Medexus Pharmaceuticals Inc.

Consolidated Financial Statements
March 31, 2025 and 2024
(expressed in thousands of United States dollars)

Independent auditor's report

To the Shareholders of Medexus Pharmaceuticals Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Medexus Pharmaceuticals Inc. and its subsidiaries (together, the Company) as at March 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at March 31, 2025 and 2024;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholder's equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition net of reserves for estimated returns, rebates, chargebacks and discounts *Refer to note 2 – Summary of material accounting policies to the consolidated financial statements.* For the year ended March 31, 2025, revenues of $108.3 million were recognized, net of reserves for estimated returns, rebates, chargebacks and discounts. The Company sells its products directly to wholesale distributors. The wholesale distributors in turn sell to independent pharmacies, managed care organizations, hospitals and group purchasing organizations (indirect customers). The ultimate selling price is determined based on the contractual arrangements that the Company has with the patient's insurer or other payment program. The time between initial shipment to the distributor (when the revenue is recognized), the dispensing of a product to a patient and notification by the relevant insurer or payment program may be several months. Revenue is recognized net of reserves for estimated returns, rebates, chargebacks and discounts. Management applies the expected value method using contractual terms and historical trends assumptions in estimating the returns, rebates, chargebacks and discounts, which represents variable consideration and involves a high degree of judgment and complexity.	Our approach to addressing the matter included the following procedures, among others: • For a sample of revenue transactions, tested how management determined the reserves for estimated returns, rebates, chargebacks and discounts, which included the following: – Obtained an understanding of the estimation process related to reserves for estimated returns, rebates, chargebacks and discounts. – Evaluated the appropriateness of the expected value method used by management. – Evaluated the reasonableness of the estimated returns, rebates, chargebacks and discounts, by considering the contractual terms of the applicable contracts and historical trends.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the high degree of judgment required by management in determining the estimated returns, rebates, chargebacks and discounts. This in turn led to a high degree of subjectivity and complexity in performing procedures and evaluating evidence relating to the estimated returns, rebates, chargebacks and discounts.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Marc-Stéphane Pennee.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 25, 2025

Medexus Pharmaceuticals Inc.

Consolidated Statements of Financial Position

(expressed in thousands of United States dollars)

As at	Note	March 31, 2025	March 31, 2024
Assets			
Current assets			
Cash and cash equivalents		**23,973**	5,255
Accounts receivable, net	3	**13,306**	24,030
Inventories	4	**35,290**	30,772
Prepaids and other current assets	5	**8,003**	12,439
Total current assets		**80,572**	72,496
Property and equipment, net	6	**689**	778
Intangible assets, net	7	**71,601**	64,141
Goodwill	7	**9,997**	10,276
Deferred tax assets	21	**8,979**	8,042
Total assets		**171,838**	155,733
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	**41,024**	43,232
Milestones payable	7	**15,000**	-
Income tax payable		**1,368**	1,318
Current portion of long-term debt	9	**36,980**	15,743
Current portion of balance payable for business combinations	10	**2,813**	3,233
Other current liabilities		**125**	2,703
Total current liabilities		**97,310**	66,229
Long-term debt	9	**198**	34,153
Balance payable for business combinations	10	**22,187**	25,028
Total liabilities		**119,695**	125,410
Shareholders' Equity			
Share capital	11	**96,098**	76,390
Contributed surplus		**12,011**	12,005
Cumulative translation adjustment		**6,029**	6,170
Deficit		**(61,995)**	(64,242)
Total equity		**52,143**	30,323
Total liabilities and equity		**171,838**	155,733

The accompanying notes are an integral part of these Consolidated Financial Statements.

Medexus Pharmaceuticals Inc.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the years ended March 31, 2025 and 2024

(expressed in thousands of United States dollars, except per share amounts and number of shares)

	Note	2025	2024
Revenue			
Net Revenue		**108,332**	113,054
Cost of sales			
Cost of sales of products		**44,823**	47,985
Amortization of product licences	7	**6,925**	5,555
		51,748	53,540
Gross profit		**56,584**	59,514
Selling, general and administrative expenses	14	**43,182**	44,869
Research and development expenses		**1,228**	1,607
Transaction-related fees & expenses		**-**	282
Termination benefits		**897**	823
Depreciation	6	**253**	251
Impairment of intangible assets	7	**2,801**	888
Operating income		**8,223**	10,794
Financing costs	15	**8,195**	13,364
Other income	16	**(1,412)**	(2,676)
Income before income taxes		**1,440**	106
Income tax expense (recovery)			
Current	21	**131**	1,555
Deferred	21	**(938)**	(1,235)
		(807)	320
Net income (loss)		**2,247**	(214)
Other comprehensive income (loss)			
Foreign currency income (loss) on translation of subsidiary companies		**(141)**	15
Comprehensive income (loss)		**2,106**	(199)
Net income (loss) per share			
Basic	11	**0.09**	(0.01)
Diluted	11	**0.08**	(0.01)
Weighted average number of common shares outstanding	11	**25,821,872**	22,321,446

The accompanying notes are an integral part of these Consolidated Financial Statements.

Medexus Pharmaceuticals Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended March 31, 2025 and 2024

(expressed in thousands of United States dollars except number of shares)

	Note	Share Capital					
		Common shares	Amount $	Contributed surplus $	Cumulative translation adjustment $	Deficit $	Total shareholders' equity $
Balance – March 31, 2023		20,181,490	69,014	11,307	6,155	(64,028)	22,448
Net loss		-	-	-	-	(214)	(214)
Other comprehensive income		-	-	-	15	-	15
Comprehensive loss		-	-	-	15	(214)	(199)
Share-based compensation	12	-	-	939	-	-	939
Issuance of shares for settling of warrants	13	132,299	101	(101)	-	-	-
Issuance of shares for settling of share awards	12	246,040	426	(896)	-	-	(470)
Common shares issued under bought deal offering	11	3,898,384	6,849	756	-	-	7,605
Balance – March 31, 2024		24,458,213	76,390	12,005	6,170	(64,242)	30,323
Balance – March 31, 2024		24,458,213	76,390	12,005	6,170	(64,242)	30,323
Net income		**-**	**-**	**-**	**-**	**2,247**	**2,247**
Other comprehensive income		**-**	**-**	**-**	**(141)**	**-**	**(141)**
Comprehensive income		**-**	**-**	**-**	**(141)**	**2,247**	**2,106**
Share-based compensation	12	**-**	**-**	**1,056**	**-**	**-**	**1,056**
Issuance of shares for settling of warrants	13	**55,750**	**140**	**-**	**-**	**-**	**140**
Issuance of shares for settling of share awards	12	**244,390**	**406**	**(1,050)**	**-**	**-**	**(644)**
Common shares issued under public offering	11	**7,500,000**	**19,162**	**-**	**-**	**-**	**19,162**
Balance – March 31, 2025		**32,258,353**	**96,098**	**12,011**	**6,029**	**(61,995)**	**52,143**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Medexus Pharmaceuticals Inc.

Consolidated Statements of Cash Flows

For the years ended March 31, 2025 and 2024

(expressed in thousands of United States dollars)

	Note	2025 $	2024 $
Operating activities			
Net income (loss)		**2,247**	(214)
Adjustments for			
Depreciation	6	**253**	251
Amortization of product licences	7	**6,925**	5,555
Impairment of intangible assets	7	**2,801**	888
Share-based compensation expense, net	12	**411**	469
Financing costs	15	**8,195**	13,364
Convertible debentures – Unrealized gain on fair value of derivative		**-**	(82)
Business combinations payable – Unrealized gain on change in fair value	16	**(2,480)**	(2,759)
Unrealized foreign exchange loss	16	**870**	1
Income tax expense		**(807)**	320
		18,415	17,793
Changes in non-cash operating working capital items	19	**5,843**	2,341
Income taxes paid		**(224)**	(1,420)
Cash provided by operating activities		**24,034**	18,714
Investing activities			
Purchases of property and equipment	6	**(183)**	(50)
Purchases of intangible assets	7	**(2,543)**	(216)
Business combinations deferred payment	10	**(3,275)**	(3,212)
Cash used by investing activities		**(6,001)**	(3,478)
Financing activities			
Interest paid		**(4,270)**	(4,250)
Net proceeds from credit facility		**-**	17,584
Net proceeds from equity financings	11	**19,162**	7,606
Net proceeds from warrant exercise	13	**140**	-
Repayment of long- and short-term debt	19	**(13,250)**	(4,850)
Prepayment of long- and short-term debt	19	**(833)**	-
Repayment of lease liabilities	19	**(153)**	(138)
Repurchase of convertible debentures		**-**	(1,428)
Repayment of convertible debentures		**-**	(37,572)
Cash provided (used) by financing activities		**796**	(23,048)
Net change in cash and cash equivalents during the year		**18,829**	(7,812)
Impact of foreign exchange on cash and cash equivalents		**(111)**	(2)
Cash and cash equivalents – Beginning of year		**5,255**	13,069
Cash and cash equivalents – End of year		**23,973**	5,255

The accompanying notes are an integral part of these Consolidated Financial Statements.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Medexus Pharmaceuticals Inc. and its subsidiaries (collectively, the "Company") is a specialty pharmaceutical company which licences and acquires pharmaceutical products for commercialization in the United States and Canada for rare and orphan diseases. Medexus products are generally sold in North America to wholesalers, distributors, government agencies, healthcare facilities and specialty pharmacies.

The Company exists under the Canada Business Corporations Act and is domiciled in Canada. Its registered office is located at 10 King Street East, Suite 600, Toronto, Ontario. The Company's shares are traded on the Toronto Stock Exchange (TSX).

The terms "Medexus", "we", "us", "our" or "ourselves" refers to Medexus Pharmaceuticals and where the context of the narrative permits or requires, its subsidiaries. Our principal subsidiaries are: MI Acquisitions Inc., Medexus Pharma Inc. and Aptevo Biotherapeutics LLC, in which as at March 31, 2025, we have a 100% equity interest.

1 Summary of material accounting policies

Basis of presentation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), and were authorized for issuance by the Board of Directors on June 25, 2025.

These consolidated financial statements are presented in United States dollars, which the Company has chosen as its presentation currency. The functional currency of Medexus Pharmaceuticals Inc. is Canadian Dollars. As the Company has operations in both Canada and the United States, the consolidated financial results may vary between periods due to the effect of foreign exchange fluctuations.

Generally accepted accounting principles require that we disclose our material accounting policies. Below in note 1, we have summarized our accounting policies, including those that have a material effect on these financial statements, and how we have applied certain accounting policies and our choices where selection among various generally accepted accounting principle-compliant accounting policies is permitted. In our assessment, all of our accounting policy disclosures are not equally material, their relative materiality to us will evolve over time, as we do.

Basis of consolidation

These consolidated financial statements include our accounts and those of the Company's subsidiaries. As at March 31, 2025, MI Acquisitions, Inc., Medexus Pharma, Inc. (previously Medac Pharma, Inc.), and Aptevo Biotherapeutics LLC, are the only wholly owned direct and indirect subsidiaries of the Company. MI Acquisitions, Inc. was created solely for the purpose of acquiring Medexus Pharma, Inc. and does not carry on active business other than the ownership of 100% of the outstanding shares of Medexus Pharma, Inc.

Use of judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the Company's management to make estimates, assumptions and significant judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Management bases its significant estimates and judgments on historical experience and on various other assumptions that it considers reasonable. Actual results could differ from those estimates.

Areas involving significant estimates and assumptions that we make are noted below:

a) Fair value of stock options, restricted share units (RSUs), performance restricted share units (PSUs) and warrants

When the Company issues stock options, RSUs, PSUs and warrants, an estimate of fair value is derived for the instruments using the Black-Scholes option-pricing model. The application of this model requires management to make assumptions regarding several variables, including the period for which the instrument will be outstanding, the price volatility of the Company's shares over a relevant time frame, the determination of a relevant risk-free interest rate and an assumption regarding the Company's dividend policy in the future. If different assumptions are used, the value derived for the instruments could be significantly impacted. See notes 12 for assumptions used to value these instruments.

b) Impairment of intangible assets

Licences are recognized as intangible assets and are amortized over their useful lives when they meet the criteria for capitalization. Forecasted revenue and profitability for the relevant products are used to assess compliance with the capitalization criteria and to assess the recoverable amount of the assets. The useful life is determined by identifying the period in which substantially all of the cash flows are expected to be generated, and generally amortization starts either from the date of the relevant product's regulatory approval or from the date of the licence contract signature, depending on the contract terms. Whenever licences are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.

c) Recoverability of goodwill

The carrying value of goodwill is tested for impairment annually or, more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. In order to determine if a goodwill impairment test is required, management reviews different factors on a quarterly basis such as changes in market environment and actual financial performance compared to planned performance. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

d) Provisions for returns, chargebacks, rebates and discounts.

The provisions for returns, chargebacks, rebates and discounts are estimated using contracted rates and historical trends. Revenues are recognized net of reserves for estimated returns, chargebacks, rebates and discounts.

e) Balance payable for business combinations

The Company exercises significant judgement in determining the probability related to meeting specific timelines or specific regulatory or sales related milestones. This assessment involves, but is not limited to, a regulatory assessment of the product and sales projections which are estimated based on forecasted results and business initiatives.

There are other areas in which management uses their judgment, apart from areas of estimation. These include the following:

- Assessments about whether line items are sufficiently material to warrant separate presentation in the primary financial statements and, if not, whether they are sufficiently material to warrant separate presentation in the financial statement notes.

- Determination of the functional currency of each subsidiary involves significant judgment. The determination of functional currency affects the carrying value of non-current assets included in the statement of financial position and, as a consequence, the amortization of those assets, as well as the exchange gains and losses recorded in the consolidated statements of income (loss) comprehensive income (loss) and the consolidated statement of changes in owners' equity.

- A significant judgment that we have historically made is distinguishing between the operations and cash flows of our business units, which include each country of operation and therapeutic area. We have identified significant interdependence between our business units and the cash inflows that they generate. In addition, it is often inherently difficult and objectively impractical to clearly distinguish between the operations and cash flows of our business units, as well as the assets from which their cash flows arise. As such, each country of operation or therapeutic area is not an individual cash-generating unit. As our businesses continue to evolve, new cash-generating units may also develop.

- The preparation of financial statements in accordance with IFRS Accounting Standards requires management to make judgments which affect the financial statement disclosure of information regularly reviewed by our chief operating decision-maker that is used to make resource allocation decisions and to assess performance.

- In respect of claims and lawsuits, the determination of whether an item is a contingent liability or whether an outflow of resources is probable and thus requiring the item be accounted for as a provision.

Foreign Currency Translation

Presentation currency

Medexus Pharmaceutical Inc.'s presentation currency is the United States dollar ("US$"), while its functional currency is the Canadian dollar ("C$"). The Company has determined that the United States (U.S.) dollar better reflects the Company's current activities, increases the comparability to peer companies, and enhances the relevance of the financial statements to users.

The functional currency of MI Acquisition Inc. is also Canadian dollars while the functional currency of Medexus Pharma Inc. and Aptevo Biotherapeutics LLC is U.S. Dollars. First, the operations of Medexus Pharma Inc. and Aptevo Biotherapeutics are converted to Canadian dollars for consolidation and thereafter the results of the consolidated entity are converted to U.S. dollars, with the exchange differences being recognized as a component of other comprehensive income.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars for consolidation purposes, at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities, and revenue and expense items denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized as a component of other income in the consolidated statement of income (loss).

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is extinguished, which occurs when it is either discharged, canceled or expired.

Financial assets and financial liabilities are recognized initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss (FVTPL), which are measured initially at fair value and subsequently re-valued at the end of each reporting period. The change in the fair value, if any, is recognized within financing costs (income) in the consolidated statements of income (loss) and comprehensive income (loss).

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

Business combinations

We use the acquisition method to account for business combinations, under which we allocate the excess of the purchase price of business acquisitions over the fair value of net identifiable assets acquired to goodwill. The purchase price is determined as the fair value of assets transferred, liabilities assumed, or equity instruments issued on the date of exchange, which may include contingent considerations that are initially measured at fair value at the acquisition date. Subsequent changes to the fair value of any contingent considerations are recognized through profit or loss. Acquisition-related costs are expensed as incurred.

For intangible assets acquired, the fair value is generally derived from a valuation analysis prepared by management or third-party experts as needed, based on appropriate valuation techniques using a forecast of the total expected future net cash flows and closely linked to the assumptions made by management regarding the future performance of the assets concerned and the discount rate applied. Where other markets or market participants are readily observable, these are considered in the determination of fair value.

If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized initially using provisional values. Any adjustments resulting from the completion of the measurement process are recognized within twelve months of the date of acquisition.

If the acquired net assets do not constitute a business under the acquisition method of accounting, the transaction is accounted for as an asset acquisition. The cost of an asset acquisition comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments with original terms to maturity of 90 days or less at the date of purchase. Collateral pledged against borrowings is recognised at the carrying amount of the underlying asset. Cash pledged as collateral remains classified within cash and cash equivalents where it remains available for general use, but the existence and nature of any lien is disclosed in note 9.

Inventories

Inventories, which consist of raw materials, work in process and finished goods are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Cost consists primarily of material and manufacturing costs from third-party suppliers, as well as manufacturing overhead expenses. Net realizable value is the estimated selling price less applicable selling costs. If the cost exceeds net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if there is a subsequent increase in net realizable value.

Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item

(expressed in thousands of United States dollars, except per share amounts and number of shares)

can be measured reliably. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The Company depreciates its property and equipment as follows:

	Method	Rate/Period
Computer equipment	Straight-line	3 years
Office furniture and equipment	Declining balance	20%

Right-of-use assets, comprising of office leases, which are included in property and equipment, are initially measured at cost, which includes the amount of lease liabilities recognized at the inception of the lease, initial direct costs incurred, and lease payments made at or before the lease commencement date less any lease incentives received. Subsequent to initial recognition, right-of-use assets may be adjusted for any re-measurement of the corresponding lease liabilities.

Intangible assets

Licensing agreements to commercialize and distribute pharmaceutical products, subsequent to regulatory approval, are recorded as an intangible asset at the amount paid to acquire the license and are amortized, on a straight line basis, to the cost of sales of products over its estimated useful life.

Intangible assets are amortized as follows:

	Period
Licences	Between 6 and 15 years

Amortization method and useful lives are reviewed and adjusted, if appropriate, on a prospective basis at each reporting date.

Licensing and other arrangements

The company enters into licensing agreements with third parties to develop and/or commercialize drug candidates. Collaborative activities may include joint research and development and commercialization of new products. Medexus generally receives certain licensing rights under these arrangements. These arrangements often require upfront payments and may include additional milestone, research and development cost sharing, royalty or profit share payments, contingent upon the occurrence of certain future events linked to the success of the asset in development and commercialization. Upfront payments associated with such arrangements and subsequent payments made to the partner for the achievement of development milestones prior to regulatory approval are expensed to research and development in the consolidated statements of income (loss).

Regulatory and commercial milestone payments made to the partner after regulatory approval are capitalized as intangible assets and amortized to 'amortization of product licenses'' in the consolidated statement of income (loss) over the estimated useful life of the related asset. Royalties are expensed to cost of products sold in the consolidated statements of income (loss) when incurred.

Impairment – property and equipment and intangible assets with definite useful lives

Property and equipment and intangible assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels at which they have separately identifiable cash flows (cash-generating units). Non-financial assets that previously had impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment - goodwill

Goodwill is not amortized but is subject to an impairment review annually and more frequently when indicators of impairment exist. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Company's cash-generating unit (CGU) or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Based on management's assessment, we operate as a single CGU and therefore goodwill is tested for impairment at a consolidated basis.

An impairment of goodwill could occur if the carrying amount of a CGU exceeded its fair value. The recoverable amount for goodwill is based on its value in use using a discounted cash flow model. Significant assumptions are used in the discounted cash flow model included revenue growth rates, future operating costs and discount rate, which are consistent with management's business plans.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. Where discounting is used, the increase in the provision as a result of the passage of time is recognized as interest expense in our consolidated statements of income (loss) and comprehensive income (loss).

Leases

A contract is a lease (or may contain a lease) if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liabilities using the effective interest rate method and payments are applied against the lease liability.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Revenue recognition

The Company generates its revenue from the sale of the products it is distributing. We recognize revenue when control of promised goods or services is transferred to the company's customers, in an amount that reflects the consideration Medexus expects to receive in exchange for those goods or services, based on its contractual agreements. Sales, value add and other taxes collected concurrent with revenue-producing activities are excluded from revenue. For the majority of sales, the company transfers control, invoices the customer and recognizes revenue upon shipment to the customer. The company recognizes shipping and handling costs as an expense in cost of products sold when the company transfers control to the customer. Payment terms vary depending on the type and location of the customer, are based on customary commercial terms and are generally less than six months. Early payment discounts, rebates and chargebacks, sales incentives, product returns and certain other adjustments are accounted for as variable consideration. Provisions for variable consideration are based on current pricing, executed contracts, government pricing legislation and historical data and are provided for in the period the related revenues are recorded. Consequently, revenues are recognized net of reserves for estimated sales discounts, rebates, copayment assistance and chargebacks.

Income taxes

Income tax expense is comprised of current and deferred income tax. Income taxes are recognized in the consolidated statement of income (loss) except to the extent they relate to items recognized directly in equity or other comprehensive income, in which case the related tax is recognized in equity or other comprehensive income (loss), respectively.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in the tax returns and assessments with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects either accounting or taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Share-based compensation

The Company has outstanding common stock options, RSUs and PSUs which are considered equity awards. Accordingly, the Company recognizes a share-based compensation expense based on the grant-date fair value of the options, which is determined using a Black Scholes option pricing model. The options and RSUs vest in tranches (graded vesting) over time. The vesting of PSU awards is contingent on non-market performance conditions. Accordingly, the expense is recognized using the accelerated expense attribution method over the vesting period. When stock options are exercised, the Company issues new shares and the proceeds, net of any directly attributable transaction costs, are credited to share capital. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or performance conditions against the original compensation expense recognized.

The Black-Scholes option pricing model requires the input of certain assumptions, some of which are highly subjective, including the expected volatility of the price of our common shares, the expected term of the option and the expected dividend yield of our shares. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our share-based compensation expense could be materially different in future periods.

Accounting policy developments

Standards, interpretations and amendments to standards and interpretations not yet effective and not yet applied

In April 2024, the International Accounting Standards Board issued IFRS 18, Presentation and Disclosure in Financial Statements, which sets out the overall requirements for presentation and disclosures in the financial statements. The new standard will replace IAS 1, Presentation of Financial Statements. Although much of the substance of IAS 1, Presentation of Financial Statements, will carry over into the new standard, the new standard incrementally will:

- With a view to improving comparability amongst entities, require presentation in the statement of operations of a subtotal for operating profit and a subtotal for profit before financing and income taxes (both subtotals as defined in the new standard);

- Require disclosure and reconciliation, within a single financial statement note, of management-defined performance measures that are used in public communications to share management's views of various aspects of an entity's performance and which are derived from the statement of income and other comprehensive income;

- Enhance the requirements for aggregation and disaggregation of financial statement amounts; and

- Require limited changes to the statement of cash flows, including elimination of options for the classification of interest and dividend cash flows.

The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with earlier adoption permitted. We are currently assessing the impacts of the new standard; while there will be a limited

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shift of where a number of our management-defined performance measures are disclosed and reconciled (primarily a shift from management's discussion and analysis to the financial statements and where certain cash flows will be categorized in our statements of cash flows (primarily shifting interest paid from operating activities to financing activities), we do not expect that the totality of our financial disclosure will be materially affected by the application of the new standard.

In May 2024, the International Accounting Standards Board issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7). The narrow scope amendments are to address diversity in accounting practice in respect of: the classification of financial assets with environmental, social and corporate governance and similar features; and to clarify the date on which a financial asset or financial liability is de-recognized when using electronic payment systems. The new standard is effective for annual reporting periods beginning on or after January 1, 2026, with earlier adoption permitted. We are currently assessing the impacts of the new standard but do not expect to be materially affected by the application of the amendments.

2 Capital management

The Company's capital management objectives are to maintain financial flexibility to pursue its acquisitive strategy of expanding its portfolio of commercial-stage pharmaceutical products consisting of established brands and promotional stage products in selected therapeutic areas. The Company defines capital as the aggregate of current and non-current debt and shareholders' equity.

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay long-term debt, issue shares, repurchase shares, pay dividends (where permitted) or undertake any other activity as deemed appropriate under specific circumstances. The Company is not subject to any externally imposed capital requirements, other than as described in note 9. There has been no change in the Company's capital management approach during the year.

Managed capital is set out in the following table:

	2025 **$**	**2024** **$**
Debt, current and non-current	**37,178**	49,896
Shareholder's equity	**52,143**	30,323
	89,321	80,219

(expressed in thousands of United States dollars, except per share amounts and number of shares)

3 Accounts receivable

	2025 $	2024 $
Trade accounts receivable	**13,971**	23,869
Expected credit loss	**(801)**	-
Trade accounts receivable, net	**13,170**	23,869
Sales tax receivable	**136**	161
Total accounts receivable	**13,306**	24,030

The Company applies the simplified approach to measuring expected credit losses (ECLs), as permitted by IFRS 9, which requires a lifetime ECL for all trade receivables.

As at March 31, 2025, the Company has assessed that the credit risk associated with its trade receivables is low. All receivables are current or not significantly past due. Based on historical loss rates, forward-looking information, and customer profiles, the Company has recorded an expected credit loss of $801 (2024 – nil).

The following table presents an analysis of the age of the customer accounts receivable:

As at March 31	2025 $	2024 $
Current	**11,123**	20,130
Aged 1-30 days past due	**1,393**	2,993
Aged 31-60 days past due	**114**	255
Aged > 60 days past due	**1,341**	491
Allowance for expected credit losses	**(801)**	-
Total accounts receivable	**13,170**	23,869

4 Inventories

The following table summarizes the components of inventories:

	2025 $	2024 $
Raw materials	**1,518**	1,107
Work in progress	**18,983**	12,156
Finished goods	**14,789**	17,509
	35,290	30,772

(expressed in thousands of United States dollars, except per share amounts and number of shares)

The Company recognized $31,623 (2024 - $33,744) of inventory in Cost of sales of products in the consolidated statement of comprehensive income and included a provision for impaired inventory of $151 (2024 - $343) for the year ended March 31, 2025.

5 Prepaids and other current assets

	2025 $	2024 $
Prepaid expenses	**3,100**	4,192
Prepaid inventory	**4,527**	5,946
Total prepaids	**7,627**	10,138
Other current assets	**376**	2,301
Total prepaids and other current assets	**8,003**	12,439

6 Property and equipment

	Office furniture & computer equipment $	Right-of-use lease assets – office space $	Total $
Cost			
As at April 1, 2023	1,073	700	1,773
Additions	50	80	130
As at March 31, 2024	1,123	780	1,903
Accumulated depreciation			
As at April 1, 2023	670	204	874
Depreciation	101	150	251
Currency translation adjustment	(1)	1	-
As at March 31, 2024	770	355	1,125
Net book value as at March 31, 2024	353	425	778
Cost			
As at April 1, 2024			
Cost	1,123	780	1,903
Additions	**177**	**6**	**183**
Currency translation adjustment	**(39)**	**(5)**	**(44)**
As at March 31, 2025	**1,261**	**781**	**2,042**
Accumulated depreciation			
As at April 1, 2024	770	355	1,125
Depreciation	**93**	**160**	**253**
Currency translation adjustment	**(21)**	**(4)**	**(25)**
As at March 31, 2025	**842**	**511**	**1,353**
Net book value as at March 31, 2025	**419**	**270**	**689**

(expressed in thousands of United States dollars, except per share amounts and number of shares)

7 Intangible assets and goodwill

	Licences $	Goodwill $
Cost		
As at April 1, 2023	92,256	10,282
Additions	216	-
Disposals	(1,701)	-
Currency translation adjustment	(18)	(6)
As at March 31, 2024	90,753	10,276
Accumulated depreciation		
As at April 1, 2023	21,883	-
Disposals	(1,701)	-
Amortization	5,555	-
Impairment	888	-
Currency translation adjustment	(13)	-
As at March 31, 2024	26,612	-
Net book value as at March 31, 2024	64,141	10,276
Cost		
As at April 1, 2024	90,753	10,276
Additions	**17,543**	**-**
Disposals	**(4,360)**	**-**
Currency translation adjustment	**(750)**	**(279)**
As at March 31, 2025	**103,186**	**9,997**
Accumulated depreciation		
As at April 1, 2024	26,612	-
Disposals	**(4,360)**	**-**
Amortization	**6,925**	**-**
Impairment	**2,801**	**-**
Currency translation adjustment	**(393)**	**-**
As at March 31, 2025	**31,585**	**-**
Net book value as at March 31, 2025	**71,601**	**9,997**

During the year ended March 31, 2025, the Company recorded additions of $17,543 to licences, related to a milestone payable under product licence agreements, of which $2,543 was paid in fiscal 2025.

U.S. Treosulfan Agreement

On February 2, 2021, the Company entered into an exclusive agreement with medac GmbH ("medac") for the rights to commercialize treosulfan in the United States ("U.S. Treosulfan Agreement"). Treosulfan is an orphan-designated agent developed for use as part of a conditioning treatment for patients undergoing allogeneic hematopoietic stem cell transplantation.

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On January 22, 2025, the FDA approved GRAFAPEX™ (treosulfan). The Company holds exclusive commercial rights to GRAFAPEX™ in the United States for a period of 10 years from the FDA approval in January 2025. Based on the terms of the approval, including the FDA-approved product label, the Company became obligated to pay Medac a regulatory milestone payment of $15 million, which will be payable in installments of $2.5 million by June 30, 2025, $5 million by October 1, 2025, and $7.5 million by January 1, 2026, subject to the Company's right to temporarily defer the second and/or third such payments on terms described in the U.S. Treosulfan Agreement.

Impairment of intangible assets

Management assesses all intangible assets for triggering events on a quarterly basis to determine if an impairment analysis is warranted. If triggering events are identified, we perform an impairment analysis by comparing the carrying value of the intangible asset to its recoverable amount, determined based on the value in use method.

During fiscal 2025, management agreed to terminate a licensing agreement, returning to the licensor commercialization rights for Gleolan®, which resulted in a triggering event that warranted an impairment review of the related intangible asset due to a reduction in revenue projections. A discounted cash flow analysis indicated the asset's fair value was below its carrying amount, resulting in a pre-tax impairment charge of $2,463 recorded in the statement of income (loss) and comprehensive income (loss).

Additional triggering events were identified, which warranted impairment tests for Terbinafine as the product is not currently commercially viable based on management's assessment. Based on this, a value-in-use assessment was completed using a discounted cash flow method, which resulted in an incremental charge of $338 recorded in the statement of income (loss) and comprehensive income (loss).

Impairment testing of goodwill

Management assesses goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate a potential impairment. For fiscal 2025, our testing date was March 31, 2025. Goodwill impairment is tested at the consolidated level as we have determined that each geographic area or therapeutic area in which we operate is insufficiently distinct and is not considered to be an individual cash-generating unit, and our combined operations, being the level at which goodwill is monitored, are considered to represent a single cash-generating unit.

In assessing goodwill for impairment, we compare the carrying value of the cash-generating unit to its recoverable amount, determined based on the value-in-use method. There is a material degree of uncertainty with respect to the estimate of the recoverable amount, given the necessity of making key economic assumptions about future cash flows. As such, we validate our recoverable amount calculations through a market-comparable approach and an analytical review of industry facts and facts that are specific to us. For the years ended March 31, 2025 and 2024, no goodwill impairment was recorded.

The value-in-use method uses discounted cash flow projections, including the following key assumptions: future cash flows and growth projections; associated economic risk assumptions and estimates of the likelihood of achieving key operating metrics and drivers; and the future weighted average cost of capital. We considered a

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range of reasonably possible amounts to use for key assumptions and selected amounts that best represent managements' estimates of current and future market conditions.

The key assumptions for cash flow projections were based upon our approved financial forecasts, which span a period of five years, and used a discount rate of 9.9% (2024 - 9.5%). For impairment testing valuations, we extended the forecasted cash flows to ten years using similar growth assumptions, and cash flows subsequent to the five-year projection period were extrapolated using a perpetual growth rate of 3.0% (2024 - 2.0%); these growth rates do not exceed the long-term average growth rates observed in the markets in which we operate. As at March 31, 2025, the recoverable amount of the cash-generating unit was in excess of its carrying amount by approximately $150 million.

We believe that any reasonably possible change in other assumptions on which our calculation of the recoverable amount is based would not cause our carrying value to exceed our recoverable amount. If the future financial performance were to adversely differ from management's best estimates for the key assumptions and associated cash flows were to be materially adversely affected, we could potentially experience material impairment charges in respect of our cash-generating unit's goodwill in the future.

8 Accounts payable and accrued liabilities

	2025 **$**	**2024** **$**
Accounts payable - trade	**5,730**	7,750
Accrued liabilities	**29,742**	29,434
Royalty dues	**5,552**	6,048
	41,024	43,232

9 Long-term debt

As at	**Note**	**March 31, 2025** **$**	**March 31, 2024** **$**
Credit facility – term loan		**34,067**	48,150
Credit facility – revolver		**3,500**	3,500
Deferred debt transaction costs		**(774)**	(2,294)
Lease liabilities		**385**	540
Long-term debt		**37,178**	49,896
Current		**36,980**	15,743
Non-current		**198**	34,153
Long-term debt		**37,178**	49,896

(expressed in thousands of United States dollars, except per share amounts and number of shares)

BMO credit facility

We have a credit facility with a syndicate of lenders agented by Bank of Montreal ("BMO") in respect of a $35,000 secured term loan having a term of 36 months, maturing on March 8, 2026 (the "Term Loan"). The credit facility also includes a $3,500 revolving loan maturing on March 8, 2026 (the "Revolver").

On September 5, 2023, the Company entered into an amendment to the BMO credit agreement. The amendment provided for an $18,000 increase in the Term Loan commitment under the accordion feature of the Term Loan facility, among other amendments.

Borrowings under the BMO credit agreement bear interest at an annual rate of adjusted term Secured Overnight Financing Rate ("SOFR"), plus a margin determined quarterly based on the Company's consolidated leverage ratio. As at March 31, 2025, $34,067 of the Term Loan and $3,500 of the Revolver were outstanding with a weighted average interest rate of 7.18% (2024 – 8.19%).

The credit facility includes certain customary representations, warranties and covenants, including two financial ratio tests assessed at each quarter-end: a net debt to adjusted EBITDA ratio and a minimum fixed charge coverage ratio; and provides for a first-priority security interest in all the Company's assets. The Company has outstanding standby letters of credit issued by BMO, relating to VAT refund guarantees, totaling $2,210 (2024 - $2,347). These letters of credit are considered in the calculation of its financial covenants. As at March 31, 2025, the Company was in compliance with these financial covenants and all other terms and conditions of its long-term debt agreements.

As part of the covenant compliance, pursuant to the Third Amendment to the Credit Agreement dated March 28, 2025, the Company pledged $20,467 in its operating USD chequing account as collateral for compliance with its fixed-charge coverage covenant. Although these funds remained in the general-use account and were generally available for normal operations, the pledge constituted a lien on cash balances under the credit agreement. On June 13, 2025, this pledge was released upon execution of the Fifth Amendment (note 25).

The Term Loan component of the credit facility is subject to an amortization schedule requiring quarterly principal repayments equal to 25% per annum of the original principal amount, with the remaining balance due at maturity. Subsequent to year-end, the amortization schedule for the Term Loan was amended and replaced with a new schedule that amortizes at 20% per annum (note 25).

Leases

The Company has one facility lease agreement in place, which is set to expire in 2028. Leases are subject to amortization schedules, which results in the principal being repaid over various periods, including reasonably anticipated future renewal terms. The interest rate on the lease liability was 6.77% as at March 31, 2025 (2024 – 6.92%).

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Long-term debt maturities

Anticipated future cash flow requirements to meet undiscounted long-term debt principal repayments, calculated upon such long-term debts owing as at March 31, 2025, are as follows:

Years ending March 31	Credit facility $	Leases $
2026	37,567	187
2027	-	182
2028	-	46

10 Balance payable for business combinations

	Note	Medac $	Aptevo $	Total $
For the year ended March 31, 2024				
Opening net book value		18,725	12,775	31,500
Interest accretion	15	1,575	1,191	2,766
Unrealized gain on change in fair value		(438)	(2,321)	(2,759)
Unrealized foreign exchange gain		(10)	-	(10)
Payment		(1,189)	(2,023)	(3,212)
Currency translation adjustment		(24)	-	(24)
Balance of payable at March 31, 2024		18,639	9,622	28,261
Current				3,233
Non-current				25,028
Balance of payable at March 31, 2024				28,261
For the year ended March 31, 2025				
Opening net book value		18,639	9,622	28,261
Interest accretion	15	**1,621**	**862**	**2,483**
Unrealized gain on change in fair value		**(1,431)**	**(1,049)**	**(2,480)**
Unrealized foreign exchange gain		**1,134**	**-**	**1,134**
Payment		**(1,449)**	**(1,826)**	**(3,275)**
Currency translation adjustment		**(1,123)**	**-**	**(1,123)**
Balance of payable at March 31, 2025		**17,391**	**7,609**	**25,000**
Current				**2,813**
Non-current				**22,187**
Balance of payable at March 31, 2025				**25,000**

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Medac Pharma Inc.

As part of the acquisition of Medac Pharma Inc. on October 16, 2018, the Company is required to make annual earnout 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 $30,000 in annual payments have been made. To date the Company has made earnout payments totaling $3,776 to medac.

These earnout amounts are separate from and are not directly affected by any milestones that may become payable to medac under the U.S. Treosulfan Agreement discussed in note 18.

Aptevo BioTherapeutics LLC

As part of the acquisition of Aptevo on February 28, 2020, the Company is required to make certain deferred payments on net sales of IXINITY® in an amount equal to (i) 2% of net sales until June 30, 2022, and (ii) 5% of net sales thereafter until March 1, 2035. In addition, the purchase agreement requires the Company to make certain milestone payments upon IXINITY®'s receipt of regulatory approval in each of Canada, Germany, France, Spain, Italy and the United Kingdom, and upon IXINITY® achieving worldwide annual net sales of $120,000; in each case only if achieved by March 1, 2035.

11 Share capital

Authorized and issued

The Company is authorized to issue an unlimited number of common shares without par value.

On January 31, 2025 (the "Closing Date"), the Company announced that it had closed its previously announced overnight marketed underwritten offering of 7,500,000 common shares of the Company (the "Common Shares") at a public offering price of C$4.00 per Common Share for aggregate gross proceeds to the Company of C$30,000 (approx. $20,700). Capitalized transaction costs totalled C$2,245 (approx. $1,552). The net proceeds from the offering will be used for working capital and general corporate purposes.

On October 6, 2023, the Company completed a bought-deal public offering of 3,389,900 units at a price of C$2.95 per unit for aggregate gross proceeds of C$10,000 (approx. $7,400). The underwriting agreement provided for a customary overallotment option for the sole underwriter to purchase up to 508,484 additional units. On October 17, 2023, the Company issued all 508,484 additional units for additional gross proceeds of C$1,500 (approx. $1,100), resulting in the issuance of an aggregate of 3,898,384 units for C$11,500 (approx. $8,500) aggregate gross proceeds. Capitalized transaction costs in connection with the offering totalled C$1,404 (approx. $1,020). Each unit issued in the offering consisted of one common share and one-half of one common share purchase warrant. Each such warrant entitles the holder to purchase one common share at an exercise price of C$3.65 at any time through April 6, 2026. The warrants are issued under a common share purchase warrant indenture with Odyssey Trust Company as warrant agent. In connection with the offering, the Company also issued to the sole underwriter, as partial consideration for its services in connection with the offering, warrants to purchase up to 233,903 common shares at an exercise price of C$2.95 at any time through April 6, 2026.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net income (loss) for the year attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year.

	2025	**2024**
Net income (loss)	**2,247**	(214)
Weighted average number of shares outstanding	**25,821,872**	22,321,446
Basic EPS	**0.09**	(0.01)

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for the dilution that would occur if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the year or the issuance date, unless it is anti-dilutive.

	2025	**2024**
Net income (loss)	**2,247**	(214)
Weighted average number of shares outstanding	**25,821,872**	22,321,446
Dilutive effect – restricted share units	**645,573**	-
Dilutive effect - options	**41,461**	-
Weighted average number of shares for diluted EPS	**26,508,906**	22,321,446
Diluted EPS	**0.08**	(0.01)

For the year ended March 31, 2025, the diluted effect of the restricted share units and options was adjusted for expected forfeitures, where applicable.

For the year ended March 31, 2024, the Company incurred a net loss of $214. Accordingly, all potentially dilutive instruments were excluded from the diluted earnings per share calculation, as their inclusion would have been anti-dilutive.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

12 Share-based compensation

Our total share-based compensation expense for the years can be broken down as follows:

	2025	2024
	$	$
Stock options	**59**	275
Restricted share units	**722**	281
Performance restricted share units	**275**	383
	1,056	939

Stock options

We have equity-settled stock option awards, which grant the right to the employee recipient to purchase and receive a share of Medexus for a pre-determined exercise price. Stock option awards are generally exercisable for a period of ten years from the time of grant. Stock options granted vested either annually over a four-year period, in five equal instalments commencing with the grant date (graded-vesting method), or vested in one-year (cliff-vesting method). All stock options are valued using the Black-Scholes valuation model on the date of grant, and are not revalued subsequently unless a modification has occurred. The following table presents the activity related to our share option awards:

	Number of options			
	Non-vested	Vested	Total	Weighted average exercise price C$
Outstanding, April 1, 2023	555,328	502,645	1,057,973	3.91
Vested	(329,489)	329,489	-	-
Forfeited	(83,969)	(133,772)	(217,741)	3.53
Expired	-	(24,000)	(24,000)	6.90
Outstanding, March 31, 2024	141,870	674,362	816,232	3.92
Exercisable, March 31, 2024	-	674,362	674,362	3.82
Outstanding, April 1, 2024	141,870	674,362	816,232	3.92
Vested	**(61,947)**	**61,947**	**-**	**-**
Forfeited	**(34,065)**	**(120,520)**	**(154,585)**	**3.88**
Expired	**-**	**(17,333)**	**(17,333)**	**4.50**
Outstanding, March 31, 2025	**45,858**	**598,456**	**644,314**	**3.92**
Exercisable, March 31, 2025	**-**	**598,456**	**598,456**	**3.86**

(expressed in thousands of United States dollars, except per share amounts and number of shares)

As at March 31, 2025, the options outstanding under the plan have a weighted average remaining life of approximately 6.0 years (2024 – 6.9 years).

The following table summarizes information with respect to stock options outstanding and stock options exercisable as at March 31, 2025:

	Options outstanding			Options exercisable		
Exercise price C$	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price C$**	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price C$**
1.68 - 2.40	255,364	7.61	2.02	237,938	7.62	2.01
3.37 - 5.10	231,779	4.27	3.95	223,079	4.17	3.97
5.43 - 7.63	157,171	5.96	6.96	137,439	5.93	6.89
Outstanding, end of year	**644,314**	**6.01**	**3.92**	**598,456**	**5.95**	**3.86**

The following table summarizes information with respect to stock options outstanding and stock options exercisable as at March 31, 2024:

	Options outstanding			Options exercisable		
Exercise price C$	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price C$**	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price C$**
1.68 - 2.40	271,428	8.60	2.03	234,288	8.62	2.00
3.37 - 5.10	360,472	5.30	3.82	306,272	5.27	4.31
5.43 - 7.63	184,332	6.94	6.91	133,802	6.91	6.80
Outstanding, end of year	816,232	6.89	3.92	674,362	6.76	3.82

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Restricted stock units (RSUs) and performance restricted share units (PSUs)

We have various restricted share unit award types, including equity-accounted restricted share units (RSUs) and performance restricted share units (PSUs), which are measured at their intrinsic value. All restricted share units are nominally equal in value to one Medexus share. Our PSU grants largely have the same features as our RSUs, but have a variable that depend upon the achievement of operating performance targets (non-market conditions.

The following table presents a summary of the activity related to our restricted share units:

	Number of RSUs			
	Non-vested	**Vested**	**Total**	**Weighted average exercise price C$**
Outstanding, April 1, 2023	158,638	194,549	353,187	0.01
Granted	533,829	-	533,829	0.01
Vested	(132,517)	132,517	-	-
Exercised	-	(190,553)	(190,553)	0.01
Forfeited	(64,142)	-	(64,142)	0.01
Outstanding, March 31, 2024	495,808	136,513	632,321	0.01
Exercisable, March 31, 2024	-	136,513	136,513	0.01
Outstanding, April 1, 2024	495,808	136,513	632,321	0.01
Granted	**751,443**	**-**	**751,443**	**0.01**
Vested	**(352,949)**	**352,949**	**-**	**-**
Exercised	**-**	**(353,449)**	**(353,449)**	**0.01**
Forfeited	**(110,364)**	**-**	**(110,364)**	**0.01**
Outstanding, March 31, 2025	**783,938**	**136,013**	**919,951**	**0.01**
Exercisable, March 31, 2025	**-**	**136,013**	**136,013**	**0.01**

The following table presents a summary of the activity related to our performance share units:

(expressed in thousands of United States dollars, except per share amounts and number of shares)

	Number of PSUs			
	Non-vested	**Vested**	**Total**	**Weighted average exercise price C$**
Outstanding, April 1, 2023	885,341	-	885,341	0.01
Vested	(286,266)	286,266	-	-
Exercised	-	(286,266)	(286,266)	0.01
Forfeited	(86,992)	-	(86,992)	0.01
Expired	(5,000)	-	(5,000)	0.01
Outstanding, March 31, 2024	507,083	-	507,083	0.01
Exercisable, March 31, 2024	-	-	-	-
Outstanding, April 1, 2024	507,083	-	507,083	0.01
Vested	**(289,003)**	**289,003**	**-**	**-**
Exercised	**-**	**(289,003)**	**(289,003)**	**0.01**
Forfeited	**(55,667)**	**-**	**(55,667)**	**0.01**
Outstanding, March 31, 2025	**162,413**	**-**	**162,413**	**0.01**
Exercisable, March 31, 2025	**-**	**-**	**-**	**-**

Share-based compensation expense with respect to these options, RSUs, and PSUs amounted to $1,056 (2024 – $939) for the year ended March 31, 2025. These costs are included in selling and administrative expenses in the consolidated statement of income (loss) and comprehensive income(loss).

RSUs, PSUs and Options may become immediately exercisable in the event of any change of control of the Company in accordance with the terms of the Equity Plans.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

13 Warrants

	Number of warrants	Weighted average exercise price C$
Outstanding, March 31, 2023	2,503,918	8.53
Issued	2,183,095	3.58
Exercised	(270,000)	1.02
Expired	(2,233,918)	8.53
Outstanding, March 31, 2024	2,183,095	3.58
Exercised	**(55,750)**	**3.65**
Outstanding, March 31, 2025	**2,127,345**	**3.57**

Warrants outstanding as at March 31, 2025 expire as follows:

	Number of warrants	Price per warrant C$
April 2026	1,893,442	3.65
April 2026	233,903	2.95

The Company uses the residual method in establishing the value of the warrants. The carrying value of the warrants is recorded in contributed surplus.

14 Selling and administrative expenses

	2025 $	2024 $
Employee benefit expense	**22,180**	22,117
Sales and marketing expense	**7,804**	10,580
Regulatory and business development	**7,032**	6,432
General administrative	**6,166**	5,740
	43,182	44,869

(expressed in thousands of United States dollars, except per share amounts and number of shares)

15 Financing costs

	2025 $	2024 $
Interest on long-term debt, net of amort. of deferred financing costs	**5,679**	5,324
Interest accretion on balance of payable for business combinations	**2,483**	2,766
Interest on lease liabilities	**33**	42
Interest on convertible debentures	**-**	968
Interest accretion on convertible debentures, net of amort. of deferred financing costs	**-**	4,264
	8,195	13,364

16 Other income

	2025 $	2024 $
Business combinations payable – Unrealized gain on change in fair value	**(2,480)**	(2,759)
Foreign exchange loss	**1,068**	165
Convertible debentures – Unrealized gain on fair value of derivative	**-**	(82)
	(1,412)	(2,676)

17 Related party transactions

a) Recurring transactions

The Company pays warehouse and other fees to a company in which a named executive officer of the Company holds a 50% equity interest for customary storage, distribution, and other related services in respect of certain of the Company's products in Canada. These fees totaled $253 (2024 – $256) for the year ended March 31, 2025.

b) Transactions with key management personnel

Our key management personnel have the authority and responsibility for overseeing, planning, directing and controlling our activities and consist of our Board and members of our executive leadership team. Total compensation expense and its composition for the key management personnel is as follows:

(expressed in thousands of United States dollars, except per share amounts and number of shares)

	2025 $	2024 $
Key management compensation		
Salaries and benefits	**5,838**	5,799
Share-based compensation	**663**	673
	6,501	6,472

18 Commitments and contingencies

In the normal course of business, the Company enters into licensing, distribution or supply agreement with third parties whereby the Company may be required to make future cash payments in the event the Company achieves certain sales volumes or certain milestone events, such as a product approval by the FDA, occur.

Anticipated future cash flow requirements to meet the Company's milestone commitments as at March 31, 2025, are as follows:

Years ending March 31	**Milestones** $
2026	187
2027	5,932
2028	10,046
2029	15,000
2030	10,000
	41,165

U.S. Treosulfan Agreement

On February 2, 2021, the Company entered into an exclusive agreement with medac GmbH ("medac") for the rights to commercialize treosulfan in the United States ("U.S. Treosulfan Agreement"). Treosulfan is an orphan-designated agent developed for use as part of a conditioning treatment for patients undergoing allogeneic hematopoietic stem cell transplantation.

On January 22, 2025, Medexus was informed that the FDA approved GRAFAPEX™ (treosulfan). The Company holds exclusive commercial rights to GRAFAPEX™ in the United States under a February 2021 exclusive license agreement with medac GmbH (GRAFAPEX Agreement).

Based on the terms of the approval, including the FDA-approved product label, the parties determined that medac earned a regulatory milestone amount of $15 million. The regulatory milestone amount is payable in three installments: one-sixth of the total amount ($2.5 million) is payable by June 30, 2025, one-third of the total amount ($5 million) is payable by October 1, 2025, and the remaining 50% of the total ($7.5 million) is payable by January 1, 2026, subject to Medexus's right to temporarily defer the second and/or third such payments on terms described in the fourth amendment.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

19 Consolidated statements of cash flows

a) Changes in non-cash operating working capital items are as follows:

	2025 $	2024 $
Decrease (increase) in		
Accounts receivable	**10,544**	(1,677)
Inventories	**(4,604)**	(6,753)
Prepaids	**2,489**	2,212
Other current assets	**1,906**	(24)
Increase (decrease) in		
Accounts payable and accrued liabilities	**(1,992)**	8,583
Other current liabilities	**(2,500)**	-
	5,843	2,341

b) Changes in liabilities arising from financing activities

	Statements of cash flows			Non-cash changes		
Year Ended March 31, 2025	**Beginning of year $**	**Issued or received $**	**Redemptions or payments $**	**Foreign exchange movement $**	**Other $**	**End of year $**
Long-term debt						
Credit facility – term loan	48,150	-	**(14,083)**	-	-	**34,067**
Credit facility – revolver	3,500	-	-	-	-	**3,500**
Lease liabilities	540	-	**(153)**	**(35)**	**33**	**385**
Deferred transaction cost	(2,294)	-	-	-	**1,520**	**(774)**
	49,896	-	**(14,236)**	**(35)**	**1,553**	**37,178**

(expressed in thousands of United States dollars, except per share amounts and number of shares)

	Statements of cash flows			Non-cash changes		
Year Ended March 31, 2024	**Beginning of year $**	**Issued or received $**	**Redemptions or payments $**	**Foreign exchange movement $**	**Other $**	**End of year $**
Long-term debt						
Credit facility – term loan	35,000	17,584	(4,850)	-	416	48,150
Credit facility – revolver	3,500	-	-	-	-	3,500
Lease liabilities	598	-	(138)	38	42	540
Deferred debt transaction cost	(3,239)	-	-	-	945	(2,294)
Convertible debentures	34,304	-	(39,000)	432	4,264	-
	70,163	17,584	(43,988)	470	5,667	49,896

20 Operating segments

Operating segments are components of an entity that engage in business activities from which they earn revenues and incur expenses (including revenues and expenses related to transactions with the other entities within the group). We assess our operating segments based on information regularly provided to and reviewed by the Chief Operating Decision Maker (CODM). This information is used to make resource allocation decisions and to assess financial performance. Our CODM reviews financial information prepared on a consolidated basis for the purposes of making resource allocation decisions and assessing the performance of the overall organization. Based on an evaluation of all facts and circumstances, the Company has determined that it functions as a single operating and reporting segment.

We attribute revenues from external customers to individual countries based on the location of where our customers are located.

The geographic segmentation of the Company's sales based on customer location is as follows:

	2025 $	**2024 $**
United States	**68,614**	77,182
Canada	**39,718**	35,872

(expressed in thousands of United States dollars, except per share amounts and number of shares)

The geographic segmentation of the Company's non-current assets is as follows:

As at	March 31, 2025 $	March 31, 2024 $
United States	**76,370**	66,396
Canada	**14,896**	16,841

21 Income taxes

Income tax expense includes the following components:

	2025 $	2024 $
Current		
United States	**131**	1,555
Deferred		
United States	**(938)**	(1,235)
Total income tax expense (recovery)	**(807)**	320

A reconciliation of income taxes at the Canadian statutory rate with reported income taxes is as follows:

	2025 $	2024 $
Income before income taxes	**1,440**	106
Statutory tax rate	**26.5%**	26.5%
Statutory federal and provincial tax	**382**	28
Increase (decrease) in taxes recoverable resulting from:		
Permanent differences	**57**	20
Impact of rate differential of foreign jurisdiction	**130**	(47)
Effect of change in unrecognized deferred tax asset	**(2,030)**	-
Non-deductible share-based compensation	**269**	249
Non-deductible expense for tax purposes	**34**	31
Deferred items true-up	**-**	(94)
Foreign exchange translation adjustment	**528**	12
Other differences	**(177)**	121
	(807)	320

The Canadian combined statutory rate as at March 31, 2025 was 26.5% (2024 – 26.5%).

(expressed in thousands of United States dollars, except per share amounts and number of shares)

At March 31, 2025, the Company has a deferred tax asset of $8,979 (2024 - $8,042) in the United States. Additionally, the Company has accumulated non-capital losses of $24,435 (2024 - $33,200) in Canada which can be carried forward to reduce future taxable income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax assets and liabilities are as follows:

Deferred tax assets (liabilities) continuity	**Balance as at March 31, 2024** **$**	**Charged (credited) to consolidated statement of income (loss)** **$**	**Charged (credited) to other comprehensive income (loss)** **$**	**Balance as at March 31, 2025** **$**
Property and equipment	(25)	**7**	**-**	**(18)**
Intangible assets	(4,103)	**(2,048)**	**-**	**(6,151)**
Lease liabilities	54	**(25)**	**-**	**29**
Interest expenses carried forward	11,022	**3,398**	**-**	**14,420**
Non-capital losses carried forward	550	**(295)**	**-**	**255**
Net-capital losses carried forward	15	**(15)**	**-**	**-**
Other	529	**(85)**	**-**	**444**
Net deferred tax assets	8,042	**937**	**-**	**8,979**

Deferred tax assets (liabilities) continuity	**Balance as at March 31, 2023** **$**	**Charged (credited) to consolidated statement of income (loss)** **$**	**Charged (credited) to other comprehensive income (loss)** **$**	**Balance as at March 31, 2024** **$**
Property and equipment	(13)	(12)	-	(25)
Intangible assets	(5,434)	1,331	-	(4,103)
Lease liabilities	23	31	-	54
Interest expenses carried forward	10,573	449	-	11,022
Non-capital losses carried forward	5,579	(5,029)	-	550
Net-capital losses carried forward	15	-	-	15
Other	(3,936)	4,465	-	529
Net deferred tax assets	6,807	1,235	-	8,042

(expressed in thousands of United States dollars, except per share amounts and number of shares)

The future benefit of these non-capital losses in Canada has not been recognized in the accounts.

22 Financial instruments

The Company's financial instruments, and the nature of certain risks to which they might be subject, are classified as follows:

Financial instrument	Accounting classification	Risks
Cash and cash equivalents	Amortized cost	Credit & Currency
Accounts receivable	Amortized cost	Credit & Currency
Accounts payable and accrued liabilities	Amortized cost	Liquidity & Currency
Long-term debt	Amortized cost	Liquidity
Balance payable for business combinations	Fair value through profit and loss	Liquidity

Fair value estimation

The Company measures the fair value of its financial assets and financial liabilities using a fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value. The different levels of the fair value hierarchy are defined as follows:

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

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

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

The Company estimated the fair value of its financial instruments as described above.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are considered to be equal to their respective carrying values due to their short-term maturities.

As at March 31, 2025 and 2024, other financial instruments measured at fair value in the consolidated statements of financial position were as follows:

(expressed in thousands of United States dollars, except per share amounts and number of shares)

	2025		2024	
	Fair value hierarchy	Fair value $	Fair value hierarchy	Fair value $
Financial liabilities				
Balance of payable for business combinations	Level 3	**25,000**	Level 3	28,261

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, long-term debt and balance of payable for business combinations.

Subsequent to year end, on June 13 2025, the Company executed the Fifth Amendment to the Credit Agreement with BMO. The amendment provided for partial principal repayments and adjustments to the amortization schedule under the term facility, adjustments to the availability and drawdown conditions under the revolving facility, and adjustments to the interest rates and financial covenants under the BMO credit agreement, among other amendments. Following the amendment, the facilities under the BMO credit agreement comprise the following: a $22,067 secured term loan, a $3,500 revolving loan and a $2,500 letter of credit facility (note 25).

The tables below categorize the Company's financial liabilities into relevant maturity groupings based on the remaining periods at the consolidated statements of financial position dates to the contractual maturity dates.

2025	**1 year or less** $	**Between 1 & 5 years** $	**Over 5 years** $
Accounts payable and accrued liabilities	**41,024**	**-**	**-**
Milestones payable	**15,000**	**-**	**-**
Long-term debt	**36,980**	**198**	**-**
Balance of payable for business combinations	**2,813**	**10,263**	**11,924**
	95,817	**10,461**	**11,924**

2024	**1 year or less** $	**Between 1 & 5 years** $	**Over 5 years** $
Accounts payable and accrued liabilities	43,232	-	-
Long-term debt	15,743	34,153	-
Balance of payable for business combinations	3,233	12,119	12,909
	62,208	46,272	12,909

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Credit risk

The Company is exposed mainly to credit risk on its cash and cash equivalents and accounts receivable. Credit risk associated with cash and cash equivalents is managed by ensuring that these financial assets are placed with major financial institutions that have been accorded strong investment grade ratings by a primary rating agency and/or other creditworthy counterparties. It offers credit to its customers in the normal course of its operations. An ongoing review is performed to evaluate changes in the status of counterparties. Credit risk associated with accounts receivable is managed through a credit evaluation of customers and ongoing review of their creditworthiness.

Currency risk

The Company operates in Canada and the United States, while its functional currency is the Canadian dollar. Therefore, it is exposed to foreign exchange risk arising from transactions denominated in currencies other than the Canadian dollar. The Company is exposed to foreign currency risk through the following financial assets and liabilities, expressed in US$:

	2025 **$**	**2024** **$**
Cash and cash equivalents		
US dollar	**84**	545
Accounts payable and accrued liabilities		
US dollar	**(154)**	-
Euro	**(1,410)**	(1,749)
Balance of payable for business combinations		
US dollar	**(17,390)**	(18,641)

The table below shows the immediate increase (decrease) on net income of a 10% strengthening in the closing exchange rate of significant currencies to which the Company has exposure as at March 31, 2025. The sensitivity associated with a 10% weakening of a particular currency would be equal and opposite. This assumes that each currency moves in isolation.

	2025 **$**	**2024** **$**
10% strengthening of the CA$:US$ exchange rate	**1,746**	1,810
10% strengthening of the CA$:EUR exchange rate	**141**	175

Capital risk management

We manage liquidity risk by:

- maintaining a syndicated bank credit facility (Note 9—Long-term debt—Credit facility);

(expressed in thousands of United States dollars, except per share amounts and number of shares)

• continuously monitoring forecast and actual cash flows; and

• managing maturity profiles of financial assets and financial liabilities.

Our debt maturities in future years are as disclosed in note 9—Long-term debt—Long-term debt maturities. We closely match the contractual maturities of our derivative financial liabilities with those of the risk exposures they are being used to manage. The contractual maturities of our undiscounted financial liabilities as at March 31, 2025, including interest thereon (where applicable) are also disclosed in note 9.

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. The Company has performed a sensitivity analysis on interest rate risk as at March 31, 2025. A change in interest rates on borrowings of 1% higher or lower would not have a significant impact on net income (loss) and comprehensive loss for the year.

The Company is exposed to interest rate risk as follows:

Cash and cash equivalents	Floating rate
Accounts receivable	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Long-term debt	As described in note 9
Balance of payable for business combinations	As described in note 11

23 Additional financial information

Customer concentration

The Company has a limited number of direct customers, and the majority of the Company's sales are to large national distributors, wholesalers, pharmacy chains and specialty pharmacies, healthcare institutions, and other large customers.

For the year ended March 31, 2025, two customers (2024 – three customers), all of which were large national wholesalers, each individually accounted for more than 10% of the Company's total revenue, together accounting for approximately 52% of the Company's total revenue (2024 – 62%).

For the year ended March 31, 2025, three customers (2024 – four customers), all of which were large national wholesalers, each individually accounted for more than 10% of the Company's trade accounts receivable, together accounting for approximately 76% of the Company's trade accounts receivable (2024 – 82%).

(expressed in thousands of United States dollars, except per share amounts and number of shares)

24 Contingent liabilities

(a) Indemnification obligations

In the normal course of operations, we provide indemnification in conjunction with certain transactions. The terms of these indemnification obligations range in duration. These indemnifications would require us to compensate the indemnified parties for costs incurred as a result of failure to comply with contractual obligations or litigation claims or statutory sanctions or damages that may be suffered by an indemnified party. In some cases, there is no maximum limit on these indemnification obligations. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. Where appropriate, an indemnification obligation is recorded as a liability. Other than obligations recorded as liabilities at the time of such transactions, if applicable, historically we have not made significant payments under these indemnifications. As at March 31, 2025 and 2024, we had no liability recorded in respect of indemnification obligations.

(b) Claims and lawsuits

We are party to various legal proceedings and claims that arise in the ordinary course of business. The ultimate outcome of these matters is inherently uncertain. Therefore, if one or more of these matters were resolved against us for amounts in excess of management's estimates of loss, or if any outcome becomes more likely than not and estimable, our results of operations and financial condition could be adversely affected.

25 Subsequent events

On June 13, 2025, we executed the Fifth Amendment to the Credit Agreement with BMO. The amendment provided for partial principal repayments and adjustments to the amortization schedule under the term facility, adjustments to the availability and drawdown conditions under the revolving facility, and adjustments to the interest rates and financial covenants under the BMO credit agreement, among other amendments. Following the amendment, the facilities under the BMO credit agreement comprise the following: a $22,067 secured term loan, a $3,500 revolving loan and a $2,500 letter of credit facility. The secured term loan is subject to an amortization schedule requiring quarterly principal repayments equal to 20% per annum of the original principal amount, with the remaining balance due at maturity. All tranches mature on March 8, 2026. The Fifth Amendment also removes the $20,467 cash collateral pledge previously required under the Third Amendment dated March 28, 2025. All other material terms and conditions of the amended facility remain substantially consistent with those disclosed in note 9.