
# MANAGEMENT DISCUSSION AND ANALYSIS
# FOR THE THREE-MONTH PERIOD ENDED
# JUNE 30, 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 August 22**,** 2019 is prepared for the three-month period ended June 30, 2019. The unaudited condensed interim consolidated financial statements of the Company for the three-month period ended June 30, 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 COMPARATIVE FINANCIAL INFORMATION

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

As the three-month period ended June 30, 2019 is within the first full year of operation since the Company completed the Acquisitions, readers are cautioned that while certain financial information included herein for, and comparisons to, prior periods have been presented in this MD&A, changes from a pre-Acquisitions period to a post-Acquisitions period may, in the opinion of management, be of limited value in understanding changes to the financial condition, financial performance, or business of the Company from period to period given the transformative nature of the Acquisitions**. Readers are advised that the comparative information included in this MD&A for the three month period ended June 30, 2018, reflects only the unaudited pre-Acquisitions results for Pediapharm Inc., whereas information provided as at and for the three-month period ended June 30, 2019 reflects the unaudited consolidated results of the post-Acquisitions Company, including the acquired entities (Medexus Canada and Medexus US).**

## 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. More specifically, forward-looking information in this MD&A includes, but is not limited to, information contained in statements with respect to: the Company's future expectations regarding growth and revenues, including as set out in the "Company Overview, Strategy & Outlook" section of this MD&A; expected benefits from the Acquisitions; the Company's anticipated cash needs; 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 business strategy; the Company's expectation regarding the availability of funds from operations, cash flow generation and capital allocation; and the Company's competitive position and the anticipated trends and challenges in the Company's business and the markets in which it operates.

The forward-looking statements and information included in this MD&A are based on certain key expectations and assumptions made by the Company and although the Company believes that such expectations and assumptions are reasonable, undue reliance should not be placed on the forward-looking statements and information because the Company can give no assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. Factors and risks which could cause actual results or events to differ materially from those expressed in its forward-looking statements are

discussed herein under the heading "Risk Factors and Risk Management" and elsewhere in the Company's other disclosure documents filed with the applicable Canadian securities regulatory authorities from time to time.

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.

## 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).

## NEW ACCOUNTING STANDARDS ADOPTED BY THE COMPANY

On April 1, 2019, we adopted IFRS 16, *Leases*, with modified retrospective application, with the cumulative effect of the initial application of the new standard recognized at the date of initial application, April 1, 2019. This method of application does not result in the retrospective adjustment of amounts reported for periods prior to fiscal 2020. The most significant effect of the new standard is the lessee's recognition of the initial present value of unavoidable future lease payments as right-of-use lease assets and lease liabilities, including those for most leases that would have previously been accounted for as operating leases. This results in the cost being recognized as depreciation of right-of-use lease assets and interest expense on the lease liabilities, rather than as part of Selling and administrative expenses. However, the implementation of IFRS 16, *Leases* does not have any impact on economics or net cash flows.

## COMPANY OVERVIEW, STRATEGY & OUTLOOK

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

Medexus Canada, 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.

Medexus US, 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.

On October 11, 2018, in connection with the Acquisitions, the Company completed a private placement offering for aggregate gross proceeds of approximately $62 million (the "**Offering**"). Certain of the net proceeds of the Offering were used to partially finance the acquisition of Medexus US, while the remaining funds have put the Company in a strong financial position for future growth opportunities. The Company is actively pursuing business development opportunities through product licensing and/or product and company acquisitions to supplement its organic growth, which efforts are supported by a strong balance sheet with over $27 million in cash as of June 30, 2019.

In respect of its existing product lines, the Company is experiencing the benefit of strong unit market demand growth in the market for its key products. For example, Rasuvo™ unit market demand in the United States increased 13% in the twelve months ended June 30, 2019 (Source: Symphony Sub National 6/30/2019 Data & Chargebacks, PAP). 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 Metoject® market also saw 174% unit demand growth in Canada in the twelve months ended June 30, 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 demand growth in its market, with an increase of 85% in the twelve months ended June 30, 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 antihistamine 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% (Source: IMS Data-MAT June 2018). During the three months ended June 30, 2019, Rupall™ was the fastest growing anti-histamine in the prescription market (Source: IQVIA: CDH units – FQTR June 2019).

In addition to the aforementioned core products, the Company has a broad portfolio of 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 Medexus US 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.

The Company has initiated a development project aimed at reformulating an existing FDA-approved product for use in the field of rheumatology. During the period the Company received what management believes are positive test results which support the product concept moving to the next phase of development.

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 keep the Company in a positive Adjusted EBITDA situation in the current and future fiscal years.

## HIGHLIGHTS - PERIOD ENDED JUNE 30, 2019

### Financial Highlights

The Company achieved quarterly revenue of $16.1 million for the three-month period ended June 30, 2019, versus $3.2 million for the three-month period ended June 30, 2018. Additional financial highlights for the quarter include:

- Gross profit increased to $9.9 million compared to $1.7 million for the same period last year.
- Gross margin increased to 61.4% compared to 53.5% for the same period last year.
- Adjusted EBITDA increased to $0.5 million compared to ($0.3 million) for the same period last year. See "*Reconciliation of Adjusted EBITDA to Net Loss*".
- Cash and cash equivalents of $27.4 million as at the quarter end

### Operational Highlights

Operational highlights for the three-month period ended June 30, 2019, or subsequent to the quarter end, include:

- **Launch of Metoject®** - On May 1, 2019, the Company launched a new Metoject® Subcutaneous 15mg dose in Canada for the treatment of rheumatoid arthritis, psoriasis and psoriatic arthritis. The new 15mg dose of Metoject® Subcutaneous is an important addition to the Metoject® line offered in Canada and the Company expects this dose to be a significant portion of our Metoject® volume going forward. Metoject® Subcutaneous 15mg is currently the third leading dose in terms of volume sales in the Company's Metoject® portfolio.
- Received what management believes are positive test results from a development project aimed at reformulating an existing FDA-approved product for use in the field of rheumatology.
- **DTC Eligibility** - On August 15, 2019, the Company announced the Company's common shares traded in the United States, under the symbol PDDPF, are Depository Trust Company ("**DTC**") eligible. DTC services provide simplification, convenience, and cost benefits for investors and brokers trading Canadian securities in the United States.

## OPERATING RESULTS – PERIOD ENDED JUNE 30, 2019

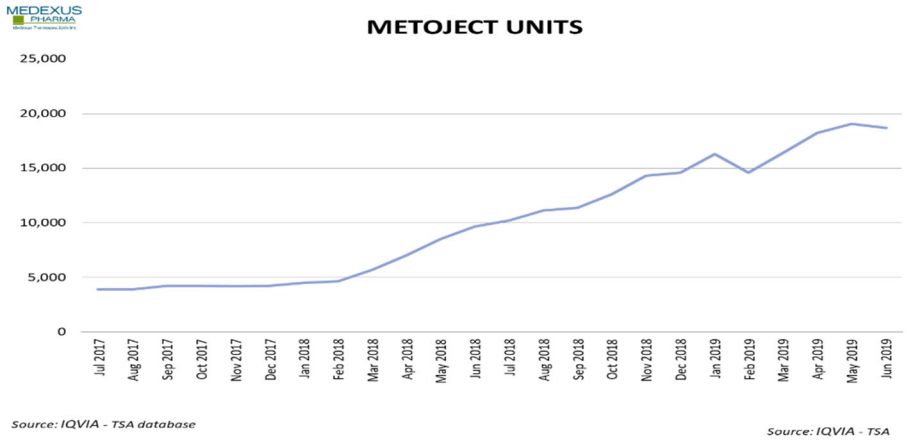
### Selected Financial Information

| Three-Month Periods Ended June 30 | 2019 $ | 2018 $ | Variance $ |
|---|---|---|---|
| Revenue | 16,127,247 | 3,249,139 | 12,878,108 |
| Cost of goods sold | 6,223,057 | 1,511,139 | 4,711,918 |
| Gross Profit | 9,904,190 | 1,738,000 | 8,166,190 |
| Selling and administrative expenses | 10,494,087 | 2,149,219 | 8,344,868 |
| Research and development | 402,901 | - | 402,901 |
| Operating loss | (1,147,146) | (422,148) | (724,998) |
| Net loss | (2,154,523) | (692,090) | (1,462,433) |
| Adjusted EBITDA[(1)] | 518,950 | (293,517) | 812,467 |
| Cash flow used in operating activities | (204,820) | (333,526) | 128,706 |
| Cash flow used in investing activities | (649,513) | (7,380) | (642,133) |
| Cash flow from financing activities | (769,502) | - | (769,502) |

Notes:
(1) See “Reconciliation of Adjusted EBITDA to Net Loss”.

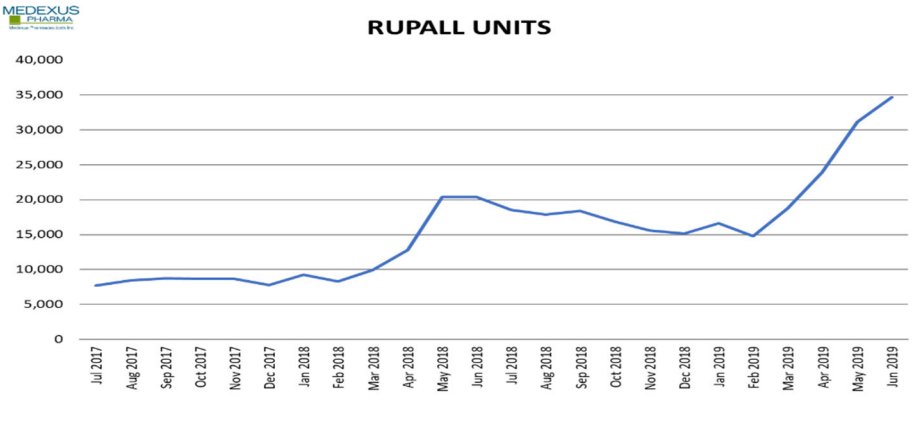
## Revenue

For the three-months ended June 30, 2019, total revenue reached $16.1 million compared to revenue of $3.2 million for the three-months ended June 30, 2018. The increase was mainly due to the Acquisitions; however, the increase also reflects the unit demand growth of the Company's key products in the market over the period. As can be seen in the charts below: i) Metoject® has been experiencing rapid unit demand growth in the Canadian market following the initiation of public reimbursement in March of 2018, ii) Rupall™ unit demand has more than doubled in the Canadian market in the last 6 months as the product is taking market share from generic anti-histamines, and iii) Rasuvo's unit demand in the United States has been steady as it continues to gain share from vials of methotrexate.

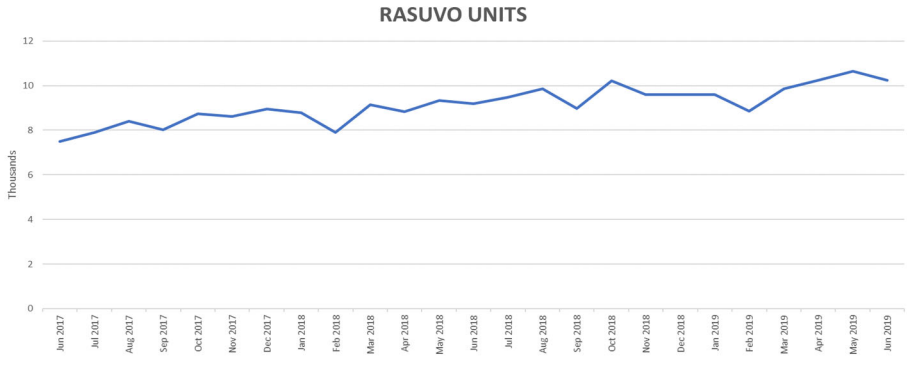



*Source: IQVIA - TSA database*

*Source: IQVIA - TSA*




*Source: IQVIA - TSA database*




*Source: Symphony Sub National 6/30/2019 Data & Chargebacks, PAP*

**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 product licences, allowances for potential product returns as well as warehouse and logistics expenses.

For the three-month period ended June 30, 2019, gross profit reached $9.9 million compared to $1.7 million for the three-months ended June 30, 2018. Gross margin increased to 61.4% compared to 53.5% for the same period last year due to higher gross margins derived from the products acquired as part of the Acquisitions.

For the three-month period ended June 30, 2019, amortization of product licences totaling $1.0 million (2018 - $0.1 million) was included in cost of sales.

**Selling and Administrative Expenses**

For the three-month period ended June 30, 2019, selling and administrative expenses reached $10.5 million compared to $2.1 million for the three-months ended June 30, 2018.

The period over period increase was noted in each expense category: (a) sales and marketing expense was $6.3 million (2018 - $1.4 million); (b) business development and regulatory affairs expense increased to $1.1 million (2018 - $0.2 million); (c) general administrative expense was $2.5 million (2018 - $0.5 million); and (d) share-based compensation expense was $0.5 million (2018 - $0.1 million).

**Operating Profit or Loss**

Operating loss for the three-month period ended June 30, 2019 was $1.1 million compared to $0.4 million for the three-month period ended June 30, 2018.

## 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 for the three-month period ended June 30, 2019. 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 Three-Month Periods Ended June 30 | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| Net Loss | (2,154,523) | (692,090) |
| Add Back: | | |
| Depreciation & Amortization (property, equipment, intangible assets) | 1,118,149 | 78,051 |
| Interest expenses | 2,190,204 | 279,146 |
| Interest income | (100,227) | (9,202) |
| Income tax expense | 85,906 | - |
| **EBITDA** | **1,139,509** | **(344,095)** |
| Share-based compensation | 547,948 | 50,578 |
| Foreign exchange gain | (458,507) | - |
| Unrealized gain on fair value of derivative | (710,000) | - |
| **ADJUSTED EBITDA** | **518,950** | **(293,517)** |

Adjusted EBITDA for the three-month period ended June 30, 2019 was $518,950 compared to ($293,517) for the three-month period ended June 30, 2018. The improvement is mainly due to the increase in gross profit, driven by the Acquisitions, as well as an increase in organic revenue from the pre-Acquisitions operations.

## LIQUIDITY AND 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 June 30, 2019, the Company had approximately $28.4 million (March 31, 2019 - $30.2 million) of available liquidity comprised of:

- cash and cash equivalents of $27.4 million; and
- undrawn credit of $1.0 million available under a credit facility

While the Company expects positive cash flow to be generated in the reminder of the 2020 fiscal year, the cash balance at June 30, 2019 is well in excess of any potential cash outflows during this time period. With the exception of the interest payments, payable in cash or in shares at the Company's sole discretion, related to the Convertible Debentures (as defined herein), there is no substantial debt commitment for the remainder of the fiscal year.

**Cash Flows**

| Three-Month Periods Ended June 30 | June 30, 2019 $ | June 30, 2018 $ | Variance $ |
|---|---|---|---|
| Cash used by operating activities | **(204,820)** | (333,526) | 128,706 |
| Cash used by investing activities | **(649,513)** | (7,380) | (642,133) |
| Cash used by financing activities | **(769,502)** | - | (769,502) |
| Increase (decrease) in cash position during the period | **(1,623,835)** | (340,906) | (1,282,929) |
| Impact of foreign exchange | **(187,366)** | - | (187,366) |
| Cash and temporary investments, beginning of period | **29,205,486** | 3,608,506 | 25,596,980 |
| Cash and temporary investments, end of period | **27,394,285** | 3,267,600 | 24,126,685 |

**Operating activities**

For the three-month period ended June 30, 2019, cash flows used in operating activities were $0.2 million compared to $0.3 million for the three-month period ended June 30, 2018. The decrease was driven by the changes in non-cash operating working capital items and was partially offset by incremental income, adjusted for non-cash items, as a result of the Acquisitions.

**Investing activities**

For the three-month period ended June 30, 2019, cash flows used in investing activities were $0.6 million compared to less than $0.1 million for the same period last year. The increase is mainly due to payment on a licence acquired in a prior period.

**Financing activities**

For the three-month period ended June 30, 2019, cash flows used in financing activities were $0.8 million, compared to $nil for the same period last year. This increase relates to $0.7 million spent on share buybacks under the NCIB in the period, and $0.1 million spent on lease payments, which were treated as financing activities under IFRS 16, *Leases*. For more information, see "*Capital Structure – Normal Course Issuer Bid*" and "*New Accounting Standards Adopted by the Company"*.

## CAPTIAL STRUCTURE

### Description of the Company's Securities

The Company's authorized share capital consists of an unlimited number of common shares. As of August 22, 2019, the Company has 14,563,060 common shares outstanding. There have been no dividends declared during the current period. The Company had the following securities outstanding as at August 22, 2019:

| Type of Security | Number/Principal Amount Outstanding | Common Shares Issuable Upon Conversion, Exercise or Exchange (as applicable) |
|---|---|---|
| Common shares | 14,563,660 | N/A |
| Common share purchase warrants[(1)] | - | 2,909,476 |
| Convertible Debentures[(2)] | - | 9,999,999 |
| Stock options | - | 465,685 |
| Restricted Share Units ("**RSUs**")[(3)] | - | 1,867,555 |
| Compensation Warrants[(4)] | - | 191,154 |

Notes:

(1) Does not include warrants issuable upon conversion of Convertible Debentures or Compensation Warrants (each, as defined below). Of the 2,909,476 common share purchase warrants issued and outstanding as of August 22, 2019, 221,392 are exercisable at a price of $4.95 until March 30, 2020, 490,196 are exercisable at a price of $7.65 until May 24, 2020 and 2,197,888 are Offering Warrants (as defined below) exercisable at a price of $9.45 until October 16, 2023.

(2) $42,000,000 represents the principal amount outstanding under the Convertible Debentures ("**Convertible Debentures**"), which are convertible into units ("**Conversion Units**") at a price of $6.30. Each Conversion Unit consists of one common share of the Company and ½ of one common share purchase warrant ("**Offering Warrants**") 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), up to an additional 6,666,666 common shares and 3,333,333 Offering Warrants would be issued by the Company.

(3) 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. 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.

(4) In connection with the Offering in October 2018, Cormark Securities Inc. and Mackie Research Capital Corporation were issued common share purchase warrants ("**Compensation Warrants**"). Each whole Compensation Warrant is exercisable for one common share until October 11, 2021 at an exercise price of $9.45.

### 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.

During the three-months ended June 30, 2019 the Company purchased and canceled 135,600 common shares in the market for consideration of $0.7 million.

Subsequent to the end of the quarter ended June 30, 2019, the Company has purchased and canceled an additional 47,600 common shares in the market for consideration of $0.2 million.

## 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 member of management of the Company for storage and distribution services in respect of certain of the Company's products. For the three-month period ended June 30, 2019, $86,088 was paid in warehouse fees.

During the three-month period ended June 30, 2019, $113,633 was paid in royalties on an exclusive licensing agreement with 9346-4626 Québec Inc., a private company operating as Transican, a significant shareholder of the Company.

During the three-month period ended June 30, 2019, $91,624 was paid in interest on Convertible Debentures which are owned or controlled, directly and indirectly, by two directors of the Company.

## OFF -BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as of June 30, 2019.

## QUARTERLY FINANCIAL INFORMATION

The following is a summary of unaudited quarterly financial information for the eight quarters ended June 30, 2019:

| Three-months ended ($) | 30-Jun-19 | 31-Mar-19 | 31-Dec-18 | 30-Sep-18 | 30-Jun-18 | 31-Mar-18 | 31-Dec-17 | 30-Sep-17 |
|---|---|---|---|---|---|---|---|---|
| **Total Revenue** | 16,127,247 | 12,744,602 | 14,421,084 | 3,449,203 | 3,249,139 | 2,103,439 | 2,356,782 | 3,083,397 |
| **Gross Profit** | 9,904,190 | 7,461,237 | 8,950,757 | 1,855,321 | 1,738,000 | 860,694 | 1,178,654 | 1,715,228 |
| **Selling and Administrative Expenses** | 10,494,087 | 9,390,411 | 7,874,559 | 1,502,818 | 2,149,219 | 2,063,415 | 1,881,129 | 1,783,377 |
| **Transaction and Financing expenses** | - | 282,298 | 927,889 | 3,670,905 | - | - | - | - |
| **Operating Loss** | (1,147,146) | (2,029,195) | (77,871) | (3,314,121) | (422,146) | (1,204,949) | (716,585) | (52,177) |
| **Net Loss** | (2,154,523) | (884,868) | (1,328,842) | (3,616,440) | (692,090) | (1,021,994) | (1,006,092) | (336,631) |
| **Net Loss per share** | (0.15) | (0.09) | (0.10) | (0.62) | (0.12) | (0.18) | (0.17) | (0.06) |
| **Adjusted EBITDA[(1)]** | 518,950 | 105,127 | 2,191,272 | 473,103 | (293,517) | (1,119,984) | (582,381) | 87,578 |
| **Cash flow used in operations** | (204,820) | (628,135) | (1,436,288) | (191,888) | (333,526) | (648,077) | (286,282) | (852,795) |
| **Cash & cash equivalents, end of period** | 27,394,285 | 29,205,486 | 28,888,043 | 2,802,174 | 3,267,600 | 3,608,506 | 4,634,944 | 4,971,443 |
| **Assets** | 114,608,510 | 113,504,555 | 112,529,329 | 9,135,070 | 9,060,626 | 9,257,462 | 9,870,804 | 11,073,354 |
| **Long-term liabilities** | 63,107,499 | 62,144,985 | 39,361,818 | 4,599,755 | 4,457,939 | 4,345,627 | 4,702,692 | 4,569,043 |
| **Dividends** | - | - | - | - | - | - | - | - |

Notes:
(1) See *"Reconciliation of Adjusted EBITDA to Net Loss"*.

The main reasons explaining volatility in the Company's quarterly results are the Acquisitions, completed in October of 2018, and the seasonality of some of the Company's major products.

## RISKS FACTORS AND RISK MANAGEMENT

The Company is subject to a number of risks and uncertainties, certain of which are described below. A risk is the possibility that an event might happen in the future that could have a negative effect on the financial condition, financial performance, or business of the Company. The Company's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks are appropriately managed, including through the use of financial instruments where appropriate.

Readers are cautioned that the risks described below 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. Potential investors should carefully consider the risks described below, together with all of the other information in the Company's other disclosure documents filed with the applicable Canadian securities regulatory authorities, before making an investment decision. If any of the following or other risks materialize, 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 any risk management steps taken will avoid future loss due to the occurrence of the risks described in this MD&A or otherwise.

### Operational Risks

The operations of the Company are speculative due to the nature of its business and involve a variety of risks customary to the pharmaceutical industry, many of which are beyond the Company's control. Such operational risks include risks, but are not limited to:

- the Company's limited post-Acquisitions operating history;
- the Company's ability to implement its business plan;
- the Company's dependence on revenue from sales of certain key products;
- the Company's reliance on third parties for the manufacture and supply of products;
- product reimbursement by third party payers;
- product pricing regulations on certain patented products;
- reliance on key management personnel;
- competition (including potential for generic competition);
- government regulation and regulatory approvals;
- intellectual property protection and infringement; and
- potential product liability claims.

Certain of the Company's key operational risks are discussed in further detail below.

#### *Limited Operating History of the Post-Acquisition Business*

The Company has a limited history of operations and earnings since the transformational Acquisitions in October of 2018. The likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business in the pharmaceutical markets as well as the challenges of combining previously independent businesses.

To continue to properly operate its business, the Company will need to continue to integrate and develop operational, financial and management information systems. There can be no assurance that the Company will be able to generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its current business plans.

#### *Ability to Implement its Business Plan*

The Company's business plan is based on the licensing or acquisition of product rights for the North American pharmaceutical market, to obtain marketing authorization from regulatory authorities, and to leverage its sales

operations to grow the sales of its products. Since the Company is mainly dependent on third-parties for the development of innovative products, competitors with substantially greater financial resources may compete for the rights to those innovative products. As competition increases for product rights, the Company may not be capable to acquire rights it deems financially acceptable. The inability of obtaining further product rights may impede the Company's long-term growth and value creation objectives.

***Dependence on Revenue from Sales of Certain Key Products***

the Company currently derives a significant portion of its revenue of its revenue from sales of Rasuvo™, Metoject® and Rupall™ and such sales are expected to continue to account for a significant portion of the Company's revenue in the near term. Accordingly, if demand for these key products declines significantly or the sales revenue therefrom of otherwise declines significantly, the business, financial condition and operating results of the Company would be adversely affected.

***Reliance on Third Parties for the Manufacture and Supply of Products***

The Company is dependent upon the supply of its products available from its partners or its third-party manufacturers. There can be no assurance that the Company's partners or manufacturers will be able to maintain an adequate supply of products to fulfill all of the Company's orders on a timely basis. Failure to obtain adequate product supplies or to do so at acceptable quality levels or prices could have an adverse effect on the Company's business.

Numerous factors could cause interruptions in the supply of the Company's products, including: (i) failure to have a third party supply chain validated in a timely manner; (ii) shortages in raw material and packaging components required by the Company's manufacturers; (iii) changes in sources for manufacturing or packaging; (iv) changes in regulatory, legal or compliance requirements for products, suppliers or manufacturers; (v) the Company's failure to timely locate and obtain replacement manufacturers as needed; (vi) conditions affecting the cost and availability of raw materials; and (vii) product recall stemming from quality or regulatory reasons impacting the integrity of the product.

An interruption may have an adverse effect on the Company's business, financial results and operations. In particular, any adverse developments affecting commercial manufacturing of the Company's products may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls, enforcement actions, import alerts, import detentions, or other interruptions in the supply of the Company's products or product candidates. The Company may also have to take inventory write-offs and incur other charges and expenses for products or product candidates that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives. Accordingly, failures or difficulties faced at any level of the Company's supply chain could materially adversely affect the Company's business and delay or impede the development and commercialization of any of the Company's products or product candidates and could have a material adverse effect on the Company's business, financial condition and results of operations.

***Product Reimbursement from Third Party Payers***

The Company depends on third-party reimbursement to maximize the commercial potential of its products and to successfully market its products. In the event that governmental, health insurer and other organizational (e.g. health maintenance organizations and managed care organizations) policies and/or practices drastically change, the Company's products may not obtain reimbursed status or may lose reimbursed status. This reimbursement and the associated governmental healthcare reimbursement systems are under constant review. Third-party payers increasingly challenge the pricing of pharmaceutical products. In addition, the trend toward managed health care in the United States, the growth of organizations such as health maintenance organizations and managed care organizations and legislative proposals to reform health care and government insurance programs in the jurisdictions in which the Company sells its products could significantly influence the purchase of pharmaceutical products, resulting in price changes and/or a reduction in product demand. Such cost containment measures and health care reform could affect the Company's ability to sell its products, which could have a material adverse effect on the Company's business, financial condition and results of operations.

***Product Pricing Regulations on Certain Patented Drug Products***

All patented pharmaceutical products introduced in Canada are subject to the post-approval product pricing regulation of the Patented Medicine Prices Review Board (the "**PMPRB**"). Certain patented products may form part of the Company's portfolio of products from time to time and may be subject to such regulation by the PMPRB. For new patented products, the price in Canada is limited to either the cost of existing drugs sold in Canada or the median of prices for the same drug sold in other specified industrial countries. For existing patented products, prices cannot increase by more than the Consumer Price Index.

Of the Company's core products, only Metoject® is currently subject to regulation by the PMPRB. Metoject® pricing is currently in compliance with the PMPRB's requirements and the Company does not anticipate any non-compliance of its current pricing strategy with PMPRB guidelines.

The PMPRB will monitor compliance through a review of the average transaction price of Metoject® (and any other patented drug product required to be reported to the PMPRB in the Company's portfolio from time to time) by the Company over a recurring six-month reporting period. The PMPRB does not approve prices for drug products in advance of their introduction to the market, rather, it provides guidelines from which companies like the Company set their prices at the time they launch their products. If the PMPRB's guidelines provide a ceiling price for a patented product that is lower than the Company's expectations, or if the PMPRB deems a patented product to be excessively priced, leading to the reduction of the product's price and the potential imposition of a fine. Such restriction and regulation may hamper the Company's ability to profitably commercialize such product to its full market potential or at all. If the sales generated by such product were material to the Company, this could materially and adversely affect the Company's business and could have a material adverse effect on the Company and its financial results. Furthermore, future changes to the methodology or policies of PMPRB or other relevant regulatory bodies may result in less favorable product pricing directives and requirements. The Company's ability to predict and/or adapt to such directives or requirements may be limited.

***Dependence on Key Personnel***

The Company is highly dependent upon a relatively small group of qualified managerial personnel. These individuals have an in-depth understanding of the Company's business objectives and the markets within which the Company intends to operate. The loss of the services of one or more of the Company's directors or officers could have a detrimental effect on the Company, its operations and its ability to execute its strategy successfully, which could materially and adversely affect the Company's business.

In addition, the Company's anticipated growth may require additional expertise and the addition of new qualified personnel. There is intense competition for qualified personnel in the pharmaceutical field. Therefore, the Company may not be able to attract and retain the qualified personnel necessary for the development and growth of its business. The failure to recruit additional key managerial personnel in a timely manner would harm the Company's business development programs, its ability to manage day-to-day operations, attract and retain other employees and generate revenues.

***Competition***

The pharmaceutical industry is intensely competitive in all of its phases, and the Company competes with many companies that have substantially greater financial and technical resources and selling and marketing capabilities.

The Company will face further competition from drug development companies that focus their efforts on developing, acquiring and marketing products that are similar in nature to the Company's products, but that in some instances offer improvements over its products and novel approaches to improve existing products. The Company's competitors may succeed in developing technologies and products that are more effective, have better side effect profiles, or are less expensive to use than any that it may acquire. These developments could render the Company's products obsolete or uncompetitive, which would have a material adverse effect on the Company's business, financial condition and operating results.

Generic versions of pharmaceutical products are generally significantly less expensive than branded versions, and, where available, may be required in preference to the branded version under third party reimbursement programs, or substituted by pharmacies. If sales of any of the Company's products that no longer enjoy market exclusivity or are not sufficiently protected by associated intellectual property were to increase substantially, competitors may be more likely to develop generic formulations that compete directly with such products. Increased generic competition would have a material adverse effect on the Company's business and financial results.

***Inability to Obtain or Maintain Regulatory Approvals***

The manufacture and sale of pharmaceutical products in Canada, the U.S. and other jurisdictions are highly regulated, which significantly increases the difficulty and costs involved in obtaining and maintaining regulatory approval for marketing new and existing products.

The regulatory approval process can be long and may involve significant delays despite the Company's best efforts. Even if the Company's current or future product candidates were to successfully obtain approval from regulatory authorities, such approval may not be obtained in a timely manner, and any such approval might significantly limit the approved indications for use, including more limited patient populations, require that precautions, contraindications or warnings be included on the product labeling, including black box warnings, require expensive and time-consuming post-approval clinical studies, risk management plans or Risk Evaluation and Mitigation Strategy (as may be required by the FDA under the *Food and Drug Administration Amendments Act* and/or Health Canada under the *Food and Drugs Act* and related *Food and Drug Regulations*), or surveillance as conditions of approval, or, through the product label, the approval may limit the claims that the Company may make, which may impede the successful commercialization of the Company's product, including substantial reductions in the projected peak revenues and lifetime product potentials for the Company's products. Such limitations in the approved indication could materially and adversely affect the Company's business and could have a material adverse effect on the Company and its financial results.

Following any approval for commercial sale of the Company's product candidates, certain changes to the product, such as changes in manufacturing processes and additional labeling claims, as well as new safety information, will be subject to additional notification to, or review and approval by, regulatory authorities. Furthermore, regulations of the Therapeutic Products Directorate (the "**TPD**") of Health Canada are rigorous, time consuming and costly and the Company cannot predict the extent to which it may be affected by changes in regulatory developments and its ability to meet such regulations. There is a risk that the Company's current or future products may be withdrawn from the market and the required approvals suspended because of non-compliance with regulatory requirements. If there is delay or failure to obtain or maintain regulatory approvals for the Company's product candidates in Canada or the U.S. or other jurisdictions, or if any approval contains significant limitations, the Company's ability to market to the Company's full target market will be reduced and the Company's ability to realize the full market potential of the Company's product candidates will be hampered. This could materially and adversely affect the Company's business and could have a material adverse effect on the Company and its financial results.

***Limitations Imposed by Government Regulation***

In both domestic and foreign markets, the formulation, manufacturing, packaging, labelling, handling, distribution, importation, exportation, licensing, sale and storage of the Company's products are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints which are beyond the Company's control. Such laws, regulations and other constraints may exist at all levels of government. There can be no assurance that the Company will be in compliance with all of these laws, regulations and other constraints. Failure to comply with these laws, regulations and other constraints or new laws, regulations or constraints could lead to the imposition of significant penalties or claims and could negatively impact the Company's business. In addition, the adoption of new laws, regulations or other constraints or changes in the interpretations of such requirements may result in significant compliance costs or lead the Company to discontinue product sales and may have an adverse effect on the marketing of the Company's products, resulting in significant loss of sales.

In addition, the marketing, promotional and pricing, discount, rebate or co-pay practices of pharmaceutical companies, as well as the manner in which companies, in-house or third-party sales forces interact with purchasers, prescribers and patients, are subject to extensive regulation, enforcement of which may result in the imposition of civil and/or criminal penalties, injunctions, and/or limitations on marketing practices for the Company's products. Many companies have been the subject of claims related to these practices asserted by federal authorities, which have resulted in fines and other consequences.

Companies may not promote drugs for "off-label" uses – that is, uses that are not described in the product's labeling and that differ from those approved by the FDA, Health Canada or other applicable regulatory agencies. A company that is found to have improperly promoted off-label uses may be subject to significant liability, including civil and administrative remedies as well as criminal sanctions. In addition, the Company management's attention could be diverted from business operations and the Company's reputation could be damaged.

***Expiration of Core Patent Protection***

The Company has and may in the future also acquire rights to additional products that still enjoy patent protection. This patent protection will eventually expire and, in such situations, in order to continue to obtain commercial benefits from these products, the Company will rely on product manufacturing trade secrets, know-how and related non-patent intellectual property. The effect of this patent expiration depends, among other things, upon the nature of the market and the position of these products in the market from time to time, the growth of the market, the complexities and economics of manufacture of a competitive product and regulatory approval requirements of generic drug laws. In the event that competition develops from generic products, this competition could have a material adverse effect on the Company's business, financial condition and operating results. The entrance into the market of a generic pharmaceutical product may erode the branded product's market share which may have a material adverse effect on the Company's business, financial condition and results of operations.

***Inability to Protect, Maintain and Enforce Intellectual Property***

**T**he Company's success will depend in part on its ability or on the ability of licensors of products to the Company to protect, maintain and enforce intellectual property rights and licensing arrangements for its products. No assurance can be given that the licenses or rights used by the Company will not be challenged, invalidated, infringed or circumvented, or that the rights granted thereunder will provide competitive advantages to the Company. Any loss of intellectual property protection is likely to adversely affect the Company's operating results. The Company's commercial success will also depend in part on it or its licensors not infringing patents or proprietary rights of others and not breaching the licenses granted to it or its licensors, as the case may be. There can be no assurance that the Company or its licensors will be able to obtain a license to any third party technology that may be required to conduct the Company's business or that such technology can be licensed at a reasonable cost. There is no certainty that the Company will not be challenged by its partners for non-compliance with its existing or future licensing arrangements. Consequently, there may be a risk that licensing arrangements are withdrawn with no compensation or penalties to the Company.

The Company will rely on trade secrets, know-how and other proprietary information as well as requiring employees, suppliers and other third-party service providers to sign confidentiality agreements. However, these confidentiality agreements may be breached, and the Company may not have adequate remedies for such breaches. Others may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology. Third parties may otherwise gain access to the Company's proprietary information and adopt it in a competitive manner. If a third party obtains the Company's proprietary information and adopts it in a competitive manner, it may have a material effect on the Company's business, financial condition and operating results.

***Product Liability Claims***

The administration of drugs to humans, whether in clinical trials or after marketing clearance is obtained, can result in product liability claims. Product liability claims can be expensive, difficult to defend and may result in large

judgments or settlements against the Company. In addition, third party collaborators and licensees may not protect the Company from product liability claims.

The Company will maintain product liability insurance in connection with the marketing of its products. The Company may not be able to obtain or maintain adequate protection against potential liabilities arising from product sales. If the Company is unable to obtain sufficient levels of insurance at acceptable cost or otherwise protect against potential product liability claims, it will be exposed to product liability claims. A successful product liability claim in excess of its insurance coverage could harm the Company's financial condition, results of operations and prevent or interfere with its product commercialization efforts. In addition, any successful claim may prevent the Company from obtaining adequate product liability insurance in the future on commercially desirable terms. Even if a claim is not successful, defending such a claim may be time-consuming and expensive and would result in the Company needing to divert resources which could otherwise be used in developing its business.

**Treasury Risks**

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations exposes 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 Medexus US, representing a significant portion of gross revenues earned, are in United States dollars. As a result, the Company's competitiveness could be impacted by unfavourable fluctuations in currency exchange rates.

## 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.