sales determined based on net unit sale price) and periodic low- to mid-hundred-thousand dollar milestone payments (including payments triggered by ongoing absence of generic product entry and by achievement of net sales thresholds). medac will supply Trecondyv to Medexus. Medexus has the opportunity to negotiate commercialization rights to future indications. The initial term of the Canada Treosulfan Agreement extends through and including June 2031 with successive one-year extension terms thereafter.

Other highlights

Amendment to Relaxa License Agreement

In September 2021, Medexus signed an amendment to its exclusive license agreement for Relaxa. Among other things, the amendment extended Medexus's right to acquire product rights outright through September 2026 and deferred the third-party licensor's option to sell product rights to Medexus until the period beginning September 2024 and ending September 2026. For more information about the Relaxa license agreement, see "Material Contracts" in the AIF.

2022 NCIB

In February 2022, Medexus initiated a normal course issuer bid for its Convertible Debentures (**2022 NCIB**). Under the 2022 NCIB, Medexus may purchase for cancellation up to C$3,530,000 principal amount of its Convertible Debentures. The 2022 NCIB is expected to continue until February 2023, unless terminated earlier in accordance with its terms.

Amendment to Revolving Loan Agreement

In April 2022, Medexus amended its May 2020 revolving loan credit agreement with a syndicate of lenders represented by MidCap Funding IV Trust as agent (**Revolving Loan Agreement**) (discussed in the AIF). This technical amendment adjusted the method of calculating the borrowing base for available credit under the Revolving Loan Agreement.

DISCUSSION OF OPERATIONS

The following section discusses Medexus's results of operations for financial year 2022 compared to financial year 2021.

Revenue

(Amounts in millions)

	2022	2021	Change	%
Revenue	$76.7	$79.7	$(3.0)	(3.8)%

The $3.0 million decrease in total revenue from financial year 2022 over financial year 2021 was primarily attributable to a decrease in net sales of IXINITY, partially offset by strong Rupall sales. Net sales of IXINITY were lower in financial year 2022 because pharmacy and wholesale customers continue to work through inventory on hand. However, estimated average inventories held by customers at March 31, 2022 have decreased to nearly one-third of their levels at March 31, 2021. Unit demand for IXINITY continues to grow, and net sales of IXINITY increased in fourth financial quarter 2022 as pharmacy and wholesale customers return to buying patterns better aligned with patient unit demand, which Medexus expects will allow the company to reduce discounts over time.

The decrease in IXINITY sales in financial year 2022 was partially offset by strong Rupall sales. Unit demand for Rupall increased 31% over the trailing 12 months ended March 31, 2022. (Source: IQVIA CDH units – Drugstores and hospitals purchases, MAT March 2022.) This increase was primarily due to increasingly severe allergy seasons across Canada and successful sustained execution of the company's sales and marketing initiatives as physicians increasingly switching patients to Rupall from either the generic prescription antihistamines or over-the-counter products. Medexus expects that unit demand for Rupall will continue to increase, given Rupall's sustained position as one of the fastest-growing antihistamines in the Canadian prescription market.

Gross profit and gross margin

(Amounts in millions)

	2022	2021	Change	%
Financial year				
Gross profit	$37.9	$42.0	$(4.1)	(9.8)%
Gross margin	49.4%	52.7%	(3.3) ppt	(6.3)%

The $4.1 million decrease in gross profit and 3.3% decrease in gross margin from financial year 2022 over financial year 2021 was primarily attributable to an increase in cost of goods sold

caused by additional expenses related to the IXINITY manufacturing process. However, Medexus expects that the company will be able to reduce discounts as pharmacy and wholesale customers return to buying patterns better aligned with patient unit demand, which will improve gross margins for IXINITY.

IXINITY is a biologic, and the IXINITY manufacturing process is therefore highly sensitive to deviations from product specifications. Failed batches of IXINITY early in financial year 2022 caused low product batch yields, which in turn resulted in a $1.9 million increase to cost of goods sold compared to financial year 2021. See "Operational Highlights—Product highlights—Current leading products—IXINITY". These manufacturing events did not result in compromised product delivered to customers or patients.

In general, gross profit and gross margin are primarily affected by Medexus's supply and distribution costs, specifically the supply prices and royalties paid to Medexus's third-party licensors and warehouse and logistics expenses for product inventory, and allowances for potential product returns. Medexus also includes amortization of product licenses as a component of cost of goods sold. This amortization was $5.7 million for financial year 2022, compared to $5.5 million for financial year 2021.

Selling and administrative expense

(Amounts in millions)

	2022	2021	Change	%
Financial year	$44.0	$36.2	$7.8	21.5%

The $7.8 million increase in selling and administrative expense from financial year 2022 over financial year 2021 was primarily attributable to Medexus's significant investments in personnel and infrastructure to support its anticipated future growth, including improved capacity for future business development and continued preparation for a commercial launch of treosulfan in the United States. Medexus reacted quickly to defer or cancel further significant expenditures related to the commercial launch after receiving notice of the FDA's Complete Response Letter in August 2021. However, Medexus believes that there remains a path to review and approval of treosulfan by the FDA and therefore continues to incur some expenses in anticipation of the potential commercial launch.

Medexus also continues to seek opportunities to optimize its deployment of sales and marketing resources. For example, Medexus expects to realize economies of scope between Gleolan, which Medexus expects to relaunch in the coming months, and treosulfan, if and when approved and launched, because of high overlap in targeted accounts. Medexus has also realized continued strong performance in its Rasuvo product with moderate sales force allocation.

The following table provides additional detail on the primary components of Medexus's selling and administrative expense discussed above.

(Amounts in millions)

	2022	2021	Change	%
Financial year				
Employee benefits	$21.2	$15.8	$5.4	34.2%
Sales and marketing	$9.5	$9.4	$0.1	1.1%
Regulatory, business development	$5.4	$4.7	$0.7	14.9%
General and administrative	$7.9	$6.3	$1.6	25.4%

Research and development

(Amounts in millions)

	2022	2021	Change	%
Fiscal year	$5.9	$4.6	$1.3	28.3%

The $1.3 million increase in research and development expense from financial year 2022 over financial year 2021 was primarily attributable to funding for the IXINITY phase 4 clinical trial during the period. Medexus expects in the first calendar quarter 2023 to complete the analysis and clinical study report of this study. Medexus also invested approximately $1.0 million in its IXINITY manufacturing process improvement initiative during financial year 2022 and expects to invest a moderate amount of additional capital in connection with the company's continued execution of this initiative.

Operating income or loss

As a result of the factors described above, operating loss was $15.0 million for financial year 2022, a decrease of $13.6 million compared to operating loss of $1.4 million for financial year 2021.

Net income or loss and adjusted net income or loss

As a result of the factors described above, net loss was $2.9 million for financial year 2022, a decrease of $25.4 million compared to net loss of $28.3 million for financial year 2021.

Adjusted net loss was $24.0 million for financial year 2022, an increase of $16.4 million compared to adjusted net loss of $7.6 million for financial year 2021.

Adjusted net loss is adjusted for the unrealized loss (gain) on the fair value of the embedded derivatives in the Convertible Debentures that is included in net loss. See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

Adjusted EBITDA

Adjusted EBITDA was $(3.9) million for financial year 2022 compared to $8.2 million for financial year 2021. The $12.1 million decrease was primarily attributable to the impact of the failed batches of IXINITY discussed under "—Gross profit and gross margin", the increase in research and development costs compared to financial year 2021, and significant investments in personnel and infrastructure to support Medexus's anticipated future growth, including improved capacity for future business development and continued preparation for a commercial launch of treosulfan in the United States.

Adjusted EBITDA is adjusted for a number of non-cash charges that are included in net loss and adjusted net loss. See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

SUMMARY OF QUARTERLY RESULTS

The following table sets out summary unaudited quarterly financial information for each of the eight financial quarters through and including the financial quarter ended March 31, 2022.

(Amounts in $ '000s, except per share amounts)

Three-months ended	31-Mar-22	31-Dec-21	30-Sept-21	30-Jun-21	31-Mar-21	31-Dec-20	30-Sept-20	30-Jun-20
Total Revenue	20,263	21,270	17,901	17,267	17,639	24,256	17,768	19,997
Gross Profit	10,114	11,501	9,388	6,924	8,813	12,657	9,659	10,876
Selling and Administrative Expenses	9,892	10,679	11,736	11,725	10,252	9,379	8,274	8,267
Research and Development	834	1,035	1,773	2,231	2,016	1,155	780	645
Transaction Fees	53	33	–	–	634	448	–	–
Operating Income (Loss)	(2,504)	(339)	(4,991)	(7,162)	(4,566)	1,544	482	1,164
Net Income (Loss)	(5,287)	(1,150)	10,145	(6,587)	(10,490)	(12,783)	(1,562)	(3,429)
Net Income (Loss) per share – Basic	(0.27)	(0.07)	0.53	(0.34)	(0.63)	(0.88)	(0.11)	(0.24)
Net Income (Loss) per share – Diluted	(0.27)	(0.07)	0.52	(0.34)	(0.63)	(0.88)	(0.11)	(0.24)
Adjusted Net Loss*	(4,619)	(3,389)	(6,135)	(9,833)	(5,158)	(417)	(1,258)	(793)
Adjusted Net Loss per share* - Basic and Diluted	(0.23)	(0.17)	(0.32)	(0.51)	(0.32)	(0.03)	(0.09)	(0.06)
Adjusted EBITDA*	1,081	1,916	(2,016)	(4,912)	(1,620)	3,915	2,279	3,600
Cash provided (used) by operations	3,782	(1,718)	3,571	(6,815)	4,203	(2,182)	23	2,994
Cash & cash equivalents, end of period	10,018	9,571	8,137	10,199	18,704	9,365	6,426	7,500
Assets	139,225	138,131	137,210	142,970	148,513	138,262	122,014	125,525
Long-term liabilities	73,325	68,350	70,145	89,198	90,558	85,851	70,400	68,822
Dividends	–	–	–	–	–	–	–	–

* See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted EBITDA to Net Income (Loss)".

Note regarding period-to-period variations

Medexus's total revenue is minimally affected by seasonality in net sales of Rupall, one of Medexus's current leading products by revenue, depending on the severity and timing of allergy seasons across Canada.

Medexus's research and development expense has varied in large part due to the timing of expenditures relating to the IXINITY clinical trial and IXINITY manufacturing process improvement initiative discussed under "Operational Highlights—Product highlights—Current leading products by revenue—IXINITY".

COMPANY STRATEGY AND OUTLOOK

Business strategy

Medexus focuses on commercialization of an existing portfolio of pharmaceutical products previously licensed or acquired from third parties. These existing products have primarily driven Medexus's performance to date. Medexus also focuses on opportunities to complement its existing product portfolio by licensing and acquiring new products. Medexus therefore does not make significant investments in research and development. Medexus generally purchases finished products manufactured by third-party licensors and distributes them in the United States or Canada. Medexus uses third-party contract manufacturers for products that Medexus owns outright.

Corporate organizational structure

Medexus Pharmaceuticals Inc., a Canada corporation, operates Medexus's business operations in Canada. It also owns 100% of the issued and outstanding shares of MI Acquisitions, Inc., a Delaware corporation.

MI Acquisitions, Inc. is an intermediate holding company that does not engage in any operating activities. MI Acquisitions, Inc. owns 100% of the issued and outstanding shares of Medexus Pharma, Inc., a Delaware corporation.

Medexus Pharma, Inc. operates Medexus's business operations in the United States. It is also the sole member (owning 100% of the membership interests) of Aptevo BioTherapeutics LLC, a Delaware limited liability company.

Aptevo BioTherapeutics LLC owns Medexus's rights to IXINITY. It otherwise does not engage in significant operating activities.

Industry trends

Medexus believes that a number of trends in the pharmaceutical industry create a favorable environment for the licensing or acquisition and distribution of commercial-stage assets.

Demographics

Growth of the population in general and aging of the population in particular will continue to drive demand for pharmaceutical therapies. Favorable perception of branded products will result in sustained opportunities for select established brand assets and promotional stage products, including those within Medexus's product portfolio.

Healthcare reform: U.S. Patient Protection and Affordable Care Act

The U.S. Patient Protection and Affordable Care Act has resulted in an increase of access to healthcare services and treatments in the United States. This trend may continue but will be attenuated by changes in the legal and political environment, including changes in formulary management practices.

Commercial pricing pressures

Pricing and access pressures in the commercial sector continue to be significant. Overall, there is increasing pressure on U.S. providers to deliver healthcare at a lower cost and to ensure that those expenditures deliver demonstrated value in terms of health outcomes. Many employers have adopted high deductible health plans, which can increase out-of-pocket costs for medicines. This trend is likely to continue. Private third-party payers, such as health plans, increasingly challenge pharmaceutical product pricing, which could result in lower prices, lower reimbursement rates, and a reduction in demand for Medexus's products. Pricing pressures also may occur as a result of highly competitive insurance markets. Healthcare provider purchasers, directly or through group purchasing organizations, are seeking enhanced discounts or implementing more rigorous bidding or purchasing review processes.

*Managed care organizations (**MCOs**)*

The evolution of managed care in the United States has been a major factor in the competitiveness of the healthcare marketplace. A significant percentage of the U.S. population now haves some form of health insurance coverage, and the marketing of prescription drugs to both consumers and the entities that manage coverage in the United States continues to grow in importance. In particular, the influence of MCOs has increased in recent years due to the growing number of patients receiving coverage through MCOs. At the same time, consolidation in the MCO industry has resulted in fewer, even larger MCOs, which enhances those MCOs' ability to negotiate pricing and increases their importance to Medexus's business. Since MCOs seek to contain and reduce healthcare expenditures, their growing influence has increased pressure on drug prices as well as revenues.

Medicare coverage

Often, established brand pharmaceutical products subject to Medicare or Medicaid or falling under the Federal Supply Schedule may still be competitive in price to alternatives due to mandatory rebates and average manufacturer price calculation rules prescribed by U.S. law. The Federal Supply Schedule is a list of contractors that have been awarded a contract by the U.S. General Services Administration, an independent agency of the U.S. government, and those contractors can be used by all U.S. federal agencies.

Product opportunities

Medexus expects that drug development companies without commercial infrastructure in the United States and Canada will continue seeking commercialization partners to promote their products in those markets.

Medexus also believes that large pharmaceutical companies will continue to focus on their core therapeutic areas, meaning that these companies will divest non-core or non-strategic products, many of which could fall into the product lifecycle stages on which Medexus focuses its business development activities.

Customers

Medexus has a limited number of direct customers, and the majority of Medexus's sales are to large national wholesalers, specialty pharmacies, and healthcare institutions. For financial year 2022, two customers individually accounted for more than 10% of Medexus's total revenue, together accounting for approximately 59% of Medexus's total revenue. See "Risk Factors—Risks Relating to the Business—Dependence on a Small Number of Customers" in the AIF.

Manufacturing, supply and distribution

Medexus focuses on managing the production and distribution of pharmaceutical products that the company commercializes. Medexus generally purchases finished products manufactured by third-party licensors and distributes them in the United States or Canada. Medexus uses third-party contract manufacturers for products that Medexus owns outright. Medexus relies on third-party logistics providers to administer distribution logistics processes in both the United States and Canada. This includes warehousing, order processing, shipping, and invoicing and collections.

Medexus and its third-party partners are, and will continue to be, subject to extensive government regulation in connection with the manufacture, supply, and distribution of pharmaceutical products. Products that Medexus commercializes must be manufactured in facilities and using processes, methods, and equipment that comply with the requirements of the FDA (for products commercialized in the United States) or Health Canada (for products commercialized in Canada). See "Risk Factors—Risks Relating to the Business—Reliance on Third Parties for the Manufacture and Supply of Products" in the AIF.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Medexus continually and proactively monitors its liquidity position. Medexus seeks to manage the company's liquidity and capital resources to meet the demands of its operations in light of changes in business conditions and otherwise as appropriate in light of the underlying risk of the company's assets. Failure to generate sufficient cash flows from operations or from additional financing activities would have an adverse effect on Medexus's ability to fulfill its financial obligations and achieve its business objectives. Meaningful near-term liquidity considerations for the company include maintaining sufficient financial resources to –

- make regulatory milestone payments to the company's third-party licensors if and when they become due;
- make interest and principal payments in respect of the company's debt financing arrangements;
- carry on the continued development and commercialization of existing products;
- secure new business opportunities and product registrations, including funding any associated clinical development programs;
- prevent or mitigate delays or challenges in supply of the company's products; and
- comply with regulatory requirements, including those relating to manufacturing and distribution of the company's products.

If the FDA approves treosulfan, then Medexus would become obligated to pay a significant milestone amount to medac under Medexus's February 2021 exclusive license agreement relating to treosulfan (U.S. Treosulfan Agreement). The range of possible milestone amounts would be between $15.0 million and $45.0 million. The specific amount due would depend on the terms of the FDA's approval. In addition, if the FDA approves treosulfan, then Medexus would become obligated to repay a $2.5 million credit received from medac in September 2021 in respect of previously paid milestone amounts. If the FDA approves treosulfan, then Medexus would become obligated to pay $15.0 million shortly following the FDA's approval, with the remaining amount, if any, payable approximately six months thereafter. In this situation, Medexus would need to secure additional third-party debt or equity financing to make these payments and retain its exclusive license and distribution rights under the U.S. Treosulfan Agreement. Medexus has engaged in fundraising discussions with a number of existing investors and other capital providers who have expressed significant interest in the company and recognize the significant commercial potential of treosulfan if it is approved. Medexus expects that this interest will increase as the FDA's review progresses and in the event of a favorable FDA decision. Medexus has been successful in securing third-party financing in the past, most recently in February 2021, when the Company raised $22.6 million in equity financing after announcing the U.S. Treosulfan Agreement, and in July 2021, filed a shelf prospectus that allows the company to efficiently access the capital markets for up to C$100.0 million. However, there can be no assurance that the company will be able to secure similar third-party financing in the future, or that these sources of capital will be available to Medexus on terms acceptable to the company.

Sources of liquidity

As of March 31, 2022, Medexus had $11.2 million (March 31, 2021 – $24.8 million) of available liquidity as follows –

- cash and cash equivalents of $10.0 million (March 31, 2021 – $18.7 million); and
- available credit of $1.2 million (March 31, 2021 – $6.1 million) under the Revolving Loan Agreement.

Amounts outstanding under the Revolving Loan Agreement appear in the current portion of long-term debt in Medexus's consolidated statement of financial position because Medexus may repay (and reborrow) those amounts at any time. However, Medexus has no obligation – and does not expect – to repay those amounts in full before the June 2023 maturity date under the Revolving Loan Agreement.

Cash flows

(Amounts in $ '000s)

Financial year ended March 31,	2022	2021
Cash provided (used) by operating activities	(1,180)	5,041
Cash used by investing activities	(8,196)	(11,707)
Cash provided by financing activities	663	18,683
Increase (decrease) in cash position during the period	(8,713)	12,017
Impact of foreign exchange	27	1,454
Cash and cash equivalents, beginning of period	18,704	5,233
Cash and cash equivalents, end of period	10,018	18,704

Operating activities

Cash used by operating activities was $1.2 million for financial year 2022 compared to cash provided by operating activities of $5.0 million for financial year 2021. Cash used by operating activities for financial year 2022 comprised a net loss, adjusted for non-cash expenditures, of $(6.1) million (2021 – $4.9 million) and a change in working capital of $5.0 million (2021 – $0.2 million).

The $6.2 million decrease was primarily attributable to significant investments in personnel and infrastructure to support Medexus's anticipated future growth, including improved capacity for

future business development and continued preparation for a commercial launch of treosulfan in the United States.

Investing activities

Cash used by investing activities was $8.2 million for financial year 2022 compared to $11.7 million for financial year 2021. The $3.5 million decrease was primarily attributable to relatively lower milestone payments to third-party licensors paid in financial year 2022.

Financing activities

Cash provided by financing activities was $0.7 million for financial year 2022 compared to $18.7 million for financial year 2021. The $18.0 million decrease was primarily attributable to an equity financing transaction completed during financial year 2021.

OFF–BALANCE SHEET ARRANGEMENTS

Medexus had no off-balance sheet arrangements as of March 31, 2022.

TRANSACTIONS WITH RELATED PARTIES

Below is a summary of transactions during financial year 2022 in which Medexus participated and in which any related party as determined under IFRS had a direct or indirect material interest. Medexus views the following transactions with related parties as having occurred in the normal course of the company's operations.

- Medexus pays interest on Convertible Debentures that are owned or controlled, directly or indirectly, by three of the company's directors. All interest payments are made in accordance with the terms of the Convertible Debentures. These interest payments to these three individuals totaled an aggregate of $148,000 in cash and 58,193 Common Shares during financial year 2022, compared to $278,000 in cash during financial year 2021.
- Medexus pays warehouse fees to a company in which an executive officer holds a 50% equity interest for storage and distribution services in respect of certain of Medexus's products in Canada. These warehouse fees totaled $257,000 for financial year 2022, compared to $226,000 for financial year 2021.

Selected quarterly information

(Amounts in $ '000s)

Quarter ended March 31,	2022	2021	2020
Revenue	20,263	17,639	18,761
Cost of goods sold	10,149	8,826	9,093
Gross profit	10,114	8,813	9,668
Selling and administrative expense	9,892	10,252	7,704
Research and development	834	2,016	381
Transaction fees	53	634	1,933
Termination benefits	–	345	285
Operating loss	(2,504)	(4,566)	(1,448)
Net loss	(5,287)	(10,490)	(1,587)
Adjusted net loss*	(4,619)	(5,158)	(5,094)
Adjusted EBITDA*	1,081	(1,599)	3,122
Cash provided (used) by operating activities	3,782	4,205	(1,300)
Cash used by investing activities	(1,837)	(10,392)	(29,641)
Cash provided (used) by financing activities	(1,540)	14,303	19,067

* See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

Revenue

Medexus achieved total revenue of $20.3 million in fourth financial quarter 2022, an increase of $2.6 million, or 14.8%, compared to fourth financial quarter 2021. This increase is primarily attributable to an increase in net sales of IXINITY during the quarter as pharmacy and wholesale customers return to buying patterns better aligned with patient unit demand. See "Discussion of Operations—Revenue". The increase is also partly attributable to continued strong performance

of Rasuvo, which is efficiently supported by a moderate allocation of sales personnel, and Rupall, which continues to maintain its position as one of the fastest-growing antihistamines in its market.

Adjusted EBITDA

Medexus achieved Adjusted EBITDA of $1.1 million, an increase of $2.7 million compared to fourth financial quarter 2021. This increase is primarily attributable to the increase in net sales of IXINITY in fourth financial quarter 2022 and a $0.9 million expense related to a one-time destruction of IXINITY inventory in fourth financial quarter 2021. See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

Note regarding period-to-period variations

Medexus's total revenue is minimally affected by seasonality in net sales of Rupall, one of Medexus's current leading products by revenue, depending on the severity and timing of allergy seasons across Canada.

In addition, the timing of large orders can cause variability in Medexus's revenue quarter-to-quarter. For example, in late third financial quarter 2022, Medexus received and filled a large order totaling approximately $2.0 million, which was originally anticipated to be received in fourth financial quarter 2022.

Medexus's total revenue in fourth financial quarter 2021 was moderately affected by the extreme changes to the selling environment brought about by the Covid-19 pandemic. The Covid-19 pandemic created significant disruptions in the selling environment beginning in late fourth financial quarter 2020 and continues to create moderate such disruptions through fourth financial quarter 2022.

RECONCILIATION OF ADJUSTED NET INCOME (LOSS) AND ADJUSTED EBITDA TO NET INCOME (LOSS)

The following tables are derived from and should be read together with Medexus's consolidated statement of operations for the three- and 12-month periods ended March 31, 2022. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted Net Income (Loss) and Adjusted EBITDA and provides additional information related to Medexus's operating performance. See "Preliminary Notes—Non-GAAP measures".

(Amounts in $ '000s)

	Quarter ended March 31,		Financial year ended March 31,	
	2022	2021	2022	2021
Net loss	$(5,287)	$(10,490)	$(2,879)	$(28,264)
Add back:				
Unrealized loss (gain) on fair value of derivatives	668	5,332	(21,097)	20,638
Adjusted net income (loss)	**$(4,619)**	**$(5,158)**	**$(23,976)**	**$(7,626)**

(Amounts in $ '000s)

	Quarter ended March 31,		Financial year ended March 31,	
	2022	2021	2022	2021
Net loss	$(5,287)	$(10,490)	$(2,879)	$(28,264)
Add back:				
Depreciation and amortization (property, equipment, intangible assets)	1,517	1,524	6,145	5,978
Interest expense	3,107	2,567	12,223	9,816
Income tax expense (recovery)	1,678	(3,595)	(941)	(3,237)
EBITDA	1,015	(9,994)	14,548	(15,707)
Add back:				
Share-based compensation	265	444	2,300	1,465
Transaction fees	53	634	86	1,082
Termination benefits	–	345	784	1,025
Foreign exchange loss (gain)	(214)	(22)	154	(1,991)
Unrealized loss (gain) on fair value of derivatives	668	5,332	(21,097)	20,638
Unrealized loss (gain) on fair value of business combination payables	(2,456)	1,662	(2,456)	1,662
Impairment loss	1,750	–	1,750	–
Adjusted EBITDA	**1,081**	**(1,599)**	**(3,931)**	**8,174**

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS, AND ASSUMPTIONS

The preparation of Medexus's consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting principles and policies and the reported amounts of assets, liabilities, revenues, and expenses during the relevant periods covered by those financial statements. These estimates and assumptions are based on historical experience, expectations of the future, and other relevant factors. Medexus reviews its estimates and assumptions regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Actual results may differ from these estimates. A description of Medexus's significant accounting estimates, judgements, and assumptions is included in note 2 to Medexus's consolidated financial statements for the period ended March 31, 2022.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying values of cash, amounts receivable, advances to related parties, loans receivable, accounts payable and accrued liabilities, and advances from related parties approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 13, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Medexus's financial instruments consist of cash, other current assets, accounts payable, derivative liability, and promissory notes. The fair values of other current assets, accounts payable, related parties payable, Convertible Debentures, and promissory note approximate their carrying values either due to their current nature or current market rates for similar instruments. Cash is measured at fair value on a recurring basis using level 1 inputs. Derivative liability is measured at fair value on a recurring basis using level 3 inputs.

DISCLOSURE OF OUTSTANDING SHARE DATA

Summary

Medexus's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As at June 22, 2022, Medexus had 19,952,538 Common Shares and no preferred shares issued and outstanding.

In addition, as at June 22, 2022, the following number of Common Shares were issuable in accordance with the terms of convertible securities (including equity incentive compensation awards) issued by Medexus –

- 9,891,907 Common Shares issuable upon conversion of the Convertible Debentures;
- 2,233,918 Common Shares issuable upon exercise of the 2018 Warrants;
- 2,290,844 Common Shares issuable upon exercise of the 2021 Warrants;
- 232,647 Common Shares issuable upon exercise of the 2021 Underwriter Warrants;
- 134,290 Common Shares issuable upon exercise of the MidCap Warrants;
- 695,050 Common Shares issuable upon exercise of RSUs (defined below);
- 248,613 Common Shares issuable upon exercise of PSUs (defined below) (assuming vesting at 100%); and
- 795,568 Common Shares issuable upon exercise of Options (defined below).

Description of securities

The following sections set out a description of the material characteristics of each class of security that is issued and outstanding as of the date of this MD&A.

Common Shares

Each Common Share entitles the holder to one vote per share. The holders of Common Shares are entitled to receive notice of meetings of shareholders of Medexus and to vote at the meeting. Holders of Common Shares are entitled to receive, as and when declared by the Board, dividends in such amounts as may be determined by the Board. Holders of Common Shares have the right to receive any remaining residual asset value of Medexus in the event of a liquidation, dissolution, or winding-up of Medexus, whether voluntary or involuntary.

Convertible Debentures and 2018 Warrants

In October 2018, in connection with the acquisition of Medexus Inc. and Medac Pharma, Inc. (now known as Medexus Pharma, Inc.), Medexus issued C$42.0 million aggregate principal amount of Convertible Debentures under a convertible debenture indenture with Computershare Trust Company of Canada as trustee. As of March 31, 2022, the C$42.0 million aggregate principal amount remained issued and outstanding.

The Convertible Debentures bear interest at an annual rate equal to 6.00%. Interest on the issued and outstanding Convertible Debentures is payable semiannually in arrears on March 31 and September 30, and may be paid in cash, Common Shares, or a combination of the two. The Convertible Debentures mature on October 16, 2023. At maturity, Medexus will be obligated to repay 125% of the aggregate principal amount of the then issued and outstanding Convertible Debentures plus any accrued and unpaid interest. Subject to TSX approval as required, Medexus may satisfy these amounts in cash, Common Shares, or a combination of the two. The Convertible Debentures are senior to Medexus's equity securities, including the Common Shares, and subordinate to Medexus's senior secured debt facilities, including the Credit Agreements.

The Convertible Debentures are convertible into units (**Conversion Units**) at a conversion price of C$6.30, subject to adjustment as provided under the terms of the Convertible Debentures. Each Conversion Unit consists of one Common Share and one half of one warrant to purchase one Common Share (each whole warrant a **2018 Warrant**) exercisable at a price of C$9.45 per whole 2018 Warrant until October 16, 2023.

Medexus issued a further 2,233,918 2018 Warrants under a warrant indenture dated October 2018 (**2018 Warrant Indenture**) with Computershare Trust Company of Canada as warrant agent.

As of March 31, 2022, holders of Convertible Debentures had received 72,062 Conversion Units upon conversion of Convertible Debentures, comprising 72,062 Common Shares and 2018 Warrants to purchase an additional 36,030 Common Shares. If all remaining Convertible Debentures were converted in full (without giving effect to accrued interest, which Medexus may elect to pay in cash, Common Shares, or a combination of the two), then holders would receive 6,594,604 Conversion Units, comprising 6,594,604 Common Shares and 2018 Warrants to purchase an additional 3,297,303 Common Shares.

2021 Warrants and 2021 Underwriter Warrants

In February 2021, in the 2021 Offering, Medexus issued units each consisting of one Common Share and one half of one warrant to purchase one Common Share (each whole warrant a **2021 Warrant**) exercisable at a price of C$10.00 per whole 2021 Warrant until February 23, 2023. Medexus issued a total of 2,290,844 2021 Warrants in the 2021 Offering.

Medexus also issued, to the underwriters of the 2021 Offering, an aggregate of 232,647 warrants to purchase one Common Share (**2021 Underwriter Warrants**) exercisable at a price of C$7.10 per 2021 Underwriter Warrant until February 23, 2023.

Medexus issued the 2021 Warrants and the 2021 Underwriter Warrants under a warrant indenture dated February 23, 2021 (**2021 Warrant Indenture**) with Computershare Trust Company of Canada as warrant agent.

MidCap Warrants

In February 2020, in connection with its February 2020 term loan credit agreement with a syndicate of lenders represented by MidCap Financial Trust as agent (**Term Loan Agreement** and together with the Revolving Loan Agreement the **Credit Agreements**) (discussed in the AIF), Medexus issued, to an affiliate of MidCap Financial Trust, 134,290 warrants to purchase one Common Share (**MidCap Warrants**) exercisable at a price of C$4.00 until the maturity of the loan

outstanding under the Term Loan Agreement in June 2023 (unless otherwise extended in accordance with the terms of the Term Loan Agreement).

Securities issued under the 2018 Plan

RSUs

Since December 2018, Medexus has issued restricted stock units (**RSUs**) to participants under the company's 2018 Omnibus Equity Incentive Plan (**2018 Plan**). The RSUs generally vest in equal amounts upon the first, second, third, and fourth anniversaries of the grant date. RSUs issued annually to directors generally vest on the date of the following annual general meeting of shareholders. Each vested RSU entitles the holder to receive one Common Share in accordance with the 2018 Plan and the terms of the holder's RSU award agreement.

PSUs

Since October 2020, Medexus has issued performance share units (**PSUs**) to participants under the 2018 Plan. The PSUs will vest if Medexus achieves a number of predetermined objectives during performance periods that generally extend over multiple financial years. Each vested PSU will represent an obligation of Medexus to issue one Common Share in accordance with the 2018 Plan and the terms of the holder's PSU award agreement.

Options

Since October 2020, Medexus has issued options to purchase Common Shares (**Options**) to participants under the 2018 Plan. The Options generally vest in equal amounts upon the grant date and the first, second, third, and fourth anniversaries of the grant date. Options issued annually to directors generally vest on the date of the following annual general meeting of shareholders. Each vested Option entitles the holder to receive one Common Share by delivering an exercise notice and payment of the exercise price in accordance with the 2018 Plan and the terms of the holder's Option award agreement.

RISK FACTORS AND RISK MANAGEMENT

Medexus is subject to a number of risks and uncertainties. A risk is the possibility that an event might happen in the future that could have a negative effect on the company's financial condition, financial performance, or business. The Board has overall responsibility for overseeing Medexus's evaluation and mitigation of these risks and periodically reviews Medexus's risk management practices.

The risks described in this section are not the only risks facing Medexus, its business, and the pharmaceutical industry as a whole. Additional risks not currently known to Medexus, or that the company currently deems immaterial, may also adversely affect Medexus's operations. In addition, a more comprehensive discussion of the principal risks and uncertainties that Medexus faces are described under the heading "Risk Factors" in Medexus's most recent AIF, which is available on Medexus's issuer profile on SEDAR at www.sedar.com.

Need for additional financing

Medexus will, from time to time, require additional capital to secure new business opportunities and product registrations, as well as clinical development programs that Medexus may decide to pursue. Growth in costs and expenses, changes in product and geographic mix, and the impact of corporate strategic initiatives (including licensing and acquisition transactions, divestitures, restructurings, internal reorganizations, or unusual product-related events that could result from evolving business strategies or otherwise), as well as potential disruption of Medexus's ongoing business, could, in each case, adversely affect future results depending on Medexus's ability to realize the projected benefits of these cost management, product management, and other corporate strategic initiatives. In addition, Medexus had negative operating cash flow in certain quarters during the financial year ended March 31, 2022 and cannot guarantee that it will attain or maintain positive operating cash flow in future periods. To the extent that Medexus has negative operating cash flow in any future period, Medexus may require additional capital to fund its activities in these periods.

However, there can be no assurance that Medexus will be able to raise the additional funding that it will need to carry out its business objectives and to complete acquisitions in a timely and satisfactory manner or at all. Medexus's success in these efforts will depend on prevailing capital market conditions, Medexus's business performance, and its ability to attract and retain investor interest in the company and its business plan. There can be no assurance that Medexus will be successful in securing the capital it requires as and when needed or at all. If Medexus raises additional equity capital by issuing Common Shares, existing holders of Common Shares may suffer additional dilution.

In addition, increases in interest rates, both domestically and internationally, could negatively affect Medexus's cost of financing its operations and investments. Adverse credit market conditions could limit Medexus's ability to raise debt financing that the company may need to fund its operations. Medexus's ability to maintain its current debt arrangements and its ability to issue or borrow long-term debt or raise other forms of financing will be critical to Medexus's long-term prospects. Medexus's ability to conduct operations could be materially and adversely impacted if these or other adverse conditions affect the company's sources of capital.

Risks associated with debt financing

Medexus entered into the Term Loan Agreement in February 2020 and the Revolving Loan Agreement in May 2020. Medexus has incurred significant debt liabilities under the Credit Agreements. (For more information about the terms of the Credit Agreements, see "General Development of Medexus's Business" in the AIF.) Medexus has also issued the Convertible Debentures, although, subject to TSX approval as required, Medexus may satisfy amounts due under the Convertible Debentures in cash, Common Shares, or a combination of the two. (For more information about the terms of the Convertible Debentures, see "Description of Capital Structure—Description of securities—Convertible Debentures and 2018 Warrants" in the AIF.)

Medexus and its subsidiaries are the borrowers under the Credit Agreements. Borrowings under the Term Loan Agreement are secured by a first-priority security interest in all existing and after-acquired assets of Medexus and each other borrower. Borrowings under the Revolving Loan Agreement are secured by a first-priority security interest in all existing and after-acquired personal property of Medexus and each other borrower. If Medexus defaults in payment under either Credit Agreement, if payment is otherwise accelerated, or if the lenders under the Credit Agreements otherwise exercise their available remedies, Medexus would suffer a material adverse effect on its business, financial condition, operating results, and prospects.

Medexus's ability to satisfy its debt liabilities, including under the Credit Agreements, and otherwise to make payments when due, largely depends on the company's ability to achieve significant revenues from commercializing its products. This is because there can be no assurance that Medexus will be able to secure additional financing to satisfy its liabilities under the Credit Agreements. In any such event, Medexus may be compelled to adopt alternative liquidity management strategies including actions such as reducing or delaying capital expenditures or selling assets, any of which may harm the company's long-term prospects. There can be no assurance that Medexus will be able to repay the outstanding amount of any indebtedness at maturity. Medexus's inability to repay outstanding debt when due would have a material adverse impact on the company's business.

Minimum payment obligations

Medexus is or may become subject to contractual arrangements that require Medexus to pay minimum annual amounts to the relevant counterparty regardless of actual performance. These arrangements can relate to purchase of raw materials (which may be more than are necessary to sustain annual production requirements), finished goods (which may be more than are necessary to meet actual demand for the relevant product), or payments under licensing arrangements (which may be more than sales of the relevant product would otherwise merit). These payments, without a corresponding revenue inflow, can have an adverse effect on Medexus's financial position and operating results.

Foreign exchange and market rate fluctuations

Currency exchange rate fluctuations can affect Medexus's results of operations to the extent that the company's revenues and expenses may be in different currencies. Medexus's exposure to the risk of changes in foreign exchange rates relates primarily to the company's operating activities when revenue or expenses are denominated in U.S. dollars, Euros, or other foreign currencies. All Medexus's U.S. revenues, representing a significant portion of gross revenues earned by

Medexus overall, are in U.S. dollars, and many of Medexus's payments to third-party suppliers are denominated in Euros. As a result, Medexus's competitiveness could be impacted by unfavorable fluctuations in currency exchange rates.

Fair Value of Convertible Debentures

The Convertible Debentures are a compound financial instrument under IAS 32, *Financial Instruments: Presentation*, and have both a liability and an embedded derivative component. The fair value of the consideration for the compound instrument must be split into its liability and derivative components. The derivative is measured at fair value through profit or loss, and its fair value must be measured at each reporting period with subsequent changes in fair value recorded in the consolidated statement of loss. Medexus uses a derivative valuation model to estimate the fair value of the derivative at the inception date and again at subsequent reporting dates. The most significant assumption used in this model is the discount rate to fair value for the liability component of the Convertible Debentures. Several other assumptions affect the results of this calculation, including estimated share price volatility. If different assumptions are used, the values derived could be significantly different than those determined by Medexus, which could have a material impact on Medexus's financial statements.

Inflation

Inflation may generally affect Medexus by increasing the cost of labor, commercial support, manufacturing, clinical trial, and other costs and expenses. In addition, drug pricing by pharmaceutical companies is also subject to legal, regulatory, and contractual constraints in the United States and Canada. However, as of March 31, 2022, inflation had not had a material effect on Medexus's business, financial condition, or results of operations.

Possible failure to realize benefits of the U.S. Treosulfan Agreement

Medexus believes that the U.S. Treosulfan Agreement will provide benefits to the company. Achieving the benefits of the U.S. Treosulfan Agreement will depend in part on Medexus successfully being able to market, promote, import, use, offer for sale, distribute, and have distributed treosulfan in the United States in line with current expectations. A variety of factors may also adversely affect the likelihood of the anticipated benefits of the U.S. Treosulfan Agreement materializing or from occurring within the time periods anticipated by Medexus, including the results of the ongoing review by the FDA. Further, as Medexus anticipates that certain milestone and royalty payments will need to be made to medac from time to time under the U.S. Treosulfan Agreement, the precise amount and timing of which are difficult to estimate accurately, Medexus's financial and operational assumptions with respect to the U.S. Treosulfan Agreement may be inaccurate. There can be no assurance that Medexus will be able to effectively finance these milestone payments if and when they become due. Under the terms of the U.S. Treosulfan Agreement, medac may terminate the U.S. Treosulfan Agreement if, among other things, Medexus fails to pay certain milestone payments when due or cannot demonstrate its ability to pay the remaining milestone payments as and when required by the U.S. Treosulfan Agreement. The consideration paid and payable by Medexus under the U.S. Treosulfan Agreement, including the milestone payments, is nonrefundable except in very limited circumstances, in which case a portion of the regulatory milestone payments may be refunded. If medac were to terminate the U.S. Treosulfan Agreement, Medexus would no longer have

exclusive rights to market, promote, import, use, offer for sale, distribute, and have distributed treosulfan in the United States, which may have a material adverse effect on the company's business, financial condition, and results of operations.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

Medexus's management are together responsible for establishing and maintaining disclosure controls and procedures as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109). Medexus's management have together designed such a system of disclosure controls and procedures to provide reasonable assurance that material information with respect to Medexus is made known to them and information required to be disclosed by Medexus in its annual filings, interim filings, or other reports filed, furnished, or submitted by the company under securities laws is recorded, processed, summarized, and reported within the time periods required by the relevant securities laws.

Internal controls over financial reporting

Medexus's management are together responsible for establishing and maintaining internal controls over financial reporting as defined in NI 52-109 (ICFR). Medexus's management have together designed such a system of ICFR to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS. The control framework that Medexus's management used to design the company's ICFR is set out in Internal Control–Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission. There have been no changes in Medexus's ICFR during the 12 months ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, Medexus's ICFR.

Limitations of controls and procedures

Any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within Medexus have been prevented or detected.

These inherent limitations include the reality that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of individuals, by collusion of two or more people, or by unauthorized override of the control. The design of any control system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ADDITIONAL INFORMATION

SEDAR

Additional information about Medexus may be found on SEDAR at www.sedar.com. In particular, additional information about Medexus's business and operations is provided in Medexus' most recent annual information form, and additional financial information is provided in Medexus' consolidated financial statements as of and for the year ended March 31, 2022, together with the related independent auditor's report dated June 22, 2022, each of which have been filed on SEDAR.

Corporate website

Medexus maintains a corporate website at {https://www.medexus.com/}. (This uniform resource locator, or website address, is provided as an inactive textual reference only.) Medexus uses its corporate website as a channel of distribution of information about the company. Information Medexus provides through this channel may be deemed material. Investors should monitor Medexus's corporate website, including press releases posted to the website, in addition to Medexus's public filings, conference calls, and webcasts. However, information contained on or accessible through the Medexus corporate website is not a part of this MD&A and is not incorporated by reference into this MD&A or any of Medexus's public filings.