Medexus Pharmaceuticals Inc.

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND TWELVE-MONTH PERIODS ENDED
MARCH 31, 2019

DATED, JULY 8, 2019

INTERPRETATION

This management discussion and analysis of financial position and results of operations ("**MD&A**"), as approved by the board of directors (the "**Board**") of Medexus Pharmaceuticals Inc. (the "**Company**") on July 8, 2019 is prepared for the three and twelve-month periods ended March 31, 2019. The audited consolidated financial statements of the Company for the three and twelve-month periods ended March 31, 2019 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 the Company's financial statements.

Unless the context otherwise requires, all financial information is presented on an IFRS basis and all amounts are presented in Canadian dollars.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements made in this MD&A contain forward-looking information within the meaning of applicable securities laws ("**forward-looking statements**"). Such forward-looking information includes statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of 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") which are not historical facts. Forward-looking information may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Company has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the business of the Company. By their nature, forward looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Company that could influence actual results include, but are not limited to, future capital requirements and dilution; intellectual property protection and infringement risks; competition (including potential for generic competition); reliance on key management personnel; the Company's ability to implement its business plan; the Company's ability to leverage its United States and Canadian infrastructure to promote additional growth, including with respect to the infrastructure of Medexus Inc. and Medac Pharma, Inc. and the potential benefits the Company expects to derive therefrom, regulatory approval by the Canadian health authorities; product reimbursement by third party payers; patent litigation or patent expiry; litigation risk; stock price volatility; government regulation; potential third party claims. Forward-looking information in this MD&A includes, but is not limited to, information contained in statements with respect to: the Company's expected revenue in the "Strategy & Future Outlook" section which is based on historical revenue growth; expected benefits from the Acquisitions (as defined herein), including continued growth, improved profitability and the ability to capitalize on additional business development activities and leverage the existing commercial infrastructure and improve the financial results; expectations regarding revenues, expenses, future cash flows, financial condition, operating performance, capital structure and expenditures; the Company's anticipated cash needs; the Company's integration of past and future acquisitions and ability to deliver returns and benefits from its initiatives; the Company's plans for and timing of expansion of its services; the Company's future growth plans; anticipated trends and challenges in the Company's business and the markets in which it operates; the Company's growth prospects and the objectives, vision and strategies; the Company's business strategy; the Company's expectation regarding the availability of funds from operations, cash flow generation and capital allocation; the Company's strategic assessment of current and future assets; and the Company's competitive position and the anticipated trends and challenges in the Company's business and the markets in which it operates. Further, unless otherwise noted, any forward-looking statement speaks only as of the date of this MD&A, and, except as required by applicable law, the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement. All forward-looking statements contained herein are expressly qualified by this cautionary statement.

ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

Effective as of April 1, 2018, the Company has adopted the requirements of IFRS 9, Financial instruments and IFRS 15, Revenue from contracts with customers. Please refer to note 2 of the consolidated Financial Statements for a summary of changes to the Company's accounting policies as well as recent accounting pronouncements impacting the Company. The preparation of the Company's consolidated financial statements requires management to make critical judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. On an ongoing basis, management evaluates its judgments, estimates, and assumptions using historical experience and various other factors it believes to be reasonable under the given circumstances. In the future, actual experience may differ from these estimates and assumptions. Please refer to note 2 of the consolidated financial statements for the Company's significant accounting judgments, estimates and assumptions.

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain financial measures which are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. These measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS.

In particular, management uses Adjusted EBITDA as a measure of the Company's performance. Both EBITDA (earnings before interest, taxes, depreciation and amortization) and Adjusted EBITDA are non-IFRS financial measures. The Company defines Adjusted EBITDA as earnings before financing and special transaction costs (including, for greater certainty, fees related to the transactions and financing announced on October 16, 2018, as discussed herein), interest expenses, income taxes, interest income, depreciation of property and equipment, amortization of intangible assets, non-cash share-based compensation, income from sale of asset, gain or loss on the convertible debenture embedded derivative, foreign exchange gains or losses, and impairment of intangible assets. The Company considers Adjusted EBITDA as a key metric in assessing business performance and considers Adjusted EBITDA to be an important measure of operating performance and cash flow, providing useful information to investors and analysts.

See "*Reconciliation of Adjusted EBITDA to Net Loss*" in this MD&A for a reconciliation of Adjusted EBITDA to net income (loss).

OVERVIEW

On October 16, 2018, the Company (under its former name, Pediapharm Inc.) completed two transformative acquisitions ("**Acquisitions**") in acquiring of all the issued and outstanding shares of Medexus Inc. ("**Medexus**") and Medac Pharma, Inc. ("**Medac Pharma**") and, subsequently, on December 12, 2018, the changed its name to "Medexus Pharmaceuticals Inc.".

Post-Acquisitions, the Company, both directly and through its two active operating subsidiaries, Medac Pharma and Medexus, is now a North American specialty pharma company with a solid portfolio of products in the rheumatology, auto-immune disease, specialty oncology, plus its traditional pediatric business in Canada.

Medexus, a direct, wholly owned active subsidiary of the Company, is a Canadian specialty pharmaceutical company focused on the licensing, registration, marketing, sales and distribution of innovative pharmaceutical products in Canada with strategic partnerships in key international markets.

Medac Pharma, an indirect, wholly owned active subsidiary of the Company, is a specialty pharmaceutical company focusing primarily in the area of rheumatology in the United States through a solid commercial infrastructure.

STRATEGY & FUTURE OUTLOOK

On October 11, 2018, the Company completed a private placement offering for aggregate gross proceeds of approximately $62 million. Certain of the net proceeds of the Offering were used to partially finance the Medac Pharma Acquisition, while the remaining funds have put the Company in a strong financial position for future growth opportunities. The Company will seek business development opportunities which leverage its commercial infrastructure in both the United States and Canada, supported by a strong balance sheet with over $29 million in cash as of March 31, 2019. For more information on the offering, see "*Key Highlights - Period Ended March 31, 2019*".

The post-Acquisitions combination of Company, Medexus and Medac Pharma creates a solid platform for continued growth and improved profitability. Prior to the Acquisitions, each of the pre-acquisition entities (including the Company) was generating double digit revenue growth and was either generating positive Adjusted EBITDA or was on the verge of generating positive Adjusted EBITDA. Post-Acquisitions, the Company has increased scale, a strong balance sheet and is expected to be cash flow positive going forward. Management believes the additional business development activities will further leverage the existing commercial infrastructure and improve the financial results.

The Company has decided it will further enhance its business development efforts with additional resources to find opportunities that help build scale in the short to medium term. The Company is determined to accelerate its organic growth and through product licensing and/or product and company acquisitions.

Among its specific product lines, the Company is experiencing strong unit growth from Rasuvo™ in the United States, which increased 14% in the twelve-month period ended March 31, 2019 (Source: SHA PHAST). Rasuvo is a once-weekly, subcutaneous, single-dose auto-injector of methotrexate indicated for the treatment of rheumatoid arthritis, psoriasis and juvenile idiopathic arthritis ("**JIA**"). Strong payor, prescriber and patient acceptance for Rasuvo in the United States has positioned the Company as an emerging leader in the methotrexate auto-injector market. Management expects this growth to continue as prescribers adopt the most effective and convenient form of methotrexate for their patients.

The Company is also experiencing 293% unit growth of Metoject® in Canada in the twelve-month period ended March 31, 2019 (Source: IQVIA – TSA National units) due, in part, to public reimbursement. Metoject is a pre-filled syringe of methotrexate, which is indicated for the treatment of rheumatoid arthritis and psoriasis. Metoject is a highly effective and cost-efficient treatment for these debilitating diseases. Public reimbursement creates access for a large group of patients who previously could not get the product.

Rupall™, launched in Canada in January 2017, is also experiencing very strong unit growth, with an increase of 109% in the twelve-month period ended March 31, 2019 (Source: IQVIA – Drugstores and hospitals purchases), as physicians are switching patients from either the generic prescription antihistamines or over-the-counter products. The Company expects Rupall to be a leading prescription anti-histamine in a total market valued at $131.4 million, including $42.6 million from the prescription market, which is growing at annual rate of 17% (IMS Data-MAT June 2018).

In addition to the aforementioned products, the Company has several other product lines that have recently been launched, including Otixal™ and Cuvposa™. Otixal™, a prescription product that was launched in May 2017 for the treatment of acute otitis media with tympanostomy tubes in pediatric patients is also growing at a strong pace. Finally, in April 2018, the Company launched Cuvposa™, which is indicated for sialorrhea in patients aged 3-18 years with neurologic conditions such as cerebral palsy. Receptivity to Cuvposa from the medical community and patients has been positive, as this product addresses a significant unmet need.

In Canada, there has been a long-standing drug shortage of Triamcinolone Hexacetinide ("**TH**"), a leading treatment for JIA. In October 2018, the Company launched its own TH product, which was being made available, by the Company, to children with JIA through the Special Access Program of Health Canada. With the commercial launch of TH, children with JIA now have a reliable source for a product which is a key component for the management of their disease.

In addition to continuing to market and grow its new and existing product lines, the Company also has a first right of refusal on current products from the previous owner of Medac Pharma with whom the Company has entered into the Medac Supply Agreement (as defined herein). The Company believes that several of these products represent a commercial opportunity in North America and is in the process of assessing the licensing of these drugs. The Company is also in discussion with several partners regarding other licensing agreements and believes that those products have the potential to make a material contribution within the next few years.

In summary, the Company believes it has built a highly scalable business platform which should provide significant incremental earnings potential. The Company continues to grow revenue, leverage its North American sales force across products, realize synergies of the combined entities, and maintain strict financial discipline. The Company also has a solid cash position from which to execute its business plan, including the launch of several new products. Management estimates that the upcoming expected revenue growth and stable operational expenses will continue to bring the Company into a positive Adjusted EBITDA situation in the current and future fiscal years.

SIGNIFICANT TRANSACTIONS

Private Placement Offering

On October 11, 2018, in connection with the Acquisitions (discussed in further detail below), the Company completed the Offering of Subscription Receipts (as defined below) for aggregate gross proceeds of $61,949,979.40.

The Offering consisted of the issuance of a combination of (i) subscription receipts ("**Unit Subscription Receipts**") convertible into units ("**Units**"), at a price of $0.42 per Unit Subscription Receipt, and (ii) subscription receipts ("**Debenture Subscription Receipts**", and, together with the Unit Subscription Receipts, the "**Subscription Receipts**") convertible into convertible debentures ("**Convertible Debentures**"), at a price of $1,000 per Debenture Subscription Receipt. Each Unit was comprised of one pre-Consolidation common share (0.0667 post-Consolidation common share) and one half (1/2) of one pre-Consolidation common share purchase warrant (0.0333 post-Consolidation common share purchase warrant) (each whole common share purchase warrant, an "Offering Warrant"), with each whole pre-Consolidation Offering Warrant being exercisable into one pre-Consolidation common share for a period of five years at an exercise price of $0.63 per share. Following the Consolidation, one post-Consolidation Offering Warrant entitles the holder to purchase one post-Consolidation common share at an exercise price of $9.45 per share.

The Convertible Debentures are convertible into units ("**Conversion Units**") consisting of one pre-Consolidation common share (0.0667 post-Consolidation common share) and one half (1/2) of one pre-Consolidation Offering Warrant (0.0333 post-Consolidation Offering Warrant), at a price of $0.42 per pre-Consolidation Conversion Unit ($6.30 per post-Consolidation Conversion Unit). Pursuant to the Offering, the Company issued 58,676,397 Unit Subscription Receipts, for aggregate gross subscription proceeds of

$19,949,979.40, and 42,000 Debenture Subscription Receipts, for aggregate gross subscription proceeds of $42,000,000. The Convertible Debentures will mature on October 16, 2023 and shall be repaid in full by the Company with a payment equal to 125% of such outstanding principal amount, with such repayment to be made in cash or, at the Company's option, in common shares of the Company. The Convertible Debentures bear interest at a rate of 6.0% per annum beginning October 16, 2018, payable semi-annually in cash, or, at the Company's option and subject to the prior approval of the TSX Venture Exchange ("TSXV"), in common shares of the Company.

The aggregate gross proceeds of the Offering were placed into escrow pursuant to the terms of the Subscription Receipts. On October 16, 2018, in connection with the Acquisitions, the Subscription Receipts automatically converted into an aggregate of (i) 58,676,397 Units, and (ii) $42 million principal amount of Convertible Debentures, and consequently, the aggregate net proceeds of the Offering of approximately $58.46 million were released to the Company.

Acquisitions of Medexus and Medac Pharma

On October 16, 2018, the Company completed the acquisition (the "**Medexus Acquisition**") of all of the issued and outstanding shares of Medexus Inc., a privately held Canadian pharmaceutical innovator with strategic partnerships in key international markets. The total consideration paid by the Company for the Medexus Acquisition was approximately $20 million, which was satisfied through the issuance of 67,646,009 pre-Consolidation common shares (approximately 4,509,734 post-Consolidation common shares) to former holders of Medexus shares.

On October 16, 2018 the Company also completed the acquisition (the "Medac Pharma Acquisition") from medac Gesellschaft für klinische Spezialpräparate m.b.H. ("**medac GmbH**") of all of the issued and outstanding shares of Medac Pharma, a specialty pharmaceutical company focusing primarily in the area of rheumatology in the United States. The total consideration payable by the Company for the Medac Pharma Acquisition is up to US$50 million, of which a cash payment of US$17.8 million, made up of an initial payment of US$13.1 million and working capital payment of US$4.7 million, has been paid, together with the issuance of 7,260,235 pre-Consolidation units (approximately 484,016 post-Consolidation units) of the Company (the "Consideration Units") with a value of approximately US$1.7 million. Each pre-Consolidation Consideration Unit consisted of one pre-Consolidation common share (0.0667 post-Consolidation common share) and one half (1/2) of one pre-Consolidation common share purchase warrant (each whole common share purchase warrant, a "Consideration Unit Warrant"), with each pre-Consolidation Consideration Unit Warrant being exercisable into one pre-Consolidation common share for a period of five years at an exercise price of $0.63 per share. Following the Consolidation, one post-Consolidation Consideration Unit Warrant entitles the holder to purchase one post-Consolidation common share at an exercise price of $9.45 per share.

A contingent cash payment of US$5 million and annual payments in an amount equal to 7.5% of the aggregate consolidated EBITDA of the Company, subject to certain agreed-upon adjustments and until such time as an aggregate of US$30 million in annual payments have been made, are also payable in connection with the Medac Pharma Acquisition.

Concurrent with closing of the Medac Pharma Acquisition, medac GmbH, the Company and Medac Pharma entered into a manufacturing and supply agreement (the "**Medac Supply Agreement**") for an initial term of 12 years from the completion of the Medac Pharma Acquisition, which Medac Supply Agreement will provide for the continued supply of products by medac GmbH to the Company for sale in the United States by the Company, including a right of first refusal granted to the Company with respect to the commercialization in the United States or Canada of certain specified products of medac GmbH that medac GmbH wishes to commercialize for use in the United States or Canada during the term of the Medac Supply Agreement. In addition, an existing supply agreement between medac GmbH and Medexus was extended, on its existing financial terms, such that it expires 12 years from the date of the completion of the Medac Pharma Acquisition.

Consolidation of Common Shares

On December 12, 2018, the Company completed the consolidation of its common shares on the basis of 15 pre-Consolidation common shares for each one post-Consolidation common share, as well as a name change from "Pediapharm Inc." to "Medexus Pharmaceuticals Inc." following receipt of shareholder approval for both the name change and Consolidation at the Company's annual and special meeting of shareholders held on the same date. At the opening of trading on December 19, 2018, the Company's common shares began trading on the TSXV under the name Medexus Pharmaceuticals Inc., on a post-consolidated basis, and under the new stock symbol "MDP".

Repayment of 2015 Debentures

On December 12, 2018, the Company also announced that it repaid its outstanding convertible secured debentures issued in 2015, for a total aggregate payment of $5,743,833, representing the principal amount of the debentures and accrued interest thereon, plus the required 2% early repayment fee.

Management Changes

On December 17, 2018, the Company announced that the Board had appointed Ken d'Entremont as Chief Executive Officer of the Company. Mr. d'Entremont joined the Company as a director and Chief Operating Officer following the acquisition of Medexus, of which he was the founder, President, Chief Executive Officer and a director. Sylvain Chrétien, the founder of the Company, was appointed as President of the Canadian Operations of the Company, and Terri Shoemaker, the President of Medac Pharma prior to the Medac Pharma Acquisition, was appointed as President of the United States Operations of the Company. On the same date, the Company announced the retirement of Pierre Lapalme from the Board and the appointment of Peter van der Velden as Chair of the Board.

NORMAL COURSE ISSUER BID

On May 14, 2019, the Company received approval from the TSXV to implement a normal course issuer bid (the "NCIB"), under which the Company may purchase for cancellation up to 1,005,333 common shares, at market prices, through the facilities of the TSXV (or by other means as may be permitted by the TSXV). The NCIB commenced on May 16, 2019 and will terminate on May 15, 2020 or on such earlier date upon which the Company has purchased the maximum number of Shares under the NCIB. A copy of the Company's Notice of Intention to Make a Normal Course Issuer Bid, as filed with the TSXV, can be obtained without charge by contacting the Company.

KEY HIGHLIGHTS - PERIODS ENDED MARCH 31, 2019

Three-month period ended March 31, 2019

The comparatives in the following highlights include only results for Pediapharm Inc. (pre-Acquisitions and pre-offering), whereas amounts for the three-month period ended March 31, 2019, also include the results for the acquired entities (Medexus Inc. and Medac Pharma, Inc.).

The Company achieved quarterly revenue of $12.7 million for the three-month period ended March 31, 2019, versus $2.1 million for the three-month period ended March 31, 2018, representing an increase of $10.6 million. Additional highlights for this quarter include:

- Gross profit increased 767% to $7.5 million compared to $0.9 million for Q4 2018
- Gross margin increased to 58.5% compared to 40.9% for the same period last year
- Adjusted EBITDA increased to $0.1 million compared to ($1.1 million) for Q4 2018, an improvement of $1.2 million.
- Finished quarter with cash and cash equivalents of $29.2 million as of March 31, 2019 compared to $28.9 million as of December 31, 2018

Year ended March 31, 2019

The following highlights include results for the period of April 1, 2018 to March 31, 2019 for Pediapharm Inc. (pre-Acquisitions and pre-offering) as well as the period of October 16, 2018 to March 31, 2019 for the entities acquired on October 16, 2018 (Medexus Inc. and Medac Pharma, Inc.).

The Company achieved revenue of $33.9 million for the year ended March 31, 2019, versus $10.0 million for the year ended March 31, 2018, representing an increase of $23.9 million. Additional highlights for this period include:

- Gross profit increased 297% to $20.0 million compared to $5.0 million for the same period last year
- Gross margin increased to 59.1% compared to 50.4% for the same period last year
- Adjusted EBITDA increased to $2.4 million compared to ($2.3 million) for the same period last year, an improvement of $4.7 million.
- Finished year with cash and cash equivalents of $29.2 million as of March 31, 2019 compared to $3.6 million as of March 31, 2018

SELECTED FINANCIAL INFORMATION

OPERATING RESULTS – FOURTH QUARTER

3 months ended	March 31, 2019 $	March 31, 2018 $	Variance $
Revenue	**12,744,602**	2,103,439	10,641,163
Cost of goods sold	**5,283,365**	1,242,745	4,040,620
Gross Profit	**7,461,237**	860,694	6,600,543
Selling and administrative expenses	**9,390,411**	2,063,415	7,326,996
Transaction and financing expenses	**282,298**	-	282,298
Operating loss	**(2,029,195)**	(1,204,949)	(824,246)
Net loss	**(884,868)**	(1,021,994)	137,126
Adjusted EBITDA	**105,127**	(1,119,984)	1,225,111
Cash flow used in operating activities	**(628,135)**	(648,077)	19,942
Cash flow used in investing activities	**1,056,804**	(378,360)	1,435,164
Cash flow from financing activities	**-**	-	-

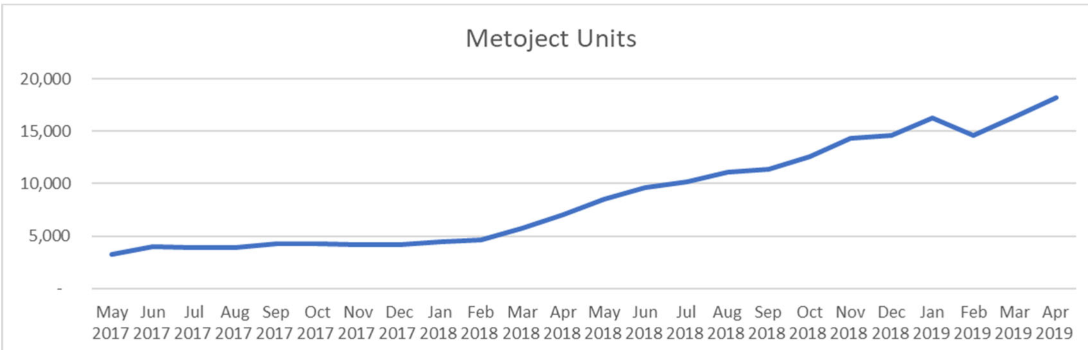
OPERATING RESULTS – FULL YEAR

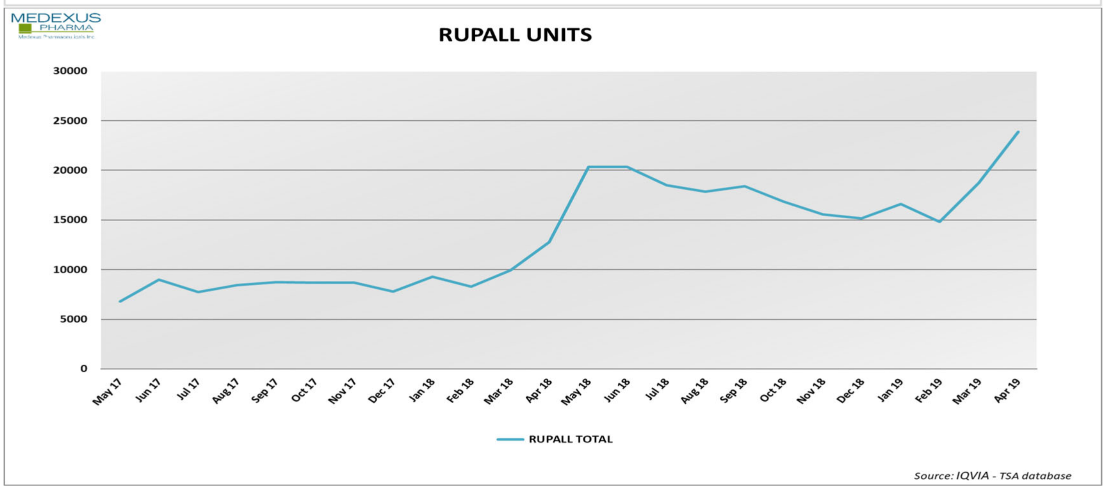
Years ended	March 31, 2019 $	March 31, 2018 $	Variance $
Revenue	**33,864,028**	10,009,167	23,854,861
Cost of goods sold	**13,858,714**	4,967,541	8,891,173
Gross Profit	**20,005,314**	5,041,626	14,963,688
Selling and administrative expenses	**20,849,751**	7,862,437	12,987,314
Transaction and financing expenses	**4,831,093**	-	4,831,093
Operating loss	**(5,864,702)**	(2,835,105)	(3,029,597)
Net loss	**(6,522,239)**	(3,482,645)	(3,039,594)
Adjusted EBITDA	**2,406,617**	(2,312,498)	4,719,115
Cash flow used in operating activities	**(2,589,850)**	(3,861,847)	1,271,997
Cash flow used in investing activities	**(23,119,190)**	(727,709)	(22,391,481)
Cash flow from financing activities	**51,239,184**	4,956,965	46,282,219

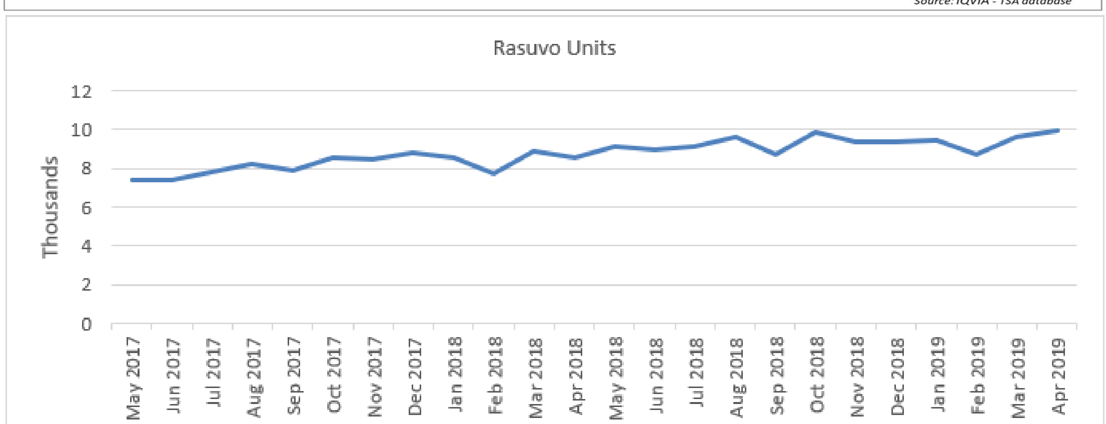
OPERATING RESULTS ANALYSIS

REVENUE

For the three months ended March 31, 2019, total revenue reached $12.7 million compared to revenue of $2.1 million for the three months ended March 31, 2018. This was mainly due to the Acquisitions, as well as the increase in revenue from recently launched Rupall™. As can be seen in the charts below: i) Metoject is experiencing rapid unit growth following the initiation of public reimbursement in March of 2018, ii) Rupall has more than doubled year over year and is taking share from generic anti-histamines, and iii) Rasuvo's units are growing at a rate of 14% year over year as it continues to gain share from vials of methotrexate.







Source: Symphony Sub National 4/30/2019 Data & Chargebacks Launch to 4/30/2019 Pulled 5/31/2019, PAP Launch to 4/30/2019 Pulled 5/31/2019

For the year ended March 31, 2019, total revenue reached $33.9 million compared with revenue of $10 million in the year ended March 31, 2018, representing an increase of $23.9 million. This was due in part to Acquisitions, as well as the increase in revenue from recently launched, Rupall.

GROSS PROFIT AND MARGIN

In addition to actual cost of goods and royalties paid to partners, gross profit and margins are impacted by amortization of assets generating revenue, allowances for potential product returns as well as warehouse and logistics expenses.

For the three-months ended March 31, 2019, gross profit reached $7.5 million compared to $0.9 million for the three-months ended March 31, 2018. Gross margin increased to 58.5% compared to 40.9% for the same period last year due to higher gross margins derived from the products acquired as part of the Acquisitions.

For the year ended March 31, 2019, gross profit reached $20.0 million compared to $5.0 million for the year ended March 31, 2018. Gross margin increased to 59.1% compared to 50.4% for the same period last year due to higher gross margins derived from the products acquired as part of the Acquisitions.

SELLING AND ADMINISTRATIVE EXPENSES

For the three-months ended March 31, 2019, selling and administrative expenses reached $9.4 million compared to $2.1 million for the three-months ended March 31, 2018 as a result of the Acquisitions.

For the year ended March 31, 2019, selling and administrative expenses reached $20.9 million compared to $7.9 million for the year ended March 31, 2018 as a result of the Acquisitions. The year over year increase was noted in each expense category: sales and marketing expense was $13.3 million (2018 - $4.8 million), business development and regulatory affairs increased to $2.2 million (2018 - $1.0 million) and general administrative expenses was $4.6 million (2018 - $1.8 million).

OPERATING PROFIT OR LOSS

Operating loss for the three-months ended March 31, 2019 was $2.0 million compared to $1.2 million for the three-months ended March 31, 2018. There was $280,000 of expenses related to the Acquisitions and Offering. Excluding that amount and all non-financial depreciation & amortization expenses, most of which are related to the Acquisitions, the result would have been an operating loss of approximately $0.4 million.

The operating loss for the year ended March 31, 2019 was $5.9 million compared to $2.8 million for the year ended March 31, 2018. There was $4.8 million of expenses related to the Acquisitions and Offering. Excluding that amount and all non-financial depreciation & amortization expenses, most of which are related to the Acquisitions, the result would have been an operating income of over $1.5 million

RECONCILIATION OF ADJUSTED EBITDA TO NET LOSS

The following table is derived from and should be read in conjunction with the consolidated statement of operations. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted EBITDA and provides additional information related to the operating performance of the Company. Investors are cautioned that this measure should not be considered in isolation or as a substitute for net income (loss) prepared in accordance with IFRS as issued by the IASB.

	For the 3-month period ended March 31, 2019 $	**For the 3-month period ended March 31, 2018 $**	**For the 12-month period ended March 31, 2019 $**	**For the 12-month period ended March 31, 2018 $**
Net Loss	(884,868)	(1,021,994)	(6,522,239)	(3,482,645)
Add Back:				
Depreciation & Amortization (property, equipment, intangible assets)	1,305,004	72,745	2,581,553	231,162
Interest expenses	576,812	165,613	1,699,516	669,167
Convertible debenture interest accretion net of deferred financing fee amortization	735,636	138,637	1,675,359	517,508
Interest accretion on payable for business combinations	503,120	-	503,120	-
Gain on extension of convertible debenture maturity date	-	(475,702)	-	(475,702)
Interest income	21,264	(10,891)	(215,930)	(39,800)
Income tax expense	222,026	-	222,026	-
EBITDA	**2,478,994**	**(1,131,592)**	**(56,595)**	**(2,580,310)**
Impairment Loss	-	-	124,746	-
Share-based compensation	549,020	11,608	733,927	267,813
Transaction fees (legal, tax, IP, etc)	282,298	-	4,831,093	-
Foreign exchange loss (gain)	531,739	-	510,370	-
Unrealized gain on fair value of derivative	(3,736,924)	-	(3,736,924)	-
ADJUSTED EBITDA	**105,127**	**(1,119,984)**	**2,406,617**	**(2,312,498)**

Adjusted EBITDA for the three-month period ended March 31, 2019 was $105,127 compared to ($1,119,984) for the three-month period ended March 31, 2018. The improvement is mainly due to Acquisitions, as well as increase in gross profit driven by increase in revenue from the Company prior to the Acquisitions and Offering.

Adjusted EBITDA for the year ended March 31, 2019 was $2,406,617 compared to ($2,312,498) for the year ended March 31, 2018. The improvement of over $4.7 million is mainly due to the income generated from the Acquisitions, as well as increase in gross profit driven by increase in revenue from the Company prior to the Acquisitions and Offering.

LIQUIDITY AND CAPITAL RESOURCES

Years ended	March 31, 2019 $	March 31, 2018 $	Variance $
Cash used by operating activities	**(2,589,850)**	(3,861,847)	1,271,997
Cash used by investing activities	**(23,119,190)**	(727,709)	(22,391,481)
Cash provided by financing activities	**51,239,184**	4,956,965	46,282,219
Increase (decrease) in cash position during the period	**25,530,144**	367,409	25,162,735
Impact of foreign exchange	**66,836**	-	66,836
Increase (decrease) in cash position during the period	**4,831,093**	-	4,831,093
Cash and temporary investments, beginning of period	**3,608,506**	3,241,097	367,409
Cash and temporary investments, end of period	**29,205,486**	3,608,506	25,596,980

Operating activities

For the year ended March 31, 2019, cash flows used in operating activities were $2.6 million compared to $3.9 million for the year ended March 31, 2018. The incremental income driven by the Acquisitions and the positive impact resulting from non-cash operating working capital items were somewhat offset by the negative impact of transaction-related expenses.

Investing activities

For the year ended March 31, 2019, cash flows used in investing activities were $23.1 million compared to $0.7 million for the same period last year. The increase is mainly due to the $22.5 million of net cash used as part of the Acquisitions.

Financing activities

For the year ended March 31, 2019, cash flows from financing activities were $51.2 million, as a result of the Offering, compared to $5.0 million for the year ended March 31, 2018.

LIQUIDITY, CAPITAL RESOURCES AND SOURCES OF FINANCING

The Company finished the year ended March 31, 2019 with cash amounting to $29,205,486. While the Company expects positive cash flow to be generated in the next twelve months, the cash balance at March 31, 2019 is well in excess of any potential cash outflows for at least the next twelve months. With the exception of the interest payments, payable in cash or in shares at the Company's sole discretion, related to the Convertible Debentures, there is no substantial debt commitment for the next twelve months.

CAPITAL RESOURCES

The Company manages its capital structure and brings about adjustments related to changes in the economic environment and underlying risks of its assets. To preserve or modify its capital structure and to carry on the development and commercialization of technology and fulfill its various financial obligations, the Company may issue additional shares or negotiate new loans.

As of March 31, 2019, the Company had approximately $30.2 million of available liquidity comprised of:

- cash and cash equivalents of $29.2 million
- undrawn credit of $1.0 million available under local credit facility in Medexus Inc.

DESCRIPTION OF THE COMPANY'S SECURITIES

The Company's authorized share capital consists of an unlimited number of common shares. As of July 8, 2019, the Company has 14,610,660 shares outstanding. There have been no dividends declared during the current period. The Company had the following securities outstanding as at July 8, 2019:

Type of Security	Number Outstanding(1)	Common Shares Issuable Upon Conversion, Exercise or Exchange (as applicable)
Common shares	14,610,660	N/A
Common share purchase warrants(2)	-	3,100,630
Convertible Debentures(3)	-	9,999,999
Stock options	-	465,685
Restricted Share Units ("**RSUs**")(4)	-	1,877,555
Compensation Warrants(5)	-	191,154

Notes:

(1) All securities are reported on a post-Consolidation basis.

(2) Does not include warrants issuable upon conversion of Convertible Debentures or Compensation Warrants (as defined below). Of the 2,910,284 common share purchase warrants issued and outstanding, 808 are exercisable at a price of $4.95 per common share until March 30, 2019, 221,392 are exercisable at a price of $4.95 until March 30, 2020, and 2,197,888 are Offering Warrants and Consideration Unit Warrants exercisable at a price of $9.45 per Offering Warrant until October 16, 2023.

(3) $42,000,000 represents the principal amount outstanding under the Convertible Debentures. The Convertible Debentures are convertible into Conversion Units at a price of $6.30. Each Conversion unit consists of one common share of the Company and ½ of one Offering Warrant exercisable at a price of $9.45 per warrant until October 16, 2023. If the Convertible Debentures were converted in full (without giving account to accrued interest, which may be payable in cash or in common shares by the Company), up to an additional 6,666,666 common shares and 3,333,333 Offering Warrants would be issued by the Company.

(4) RSUs were issued on December 19, 2018 and will vest in equal amounts upon the first, second, third and fourth anniversaries of the effective issuance date. The RSUs are exercisable for a nominal payment per share. Each vested RSU entitles the holder to receive one common share of the Company by delivering an exercise notice in accordance with the RSU plan and the terms of the applicable award agreement.

(5) In connection with the Offering, the Cormark Securities Inc. and Mackie Research Capital Corporation were issued 2,867,306 pre-consolidation common share purchase warrants (191,154 post-consolidation common share purchase warrants) ("**Compensation Warrants**"), each whole pre-consolidation Compensation Warrant being exercisable for one pre-consolidation common share at an exercise price of $0.63 per share. Following the Consolidation, one post-consolidation Compensation Warrant entitles the holder to purchase one post-consolidation common share until October 11, 2021 at an exercise price of $9.45 per share.

RELATED PARTY TRANSACTIONS

All related party transactions, unless otherwise disclosed, occurred in the normal course of operations.

The Company pays warehouse fees to a company 50% owned by a key management personnel of the Company. For the year ended March 31, 2019, $146,812 was paid in warehouse fees.

On December 12, 2018, the Company repaid the 2015 Debentures, originally issued on March 30, 2015, pursuant to their terms. During the year ended March 31, 2019, the Company repaid the following amounts:

- $104,433, comprised of $100,000 representing the outstanding principal amount, $2,433 representing accrued interest and $2,000 representing an early repayment fee of 2% on the outstanding principal amount, was paid to a former director of the Company; and
- $104,433, comprised of $100,000 representing the outstanding principal amount, $2,433 representing accrued interest and $2,000 representing an early repayment fee of 2% on the outstanding principal amount, was paid to a director of the Company.

For the year ended March 31, 2019, $169,866 was paid in interest on Convertible Debentures issued on October 16, 2018 which are owned or controlled, directly and indirectly, by two directors of the Company.

OFF -BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

SUMMARY OF ANNUAL RESULTS

Year ended	March 31, 2019 $	March 31, 2018 $	March 31, 2017 $
Revenues from Products	33,864,028	10,006,437	5,951,474
Revenues from Commissions	-	2,730	255,665
Total Revenue	33,864,028	10,009,167	6,207,139
Gross Profit	20,005,314	5,401,626	3,428,746
Selling and Administrative Expenses	20,849,751	7,862,437	6,803,665
Other Income	-	-	2,570,200
Operating Loss	(5,864,702)	(2,835,105)	(789,545)
Net Loss	(6,522,239)	(3,482,645)	(1,831,887)
Net Loss per share	(0.66)	(0.62)	(0.38)
Cash flow used in operations	(2,589,850)	(3,861,847)	(1,258,273)
Cash & cash equivalents	29,205,486	3,608,506	3,241,097
Assets	113,504,555	9,257,462	7,727,641
Long-term liabilities	62,144,985	4,345,627	4,323,821
Dividends	-	-	-

SUMMARY OF QUARTERLY RESULTS

Three-months ended ($)	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17
Revenues from Products	12,744,602	14,421,084	3,449,203	3,249,139	2,103,439	2,356,782	3,083,397	2,462,819
Revenues from Commissions	-	-	-	-	-	-	-	2,730
Total Revenue	12,744,602	14,421,084	3,449,203	3,249,139	2,103,439	2,356,782	3,083,397	2,465,549
Gross Profit	7,461,237	8,950,757	1,855,321	1,738,000	860,694	1,178,654	1,715,228	1,287,050
Selling and Administrative Expenses	9,390,411	7,874,559	1,502,818	2,149,219	2,063,415	1,881,129	1,783,377	2,134,516
Transaction and Financing expenses	282,298	927,889	3,670,905	-	-	-	-	-
Operating Loss	(2,029,195)	(77,871)	(3,314,121)	(422,146)	(1,204,949)	(716,585)	(52,177)	(837,761)
Net Loss	(884,868)	(1,328,842)	(3,616,440)	(692,090)	(1,021,994)	(1,006,092)	(336,631)	(1,117,928)
Net Loss per share	(0.09)	(0.10)	(0.62)	(0.12)	(0.18)	(0.17)	(0.06)	(0.21)
Cash flow from (used in) operations	(628,135)	(1,436,288)	(191,888)	(333,526)	(648,077)	(286,282)	(852,795)	(2,074,693)
Cash & cash equivalents, end of period	29,205,486	28,888,043	2,802,174	3,267,600	3,608,506	4,634,944	4,971,443	5,851,378
Assets	113,504,555	112,529,329	9,135,070	9,060,626	9,257,462	9,870,804	11,073,354	11,734,895
Long-term liabilities	62,144,985	39,361,818	4,599,755	4,457,939	4,345,627	4,702,692	4,569,043	4,442,893
Dividends	-	-	-	-	-	-	-	-

The main reasons explaining volatility in the Company's quarterly revenue are:

- The Acquisitions;
- The launch of Rupall;
- The public reimbursement Metoject; and
- The seasonality of some of the major products such as Rasuvo, Metoject, Rupall and NYDA.

FINANCIAL INSTRUMENTS

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to credit risks, liquidity risks, interest rate risks and foreign currency risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The Company does not have any hedges in place.

Liquidity risk

Liquidity risk arises when a company encounters difficulties in meeting commitments associated with liabilities and other payment obligations. Liquidity risk is managed by maintaining adequate reserves and banking facilities and by closely monitoring forecast and actual cash flows. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and Convertible Debentures.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed mainly to credit risk on its cash and cash equivalents and accounts receivable. The Company offers credit to its customers in the normal course of its operations. It continually assesses the credit risk of its customers and accounts for an allowance for doubtful accounts, if any. The credit risk on cash and cash equivalents is mitigated by the fact that they are in place with major Canadian financial institutions.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed rate instruments subject the Company to fair value risk, while floating rate instruments subject it to cash flow risk.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company'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 United States or other foreign currency. All of the sales from Medac Pharma, representing a significant portion of gross revenues earned, are in United States dollars. As a result, the Company's competiveness could be impacted by unfavourable fluctuations in currency exchange rates.

CAUTIONARY NOTE REGARDING RISKS AND UNCERTAINTIES

Readers are cautioned that the risks described above related to financial instruments are not intended as a complete list of all exposures that the Company is encountering or may encounter nor does it describe all risks inherent in an investment in the securities of the Company. If any of the foregoing or other risks occur, the Company's business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the trading price of the securities of the Company could decline and investors could lose all or part of their investment in such securities. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described in this MD&A or other otherwise.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been established by the Company to ensure that financial information disclosed by the Company in this MD&A, the related annual consolidated financial statements and its interim filings are properly recorded, processed, summarized and reported to its audit committee, its Board and its shareholders.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

As an issuer on the TSXV, the Chief Executive Officer and the Chief Financial Officer are not required to certify that they have designed and evaluated the effectiveness of disclosure controls and procedures and internal controls over financial reporting. Instead, the Company files a Certification of Annual Filings – Venture Issuer Basic Certificate or Certification of Interim Filings – Venture Issuer Basic Certificate, as the case may be, pursuant to which the Chief Executive Officer and the Chief Financial Officer certify the performance of a review of the information, no knowledge of misrepresentations and the fair presentation of the information in the annual or interim filings, as applicable.

ADDITIONAL INFORMATION

For additional information relating the company, readers are referred to the Company's other disclosure documents filed with the applicable Canadian securities regulatory authorities and available under the Company's issuer profile on SEDAR at www.sedar.com.
documents, including the Company's Annual Information Form filed with the applicable Canadian securities regulatory authorities and available at www.sedar.com.

Management of Medexus Pharmaceuticals Inc.