Management Discussion and Analysis

For the three- and twelve-month periods ended
March 31, 2021

INTERPRETATION

This management discussion and analysis of financial position and results of operations ("**MD&A**"), as approved by the board of directors (the "**Board**") of Medexus Pharmaceuticals Inc. (the "**Company**") on June 16, 2021, is prepared for the three- and twelve-month periods ended March 31, 2021. The audited consolidated financial statements of the Company for the year ended March 31, 2021, were prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"). This MD&A should be read in conjunction with the Company's financial statements.

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

CAUTIONARY NOTE REGARDING COMPARATIVE FINANCIAL INFORMATION

On February 28, 2020, the Company announced that it had, indirectly through its wholly-owned subsidiary, Medexus Pharma Inc. ("**Medexus US**") completed a major acquisition (the "**2020 Acquisition**") in acquiring all of the outstanding limited liability company interests of Aptevo BioTherapeutics LLC ("**Aptevo**"), a Delaware limited liability company, from Aptevo Therapeutics, Inc. (NASDAQ: APVO) pursuant to a purchase agreement dated February 28, 2020 (the "**Aptevo Purchase Agreement**").

Accordingly, readers are cautioned that while certain financial information included herein for, and comparisons to, prior periods have been presented in this MD&A, changes from a pre- 2020 Acquisition period to a post- 2020 Acquisition period may, in the opinion of management, be of limited value in understanding changes to the financial condition, financial performance, or business of the Company from period to period given the transformative nature of the 2020 Acquisition. **Readers are advised that the comparative information included in this MD&A for the three- and twelve-month periods ended March 31, 2020, includes certain pre-2020 Acquisition results for the Company (i.e., the comparative information for such periods consists of (i) results prior to February 28, 2020, which reflect only the pre-2020 Acquisition results for the Company, and (ii) results subsequent to February 28, 2020, which reflect the consolidated results of the Company post-2020 Acquisition).**

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements made in this MD&A contain forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking information includes statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "anticipates", "believes", "budget", "could", "estimates", "expects", "forecasts", "goals", "intends", "may", "might", "objective", "outlook", "plans", "projects", "schedule", "should", "will", "would" and "vision") which are not historical facts. More specifically, forward-looking information in this MD&A includes, but is not limited to, information contained in statements with respect to: the Company's future expectations regarding growth and revenues, including as set out in the "Company Overview, Strategy & Outlook" section of this MD&A; expected benefits from the 2020 Acquisition; expected benefits from expansion of IXINITY®; the Company's anticipated cash needs, capital requirements and its needs for additional financing; the Company's future growth plans; anticipated trends and challenges in the Company's business and the markets in which it operates; the Company's ability to obtain FDA and other regulatory approvals when required; the potential market size for and benefits of treosulfan; the expected timing of the PDUFA (as defined herein) date for treosulfan; the expected years of indication for treosulfan; the Company's business strategy; the Company's business outlook and other expectations regarding financing or operating performance; the Company's expectation regarding the availability of funds from operations, cash flow generation and capital allocation; the potential ongoing impact of the COVID-19 pandemic and the Company's response thereto, including the Company's balance sheet and cost management strategies and any benefits thereof; and the Company's competitive position and the anticipated trends and challenges in the Company's business and the markets in which it operates.

The forward-looking statements and information included in this MD&A are based on certain key expectations and assumptions made by the Company, and although the Company believes that such expectations and assumptions are reasonable, undue reliance should not be placed on the forward-looking statements and information because the Company

can give no assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. Factors and risks which could cause actual results or events to differ materially from those expressed in its forward-looking statements are referred to under the heading *"Risk Factors"* in the Company's most recent annual information form ("**AIF**") and under the heading *"Risk Factors and Risk Management"* herein.

Unless otherwise noted, any forward-looking statement speaks only as of the date of this MD&A, and, except as required by applicable law, the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement. All forward-looking statements contained herein are expressly qualified by this cautionary statement.

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

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

In particular, management uses Adjusted Net Income (Loss) and Adjusted EBITDA as measures of the Company's performance. Adjusted Net Income (Loss), EBITDA (earnings before interest, taxes, depreciation and amortization) and Adjusted EBITDA are non-IFRS financial measures. The Company defines Adjusted Net Income (Loss) as net income (loss) before unrealized loss (gain) on fair value of derivatives. The Company defines Adjusted EBITDA as earnings before financing and special transaction costs (including, for greater certainty, fees related to the 2020 Acquisition and related financing), interest expenses, income taxes, interest income, depreciation of property and equipment, amortization of intangible assets, non-cash share-based compensation, income from sale of assets, gain or loss on the convertible debenture embedded derivative, foreign exchange gains or losses, termination benefits, and impairment of intangible assets. The Company considers Adjusted Net Income (Loss) and Adjusted EBITDA as key metrics in assessing business performance and an important measure of operating performance and cash flow, providing useful information to investors and analysts. See "*Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)*" in this MD&A for a reconciliation of each of Adjusted Net Income (Loss) and Adjusted EBITDA to net income (loss).

COVID-19

The Company continues to closely monitor ongoing developments related to COVID-19. The global response to COVID-19 has resulted in, among other things, border closures, severe travel restrictions, extreme fluctuations in financial and commodity markets and staged vaccine roll-out plans. The extent to which COVID-19 or any other pandemic or public health crisis impacts or continues to impact the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision.

CHANGE IN PRESENTATION CURRENCY

During 2021, the Company changed its presentation currency to United States dollars ("US$") from Canadian dollars ("C$"). The Company has determined that this change in presentation currency better reflects the Company's current activities, increases the comparability to peer companies, and enhances the relevance of the financial statements to users. The Company applied the change retrospectively and restated the comparative financial information in its audited consolidated financial statements for the year ended March 31, 2021 as if the presentation currency had always been US$. Please refer to note 2 of the audited consolidated financial statements for the year ended March 31, 2021.

HIGHLIGHTS - PERIODS ENDED MARCH 31, 2021

Comparative results subsequent to February 28, 2020 reflect the consolidated results of the Company post-2020 Acquisition, including the results of acquired entity, and comparative results prior to February 28, 2020 reflect only the pre-2020 Acquisition results for the Company. Unless otherwise stated herein, all dollar amounts are in US$.

Financial Highlights

Three-month period ended March 31, 2021

The Company achieved revenue of $17.6 million for the three-month period ended March 31, 2021, versus $18.8 million for the three-month period ended March 31, 2020. This is mainly due to a drop in IXINITY® net sales. While patient unit demand for IXINITY® continued to grow during the fourth quarter, net sales were lower as pharmacy and wholesale customers worked through inventory on hand.

Additional financial highlights for the period include:

- Adjusted EBITDA decreased to $(1.6) million compared to $3.1 million for the same period last year, due primarily to an increase in Selling and Administrative Expenses as the company prepares for the launch of treosulfan and an increase in Research & Development spending for the IXINITY® pediatric study; see *"Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".*
- Cash provided by operating activities was $4.2 million, compared to cash used by operating activities of $1.3 million for the same period last year.
- Net loss was $10.5 million compared to $1.6 million for the same period last year, due in part to a non-cash unrealized loss of $5.3 million in the current period (2020 – unrealized gain of $3.5 million) on the fair value of the embedded derivatives in the Company's convertible debentures, which was driven by a significant increase in the Company's share price; see "*Operating Results – Year To Date – Net Loss*".
- Adjusted Net Loss (which adjusts for such unrealized losses (or gains) on the fair value of derivatives) was $5.2 million compared to $5.1 million for the same period last year; see "*Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)*".

Twelve-month period ended March 31, 2021

The Company achieved revenue of $79.7 million for the twelve-month period ended March 31, 2021, versus $55.5 million for the twelve-month period ended March 31, 2020. Additional financial highlights for the period include:

- Adjusted EBITDA increased to $8.2 million compared to $4.4 million for the same period last year; see *"Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)"*
- Cash provided by operating activities was $5.0 million, compared to cash used by operating activities of $1.7 million for the same period last year.
- Net loss was $28.3 million compared to $4.7 million for the same period last year, due primarily to a non-cash unrealized loss of $20.6 million in the current period (2020 – unrealized gain of $9.2 million) on the fair value of the embedded derivatives in the Company's convertible debentures, which was driven by a significant increase in the Company's share price; see "*Operating Results – Year To Date – Net Loss*".
- Adjusted Net Loss was $7.6 million compared to $13.9 million for the same period last year; see "*Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)*".
- Selling and administrative expenses as a percentage of revenue has decreased to 45.4%, from 55.2% for the same period last year, as the Company continues to leverage its platform and significantly increase its revenue with only modest increases to operating expenses.
- Available liquidity of $24.8 million at March 31, 2021, compared to $5.2 million at March 31, 2020; see *"Liquidity and Capital Resources".*

Operational Highlights

Operational highlights for the three- or twelve-month periods ended March 31, 2021, or subsequent to the period end, include:

- **Treosulfan US Licensing Agreement:** On February 2, 2021, the Company entered into an exclusive license to commercialize treosulfan in the United States. Treosulfan is an innovative, orphan-designated agent developed for use as part of a conditioning treatment for patients undergoing allogeneic hematopoietic stem cell transplantation ("allo-HSCT"). If approved by the U.S. Food and Drug Administration ("FDA"), the Company expects that a treosulfan-based regimen may be the first in a new conditioning treatment class, Reduced Toxicity Conditioning ("RTC"), resulting in a unique combination of improved survival outcomes compared to reduced-intensity regimens and decreased toxicity compared to standard myeloablative regimens. A Prescription Drug User Free Act ("PDUFA") date to review the New Drug Application ("NDA") in respect of treosulfan by the FDA has been scheduled for August 11, 2021; see *"Significant Transactions"*
- **Bought Deal Public Offering of Shares:** On February 23, 2021 the Company closed a public equity offering pursuant to which the Company issued and sold, on a "bought deal" basis, 4,581,689 units of the Company for aggregate gross proceeds of approximately C$32.5 million. See "*Significant Transactions"*.
- **IXINITY® Label Expansion:** In September 2020, the FDA approved the Company's application to supplement the IXINITY® Biologics License Application to add the indication for routine prophylaxis. This label expansion provides additional flexibility in the prescribed dosing regimen for IXINITY®, may appeal to health care professionals who prefer this dosing regimen, and expands the clinical efficacy data set that the Company can proactively discuss. The Company believes this label expansion will benefit its efforts to further penetrate the market and will enhance its ability to retain its existing base of business.
- **IXINITY® Pediatric Study:** The Company continues to enroll patients in the ongoing Phase 4 clinical trial to evaluate the safety and efficacy of IXINITY® in previously treated patients under 12 years of age with hemophilia B. IXINITY® is currently indicated for patients 12 years of age or older with hemophilia B, and once completed, this study may support a significant expansion of the indicated patient population for IXINITY®. Approximately 1 in 3 patients treated for hemophilia B in the United States are 12 years of age or younger. At June 16, 2021 the study is 95% enrolled and the Company is proactively pursuing patients to complete the enrollment.
- **Gleolan Approval:** On September 9, 2020, Gleolan was approved by Health Canada. Gleolan is indicated in patients with glioma World Health Organization (WHO) Grades III or IV (suspected on preoperative imaging) as an adjunct for the visualization of malignant tissue during surgery. International studies have shown that use of Gleolan during brain tumour surgery has nearly doubled the rate of achieving a complete resection of the tumour, which in turn has resulted in a doubling of the number of patients without progression of their brain cancer, six months after surgery. The Company announced a full commercial launch on February 25, 2021.
- **Treosulfan Canada Priority Review:** On September 10, 2020, Health Canada granted priority review for treosulfan. The Company is currently negotiating the licence in anticipation of a full commercial launch following Health Canada approval. Until launch, the Company will continue to supply the product to the market through the Special Access Program (SAP) of Health Canada.
- **Triamcinolone Hexacetonide USA:** On December 18, 2020, the Company entered into an exclusive agreement with Ethypharm for the rights to register and commercialize Triamcinolone Hexacetonide Injectable Suspension 20 mg/mL ("TH") in the United States. TH is indicated for intra-articular, intrasynovial, or periarticular use in adults and adolescents for the symptomatic treatment of subacute and chronic inflammatory joint diseases. In order to immediately address the ongoing shortage of TH in the US market, the Company has received special authorization from FDA Drug Shortage Staff to import and sell TH to the US market as of June 7, 2021, prior to and during the Company's pursuit of full FDA marketing authorization.
- **NYDA® Renewal:** On January 25, 2021, the Company announced that it renewed and expanded its distribution agreement with G. Pohl-Boskamp GmbH & Co KG for NYDA®, a market leading treatment for head lice, through September 26, 2026. This agreement provides the Company with exclusive Canadian distribution rights for NYDA® and includes a commitment related to bringing new and innovative solutions to the Canadian market.

SIGNIFICANT TRANSACTIONS

Treosulfan United States Licencing Agreement

On February 2, 2021, the Company entered into an exclusive license to commercialize treosulfan, a bifunctional alkylating agent, in the United States pursuant to the terms of the commercialization and supply agreement (the "**License Agreement**") entered into between the Company and medac Gesellschaft für klinische Spezialpräparate m.b.H. ("**medac**"). Treosulfan is an innovative, orphan-designated agent developed for use as part of a conditioning treatment for patients undergoing allogeneic hematopoietic stem cell transplantation. If approved by the FDA, the Company expects that a treosulfan-based regimen may be the first in a new conditioning treatment class, Reduced Toxicity Conditioning, resulting in a unique combination of improved survival outcomes compared to reduced-intensity regimens and decreased toxicity compared to standard myeloablative regimens. A PDUFA date to review the initial New Drug Application in respect of treosulfan by the FDA has been scheduled for August 11, 2021. The Company paid medac a non-refundable upfront payment of $5 million on signing and a $5 million regulatory milestone payment in March 2021. Under the terms of the License Agreement, the Company is also obligated to pay medac (i) certain additional regulatory milestone payments, contingent upon the achievement of certain regulatory events in connection with the FDA's review process, (ii) certain sales milestone payments, contingent upon the Company's achievement of certain net sales goals, and (iii) a low single-digit royalty on its net sales of treosulfan in the United States.

Bought Deal Public Offering of Shares

On February 23, 2021, the Company completed a "bought deal" public offering of units of the Company through a syndicate of underwriters, including the full exercise of an over-allotment option by the underwriters led by Raymond James Ltd. and Stifel GMP at a price of C$7.10 per Unit for aggregate gross proceeds to the Company of approximately C$32,529,992 (the "**2021 Offering**").

Each Unit consists of one common share and one-half of one Common Share purchase warrant (each whole warrant, a "**2021 Offering Warrant**"). Each 2021 Offering Warrant entitles the holder thereof to purchase one Common Share at a price equal to C$10.00 until February 23, 2023.

MidCap Financial Credit Facilities

On May 7, 2020, the Company announced that it entered into a definitive credit agreement with a syndicate of lenders agented by MidCap Financial Trust in respect of a $20 million secured asset-based revolving credit facility having a term of 38 months expiring June 30, 2023 (the "**ABL Facility**"). The ABL Facility is secured by a first-priority security interest in all existing and after-acquired personal property and is subject to an intercreditor agreement with MidCap Financial Trust, in its capacity as administrative agent under the Company's previously existing secured term loan agreement (the "**Term Loan Facility**" and together with the ABL Facility, the "**MidCap Facilities**"). Borrowings under the ABL Facility bear interest at an annual rate of one-month LIBOR plus 3.95%, subject to a LIBOR floor of 1.50%. Interest is payable monthly in arrears on the first business day of each month. The ABL Facility features a US$20 million revolving commitment (subject to the borrowing base) and an uncommitted $10 million accordion.

The initial advance under the ABL Facility was used by the Company to repay $10 million of the principal amount outstanding under the Term Loan Facility, plus all accrued and unpaid interest thereon and fees payable in connection therewith, and to pay transaction fees and expenses in connection with the ABL Facility. This was treated as a non-cash transaction by the Company.

On May 27, 2021 the Company entered into certain amendments to these existing credit agreements, pursuant to which, in addition to the existing $10 million secured term loan, an additional $5 million is now available to be drawn by the Company under the Term Loan Facility, contingent upon certain conditions being satisfied, including conditions related to the PDUFA date for treosulfan, scheduled for August 11, 2021, and the Company's obligation to make a related payment pursuant to the treosulfan License Agreement.

As at March 31, 2021, $16.5 million was available to the Company under the ABL Facility, of which $10.4 million remained outstanding.

COMPANY OVERVIEW, STRATEGY & OUTLOOK

The Company, both directly and through its two active operating subsidiaries, Medexus US and Medexus Inc., is an innovative, rare disease company with a strong North American commercial platform, and a portfolio of near-market innovative and high value orphan and rare disease products. The Company's vision is to provide the best healthcare products to healthcare professionals and patients, through its core values of Quality, Innovation, Customer Service and Teamwork. The Company is focused on the therapeutic areas of auto-immune disease, hematology, and allergy. The Company's leading products are: Rasuvo™ and Metoject®, unique formulations of methotrexate (auto-pen and pre-filled syringe) designed to treat rheumatoid arthritis and other auto-immune diseases; IXINITY®, an FDA-approved intravenous recombinant factor IX therapeutic for use in patients 12 years of age or older with Hemophilia B – a hereditary bleeding disorder characterized by a deficiency of clotting factor IX in the blood, which is necessary to control bleeding; and Rupall®, a prescription allergy medication with a unique mode of action. The Company has strong growth potential from its existing product portfolio and is aggressively pursuing additional product opportunities through both licensing and M&A activity, with the objective of further leveraging existing infrastructure to deliver strong financial results. The Company is preparing for the launch of treosulfan, which is expected to be shortly after its PDUFA date in August 2021. The pre-launch activities are well underway as the company prepares for commercialization of the product. In particular, key new positions have been staffed, the Medical Affairs team has engaged the hematology thought leader community, and market research is confirming key launch assumptions around demand, pricing, and product positioning. The Company expects that treosulfan will become a leading agent for use in conditioning regimens as part of allogenic hematopoietic stem cell transplantation protocols.

Consistent with the Company's stated goal of further leveraging its existing infrastructure in the US, on February 28, 2020, the Company announced that Medexus US acquired all of the issued and outstanding limited liability company interests of Aptevo, a Delaware limited liability company, from Aptevo Therapeutics, Inc. (NASDAQ: APVO) pursuant to the Aptevo Purchase Agreement for up-front cash consideration of approximately $30 million. Aptevo owns the worldwide rights to the commercial hematology asset, IXINITY®.

The incorporation of IXINITY® into the Company's existing operations is now complete. Even with extreme changes to the selling environment brought about by COVID-19, the newly integrated US-based team has experienced success with IXINITY® in the form of continued patient conversions on top of a stable, existing base of patients. IXINITY® unit market demand in the United States grew 15.1% in the year-ended March 31, 2021 (Source: customer reported dispensing data).

Rasuvo® unit market demand in the United States has remained steady in the year-ended March 31, 2021 (Source: Symphony Sub National 3/31/2021 Data & Chargebacks, PAP) and continues to reflect strong payor, prescriber and patient acceptance. Management believes the Company maintains a strong position within the methotrexate autoinjector segment. Rasuvo® is a once-weekly, subcutaneous, single-dose auto-injector of methotrexate indicated for the treatment of rheumatoid arthritis, psoriasis and juvenile idiopathic arthritis ("**JIA**").

Metoject® realized a 9% unit demand growth in Canada in the year-ended March 31, 2021, (Source: IQVIA – TSA National units) due, in part, to public reimbursement through provincial formularies in all provinces except British Columbia and Manitoba. Metoject® is a pre-filled syringe of methotrexate, which is indicated for the treatment of rheumatoid arthritis and psoriasis. Metoject® is a highly effective and cost-efficient treatment for these debilitating diseases. Public reimbursement creates access for a large group of patients who previously could not get the product.

During the year ended March 31, 2021, the Company responded to a competitive threat to Metoject® from a generic entry with a commercial response to protect its market share and a legal action to defend the product's IP. On August 28, 2020, the Company and medac GmbH jointly filed a statement of claim against Accord Healthcare Inc. regarding the launch by Accord Healthcare Inc. of a generic version of Metoject® in the Canadian market. A trial date has been set for the beginning of 2023. For further information regarding Accord Healthcare litigation, please refer to the Company's most recently filed AIF under the headings "*General Development of the Business – Recent Developments Since March 31, 2020 – Accord Healthcare Inc. Litigation", "Risk Factors – Risks Relating to the Business – Competition from Manufacturers of Generic Products"* and *"Risk Factors – Risks Relating to the Business – Litigation May Negatively Impact Medexus' Business, Financial Condition and/or Results of Operations."*

Rupall™ is also experiencing very strong unit demand growth in its market, with an increase of 35.7% in the year-ended March 31, 2021, (Source: IQVIA CDH units – Drugstores and hospitals purchases, MAT March 2021) as physicians are switching patients from either the generic prescription antihistamines or over-the-counter products. The Company expects Rupall™ to be a leading prescription antihistamine in a total market valued at $139.6 million, including $61.0 million from the prescription market, which is growing at an annual rate of 15.4% (Source: IQVIA CDH dollars – Drugstores and hospitals purchases, MAT March 2021). During the year-ended March 31, 2021, Rupall™ was one of the fastest growing anti-histamines in the Canadian prescription market (Source: IQVIA CDH units – Drugstores and hospitals purchases, MAT March 2021).

In Canada, there has been a long-standing drug shortage of Triamcinolone Hexacetonide (TH), the drug of choice for JIA. In October 2018, the Company launched Triamcinolone Hexacetonide, brand name Trispan, which was previously being made available, by the Company, to children with JIA through the Health Canada SAP. With the commercial launch of Trispan, children with JIA now have a reliable source for a product which is a key component for the management of their disease. The commercial launch also allows the Company to promote the product for use in adults with other indications such as osteoarthritis, rheumatoid arthritis and other forms of joint disease. Trispan is the longest acting corticosteroid for intra articular injection, often lasting twice as long as comparator products. The Company has now achieved public reimbursement for Trispan on all federal, provincial and territorial formularies except Prince Edward Island and Northwest Territories - both of which are in the final stages - and British Columbia. The Company has also achieved private reimbursement with various private insurers and major pharmacy benefit managers (PBMs) and has initiated full commercial launch of the product.

With the acquisition of IXINITY®, the Company is investing in a pediatric study that, if successful, will expand the product label to include the pediatric population. As this is a near term opportunity for revenue growth on an existing product in the US, the Company has prioritized the pediatric study as the top research and development project and will return to the Rheumatology project when the pediatric study nears completion. As of March 31, 2021, the study has completed 82% of the patient enrollment.

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

A key aspect of the Company growth strategy will be to continue to leverage and grow its infrastructure through the acquisition and partnership of new products. To that end, in September 2020 the Company added a new member of its management team in the function of SVP Business Development and Strategy, with a focus on identifying, evaluating, negotiating and acquiring new products to commercialize. The Company is currently exploring a large number of opportunities, including a portion of the deal pipeline in the negotiation phase, in both the US and Canada. The recent company performance and overall elevated corporate profile has resulted in a significant uptick in the number of partnerships that the Company is entertaining, including many inbound approaches. The Company will continue to look at optimizing its portfolio and leveraging its resources, with the goal of executing near-term accretive transactions to achieve its sales growth targets over the coming years.

In summary, the Company believes it has built a highly scalable business platform which should provide significant incremental earnings potential. The Company continues to grow revenue, leverage its North American sales force across products, realize synergies of the combined entities, and maintain strict financial discipline. The Company also has solid cash availability from which to execute its business plan, including the launch of several new products.

SELECTED FINANCIAL INFORMATION

OPERATING RESULTS – FOURTH QUARTER

Three-Month Periods Ended March 31	**2021 $'000**	2020 $'000	Variance $'000
Revenue	**17,639**	18,761	(1,122)
Cost of goods sold	**8,826**	9,093	(267)
Gross profit	**8,813**	9,668	(855)
Selling and administrative expenses	**10,252**	7,704	2,548
Research and development	**2,016**	381	1,635
Transaction fees	**634**	1,933	(1,299)
Termination benefits	**345**	285	60
Operating loss	**(4,566)**	(1,448)	(3,118)
Net loss	**(10,490)**	(1,587)	(8,903)
Net loss per share – basic and diluted	**(0.63)**	(0.10)	(0.53)
Adjusted net loss[(1)]	**(5,158)**	(5,094)	(64)
Adjusted net loss per share – basic and diluted	**(0.32)**	(0.36)	0.04
Adjusted EBITDA[(1)]	**(1,599)**	3,122	(4,721)
Cash provided (used) by operating activities	**4,205**	(1,300)	5,505
Cash used by investing activities	**(10,392)**	(29,641)	19,249
Cash provided by financing activities	**14,313**	19,067	(4,754)

(1) See "*Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)*".

OPERATING RESULTS – FULL YEAR

Twelve-month Periods Ended March 31	**2021 $'000**	2020 $'000	Variance $'000
Revenue	**79,660**	55,506	24,154
Cost of goods sold	**37,655**	24,364	13,291
Gross Profit	**42,005**	31,142	10,863
Selling and administrative expenses	**36,172**	30,642	5,530
Research and development	**4,596**	1,158	3,438
Transaction fees	**1,082**	2,106	(1,024)
Termination benefits	**1,025**	1,857	(832)
Operating income (loss)	**(1,376)**	(5,789)	4,413
Net loss	**(28,264)**	(4,701)	(23,563)
Net loss per share – basic and diluted	**(1.86)**	(0.33)	(1.53)
Adjusted Net Loss[(1)]	**(7,626)**	(13,947)	6,321
Adjusted Net loss per share – basic and diluted	**(0.50)**	(0.97)	0.47
Adjusted EBITDA[(1)]	**8,174**	4,449	3,725
Cash provided (used) by operating activities	**5,038**	(1,731)	6,769
Cash used by investing activities	**(11,704)**	(30,320)	(18,616)
Cash provided by financing activities	**18,683**	15,422	3,261

(1) See "*Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)*".

Revenue

Total revenue reached $17.6 million and $79.7 million for the three- and twelve-month periods ended March 31, 2021, respectively, compared to revenue of $18.8 million and $55.5 million for the three- and twelve-months period ended March 31, 2020.

The three-month period ended March 31, 2021 saw a year over year decrease in revenue due mainly to a temporary drop in IXINITY® net sales. While patient unit demand for IXINITY® continued to grow in the fourth quarter, compared to the prior year, net sales were lower as pharmacy and wholesale customers worked through inventory on hand.

For the full year, the increase was mainly due to the acquisition of IXINITY® on February 28, 2020. The Company has experienced the following unit demand growth on its key products in the market over the period: i) IXINITY's® unit demand growth in the United States was 15.1% in the year-ended March 31, 2021; ii) Rasuvo's® unit demand in the United States has been steady over the year-ended March 31, 2021; iii) Metoject® has been experiencing unit demand growth in the Canadian market following the initiation of public reimbursement in March of 2018, including 9% unit demand growth in the year-ended March 31, 2021; and iv) Rupall™ has also experienced rapid unit demand growth in the Canadian market as the product is taking market share from generic anti-histamines, including an increase of 35.7% in the year-ended March 31, 2021.

Gross Profit and Margin

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

Gross profit reached $8.8 million and $42.0 million for the three- and twelve-month periods ended March 31, 2021, respectively, compared to gross profit of $9.7 million and $31.1 million for the three- and twelve-months period ended March 31, 2020, respectively.

The gross margin was 50.0% and 52.7% for the three- and twelve-month periods ended March 31, 2021, respectively, compared to 51.5% and 56.1% for the three- and twelve-months period ended March 31, 2020, respectively. The lower gross margins for the current periods are primarily a function of the 2020 Acquisition, which has a lower gross margin than the Company's other key products, and resulted in a higher amortization of product licences

Amortization of product licences included in cost of sales was $1.4 million and $5.5 million for the three- and twelve-month periods ended March 31, 2021, respectively, compared to $1.0 million and $3.4 million for the three- and twelve-month periods ended March 31, 2020, respectively.

Selling and Administrative Expenses

Selling and administrative expenses reached $10.3 million and $36.2 million for the three- and twelve-month periods ended March 31, 2021, respectively, compared to $7.7 million and $30.6 million for the three- and twelve-month periods ended March 31, 2020, respectively.

The Company's selling and administrative expenses for the three-month period ended March 31, 2021 increased over the comparative quarter as the Company invested heavily in its personnel and infrastructure to support its anticipated growth going forward, including preparation for the commercial launch of treosulfan.

The Company's selling and administrative expenses for the twelve-month period ended March 31, 2021, increased 18.0% versus the comparative period, which is well below its revenue growth of 43.5% over the same period. The Company's selling and administrative expenses for the twelve-month period ended March 31, 2021 were comprised of:

(a) share-based compensation expense of $1.5 million (2020 - $1.7 million);

(b) sales and marketing expense of $16.9 million (2020 - $18.2 million); the decrease over the comparative period is due to significantly reduced travel in the COVID-19 environment, partially offset by additional investments related to the upcoming commercialization of treosulfan;

(c) business development and regulatory affairs expense of $6.3 million (2020 - $3.9 million); the increase over the comparative period is due to the Company's increasing focus on growing its infrastructure through the acquisition and partnership of new products, as well as additional regulatory costs associated with the production and sale of IXINITY®, acquired as part of the 2020 Acquisition; and

(d) general administrative expenses of $11.5 million (2020 - $6.9 million); the increase over the comparative period is a direct result of its operational growth in the past year, needed to both incorporate IXINITY® into its product portfolio, and also to improve its long-term operational effectiveness and maintain its capacity for future growth, including the upcoming launch of treosulfan in the United States.

Research & Development

Research & Development was $2.0 million and $4.6 million for the three- and twelve-month periods ended March 31, 2021, respectively, compared to Research & Development of $0.4 million and $1.2 million for the three- and twelve-months periods ended March 31, 2020, as the company continued to accelerate the IXINITY® Pediatric Study which was 82% enrolled at the close of the period.

Included in Research & Development is a $0.9 million expense related to the destruction of IXINITY® product designated for use in the Pediatric Study, due to a failure during the manufacturing process.

Transaction Fees

As a key pillar of its growth strategy, the Company regularly engages in business development activity in order to license or acquire new products to fill its product pipeline and optimize its commercial infrastructure. Where negotiations and related activities for a potential transaction progress to a stage which management determines is beyond the normal course of business activity, associated costs are tracked separately, and are excluded from the Company's Adjusted EBITDA (see *"Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)"*), regardless of whether the transaction is ultimately completed or terminated during the reporting period. During the twelve-month periods ended March 31, 2021, transaction fees totaled $1.1 million, compared to $2.1 million for the twelve-months period ended March 31, 2020.

Termination Benefits

On May 22, 2020, the Company announced changes to its senior management team, with a member of its US team being replaced with an executive hired during the 2020 Acquisition. The Company also made some personnel changes in parallel with the treosulfan licencing agreement, as the company prioritized the launch of this product. Costs associated with this change, including any termination benefits paid to departing personnel are considered outside of the normal course of business activity and are excluded from the Company's Adjusted EBITDA (see *"Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)"*). During the twelve-months ended March 31, 2021, termination benefits totaled $1.0 million (2020 - $1.9 million).

Operating Income or Loss

Operating loss for the twelve-month period ended March 31, 2021, was $1.4 million compared to an operating loss of $5.8 million for the twelve-month period ended March 31, 2020, as the Company continues to leverage its platform and significantly increase its revenue with only modest increases to operating expenses.

Net Loss

Net loss for twelve-month period ended March 31, 2021, was $28.3 million, compared to a net loss of $4.7 million for the twelve-month period ended March 31, 2020. The increase in reported net loss relates primarily to a non-cash unrealized loss on fair value of the embedded derivatives in the Company's outstanding convertible debentures, which are sensitive to, among other things, the fluctuations in the Company's share price.

Management believes that Adjusted Net Income (Loss), which excludes the impact of the unrealized gains and losses on the fair value of the derivatives, provides a better representation of performance of the Company's operations because it excludes non-cash fair value adjustments on liabilities which may be settled for shares.

The Company's Adjusted Net Loss for the twelve-month period ended March 31, 2021, was $7.6 million, compared to $13.9 million for the twelve-month period ended March 31, 2020; see *"Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".*

Adjusted EBITDA

Adjusted EBTIDA was $(1.6) million and $8.2 million for the three- and twelve-month periods ended March 31, 2021, respectively, compared to Adjusted EBITDA of $3.1 million and $4.4 million for the three- and twelve-months periods ended March 31, 2020.

The three-month period ended March 31, 2021 saw a year over year decrease in Adjusted EBITDA due in part to the decrease in Net Sales, as well as a large increase in Research & Development Costs over the comparative period. The Company also made significant investments related to the upcoming for commercialization of treosulfan, which were expensed during the quarter.

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

The following table is derived from and should be read in conjunction with the consolidated statement of operations for the three- and twelve-month periods ended March 31, 2021. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted Net Income (Loss) and Adjusted EBITDA and provides additional information related to the operating performance of the Company. Investors are cautioned that this measure should not be considered in isolation or as a substitute for net income (loss) prepared in accordance with IFRS as issued by the IASB.

	Three Months		Twelve Months	
For Periods Ended March 31	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Net Loss	**(10,490)**	(1,587)	**(28,264)**	(4,701)
Add Back:				
Unrealized loss (gain) on fair value of derivatives	**5,332**	(3,507)	**20,638**	(9,246)
ADJUSTED NET INCOME (LOSS)	**(5,158)**	(5,094)	**(7,626)**	(13,947)

	Three Months		Twelve Months	
For Periods Ended March 31	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Net Loss	**(10,490)**	(1,587)	**(28,264)**	(4,701)
Add Back:				
Depreciation & Amortization (property, equipment, intangible assets)	**1,524**	1,122	**5,978**	3,926
Interest expenses	**2,567**	1,951	**9,819**	6,867
Interest income	**-**	(27)	**(3)**	(220)
Income tax recovery	**(3,595)**	(977)	**(3,237)**	(844)
EBITDA	**(9,994)**	482	**(15,707)**	5,028
Share-based compensation	**444**	538	**1,465**	1,658
Transaction fees (legal, tax, IP, etc)	**634**	1,933	**1,082**	2,106
Termination benefits	**345**	285	**1,025**	1,857
Foreign exchange loss (gain)	**(22)**	1,459	**(1,991)**	1,114
Unrealized loss (gain) on fair value of derivative	**5,332**	(3,507)	**20,638**	(9,246)
Unrealized loss on fair value of business combination payable	**1,662**	1,241	**1,662**	1,241
Impairment loss	**-**	691	**-**	691
ADJUSTED EBITDA	**(1,599)**	3,122	**8,174**	4,449

LIQUIDITY AND CAPITAL RESOURCES

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

As of March 31, 2021, the Company had $24.8 million (March 31, 2020 - $5.2 million) of available liquidity comprised of:

- cash and cash equivalents of $18.7 million (March 31, 2020 - $5.2 million); and
- undrawn credit of $6.1 million (March 31, 2020 - $nil) available under the ABL Facility.

Cash Flows

Years Ended March 31	**2021 $'000**	2020 $'000	Variance $'000
Cash provided (used) by operating activities	**5,038**	(1,731)	6,769
Cash used by investing activities	**(11,704)**	(30,320)	18,616
Cash provided by financing activities	**18,683**	15,422	3,261
Increase (decrease) in cash position during the period	**12,017**	(16,629)	28,646
Impact of foreign exchange	**1,454**	7	(1,447)
Cash and cash equivalents, beginning of period	**5,233**	21,855	(16,622)
Cash and cash equivalents, end of period	**18,704**	5,233	13,471

Operating activities

Cash provided by operating activities for the year ended March 31, 2021, was $5.0 million, compared to cash used by operating activities of $1.7 million for the year ended March 31, 2020. This was composed of net loss, adjusted for non-cash expenditures, of $4.8 million (2020 – $(0.1) million) and a change in working capital of $0.2 million (2020 – $(1.6) million).

Investing activities

Cash used by investing activities for the year ended March 31, 2021, was $11.7 million, compared to $30.3 million for the year ended March 31, 2020, due to the significant transactions occurring in the respective periods.

Financing activities

Cash provided by financing activities for the year ended March 31, 2021, was $18.7 compared to $15.4 million for the year ended March 31, 2020, due to financing needed to facilitate the significant transactions occurring in the respective periods.

RELATED PARTY TRANSACTIONS

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

The Company pays warehouse fees to a company 50% owned by a key member of management of the Company for storage and distribution services in respect of certain of the Company's products. Warehouse fees paid totaled approximately $226,000 (2020 - $259,000) for the year ended March 31, 2021.

The Company pays royalties on an exclusive licensing agreement with 9346-4626 Québec Inc., a private company operating as Transican, a significant shareholder of the Company. Royalties paid totaled approximately $345,000 (2020 - $376,000) for the year ended March 31, 2021.

Interest paid on Convertible Debentures which are owned or controlled, directly and indirectly, by two directors of the Company totaled approximately $278,000 (2020 - $276,000) for the year ended March 31, 2021.

OFF -BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as of March 31, 2021.

CAPITAL STRUCTURE

Description of the Company's Securities

The Company's authorized share capital consists of an unlimited number of common shares. As of June 16, 2021, the Company has 19,168,540 common shares outstanding. There have been no dividends declared during the year ended March 31, 2021 or in the current period subsequent thereto. The Company had the following securities outstanding as at June 16, 2021:

Type of Security	Number/Principal Amount Outstanding	Common Shares Issuable Upon Conversion, Exercise or Exchange (as applicable)
Common shares	19,168,540	N/A
Common share purchase warrants[(1)]	-	4,524,762
Convertible Debentures[(2)]	-	9,891,907
Stock options	-	560,207
Restricted Share Units ("**RSUs**")[(3)]	-	1,099,413
Performance Share Units ("**PSUs**")[(4)]	-	140,765
Compensation Warrants[(5)]	-	558,091

Notes:

(1) Does not include warrants issuable upon conversion of Convertible Debentures, Compensation Warrants or MidCap Warrants (each, as defined below). Includes 2,233,918 2018 Offering Warrants (as defined below) exercisable at a price of C$9.45 until October 16, 2023 and 2,290,844 2021 Offering Warrants (as defined under the heading "Significant Transaction") exercisable at a price of C$10.00 until February 23, 2023.

(2) C$42,000,000 represents the principal amount outstanding under the Convertible Debentures ("**Convertible Debentures**"), which are convertible into units ("**Conversion Units**") at a price of C$6.30. Each Conversion Unit consists of one common share of the Company and ½ of one common share purchase warrant ("**2018 Offering Warrants**") exercisable at a price of C$9.45 per warrant until October 16, 2023. As of March 1, 2021, 72,062 common shares and 36,030 2018 offering warrants had been issued due to conversion. If the remaining Convertible Debentures were converted in full (without giving account to accrued interest, which may be payable in cash or in common shares), up to an additional 6,594,604 common shares and 3,297,303 2018 Offering Warrants would be issued by the Company.

(3) RSUs were issued between December 2018 and April 2021 and vest in equal amounts upon the first, second, third and fourth anniversaries of the effective issuance date. Each vested RSU entitles the holder to receive one common share of the Company by delivering an exercise notice in accordance with the Company's omnibus equity incentive plan and the terms of the applicable RSU award agreement.

(4) PSUs were issued between October 2020 and April 2021 and vest if certain Company performance factors are met during a performance period of approximately 5 years. In accordance with the Company's omnibus equity incentive plan and the terms of the applicable PSU award agreement, except in limited circumstances, each vested PSU entitles the holder to receive, at the Company's option, either (i) one common share of the Company, or (ii) a cash payment equal to the fair market value of one common share of the Company.

(5) In connection with the Company's offering of subscription receipts in October 2018, Cormark Securities Inc. and Mackie Research Capital Corporation were issued 191,154 common share purchase warrants ("**Compensation Warrants**"). Each whole Compensation Warrant is exercisable for one common share until October 11, 2021 at an exercise price of C$9.45. In connection with the entering into of the Term Loan Facility, on February 28, 2020, issued 134,290 warrants to purchase common shares of the Company to an affiliate of MidCap Financial Trust (the "**MidCap Warrants**"). Each whole MidCap Warrant is exercisable for one common share until expiry of the term loan on June 30, 2023, unless otherwise extended, at an exercise price of C$4.00. In connection with the 2021 Offering (as defined under the heading "Significant Transaction"), the underwriters for the offering were issued 232,647 Compensation Warrants, each exercisable for one common share until February 23, 2023 at an exercise price of C$7.10.

QUARTERLY FINANCIAL INFORMATION

The following is a summary of unaudited quarterly financial information for each of the prior eight quarters as at March 31, 2021:

Three-months ended ($'000) [1]	31-Mar-21	31-Dec-20	30-Sept-20	30-Jun-20	31-Mar-20	31-Dec-19	30-Sept-19	30-Jun-19
Total Revenue	17,639	24,256	17,768	19,997	18,761	12,274	12,415	12,056
Gross Profit	8,813	12,657	9,659	10,876	9,668	6,797	7,273	7,404
Selling and Administrative Expenses	10,252	9,379	8,274	8,267	7,704	7,099	7,994	7,845
Transaction and Financing Expenses	634	448	-	-	1,933	173	-	-
Operating Income (Loss)	(4,566)	1,544	482	1,164	(1,448)	(2,505)	(979)	(857)
Net Income (Loss)	(10,490)	(12,781)	(1,564)	(3,429)	(1,587)	(1,988)	485	(1,611)
Net Income (Loss) per share - Basic	(0.63)	(0.88)	(0.11)	(0.24)	(0.10)	(0.14)	0.03	(0.11)
Net Income (Loss) per share - Diluted	(0.63)	(0.88)	(0.11)	(0.24)	(0.10)	(0.15)	0.03	(0.11)
Adjusted Net Income (Loss) [2]	(5,158)	(415)	(1,253)	(800)	(5,094)	(3,942)	(2,769)	(2,142)
Adjusted Net Income (Loss)[2] per share - Basic and Diluted	(0.32)	(0.03)	(0.09)	(0.06)	(0.36)	(0.28)	(0.19)	(0.14)
Adjusted EBITDA[2]	(1,599)	3,903	2,296	3,574	3,122	552	387	388
Cash provided (used) by operations	4,205	(2,166)	5	2,994	(1,300)	(795)	579	(215)
Cash & cash equivalents, end of period	18,704	9,365	6,426	7,500	5,233	17,408	19,163	20,932
Assets	148,513	138,262	122,014	125,525	122,768	85,715	85,316	87,575
Long-term liabilities	90,558	85,851	70,400	68,822	64,337	45,083	45,595	48,221
Dividends	-	-	-	-	-	-	-	-

Notes:
(1) Except per share amounts.
(2) See *"Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)"*.

The main reasons explaining volatility in the Company's quarterly results is the acquisition completed in February 2020, as well as the seasonality of some of the Company's major products.

RISKS FACTORS AND RISK MANAGEMENT

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

Readers are cautioned that the risks described below are not intended as a complete list of all exposures that the Company is encountering or may encounter, nor does it describe all risks inherent in an investment in the securities of the Company. Potential investors should carefully consider the risks described below, together with all of the other information in the Company's other disclosure documents filed with the applicable Canadian securities regulatory authorities, before making an investment decision. If any of the following or other risks materialize, the Company's business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the trading price of the securities of the Company could decline and investors could lose all or part of their investment in such securities. There is no assurance that any risk management steps taken will avoid future loss due to the occurrence of the risks described in this MD&A or otherwise.

Risks Relating to the Business

The operations of Medexus are speculative due to the nature of its business and involve a variety of risks that are customary to the pharmaceutical industry, many of which are beyond the Company's control. The risks below are not the only ones facing Medexus, its business and the pharmaceutical industry. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations.

Ability to Implement its Business Plan

The Company's business plan is based on the licensing or acquisition of product rights for the North American pharmaceutical market, to obtain marketing authorization from regulatory authorities, and to leverage its sales operations to grow the sales of its products. Since the Company is mainly dependent on third-parties for the development of innovative products, competitors with substantially greater financial resources may compete for the rights to those innovative products. As competition increases for product rights, the Company may not be capable to acquire rights it deems financially acceptable. The inability of obtaining further product rights may impede the Company's long-term growth and value creation objectives.

Dependence on Revenue from Sales of Certain Core Products

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

Reliance on Third Parties for the Manufacture and Supply of Products

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

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

recall stemming from quality or regulatory reasons impacting the integrity of the product; and (vii) failures in the manufacturing process impacting the integrity of the product.

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

Product Reimbursement from Third Party Payers

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

Product Pricing Regulations on Certain Patented Drug Products

In the United States, increased scrutiny on drug pricing or changes in pricing regulations could restrict the amount that the Company is able to charge for its portfolio of products. Drug pricing by pharmaceutical companies is currently under increased scrutiny and is expected to continue to be the subject of intense political and public debate in the United States and other jurisdictions. In the United States, there have been a number of U.S. congressional inquiries and hearings with respect to pharmaceutical drug pricing practices, including in connection with the investigation of specific price increases by several pharmaceutical companies. Additionally, several U.S. states have passed laws designed to, among other things, bring more transparency to drug pricing, and other U.S. states may pursue similar initiatives in the future. The Company cannot predict the extent to which its business may be affected by these or other potential future legislative or regulatory developments. However, increased scrutiny on drug pricing, negative publicity related to the pricing of pharmaceutical drugs generally, or changes in pricing regulations could restrict the amount that the Company is able to charge for its portfolio of products, which could have a material adverse effect on its business, financial condition and results of operations.

In Canada, all patented pharmaceutical products introduced in Canada are subject to the post-approval product pricing regulation of the Patented Medicine Prices Review Board (the "**PMPRB**"). Certain patented products may form part of the Company's portfolio of products from time to time and may be subject to such regulation by the PMPRB, patentees must file information about prices and sales at introduction and then twice a year until patent expiration. For new patented products, the price in Canada is generally limited to either the cost of the same or similar drugs or drugs in the same therapeutic class sold in Canada or the median of prices for the same drug or drugs in the same therapeutic class sold in other specified industrial countries. For existing patented products, prices cannot increase by more than the Consumer Price Index.

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

Significant amendments to the *Patented Medicines Regulations* – which provide the framework under which the PMPRB regulates the prices of patented medicines – are set to take effect on July 1, 2021 along with new guidelines interpreting the regulations, and will enable the Company to better understand the impact on Metoject® pricing in Canada.

The PMPRB will monitor compliance through a requirement to file price and sales information semi-annually for Metoject® (and any other patented drug product required to be reported to the PMPRB in the Company's portfolio from time to time) by the Company until the patent expires. The PMPRB does not approve prices for drug products in advance of their introduction to the market, rather, it provides guidelines from which companies like the Company set their prices at the time they launch their products. The PMPRB reviews the "factory-gate" price, i.e. the price at which the patentee sells the patented medicine to wholesalers, hospitals and pharmacies and others to ensure prices charged by patentees for patented medicines sold in Canada are not excessive. If the PMPRB's guidelines provide a ceiling price for a patented product that is lower than the Company's expectations, or if the PMPRB deems a patented product to be excessively priced, this can lead to the reduction of the product's price and the potential imposition of a fine. Such restriction and regulation may hamper the Company's ability to profitably commercialize such product to its full market potential or at all. If the sales generated by such product were material to the Company, this could materially and adversely affect the Company's business, financial condition results of operations. Furthermore, future changes to the methodology or policies of PMPRB or other relevant regulatory bodies may result in less favorable product pricing directives and requirements. The Company's ability to predict and/or adapt to such directives or requirements may be limited.

Dependence on Key Personnel

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

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

Competition

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

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

Competition from Manufacturers of Generic Products

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

sell or use generic versions of the Company's products for which the Company has an exclusive license. Where such generic competition emerges, including in the case of the generic version of Metoject® launched by Accord, the Company will take all appropriate legal steps to enforce its rights and/or commercial steps to protect its market share, but there can be no guarantee that the Company's market share for such products will not be negatively impacted.

Inability to Obtain or Maintain Regulatory Approvals

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

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

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

Possible Failure to Realize Anticipated Benefits of the treosulfan License

The Company believes that the treosulfan License will provide certain benefits to the Company. Achieving the benefits of the treosulfan License will depend in part on the Company successfully being able to market, promote, import, use, offer for sale, distribute and have distributed treosulfan in the United States in line with current expectations. A variety of factors, including the risk factors set forth in this Prospectus and the documents incorporated by reference herein, may also adversely affect the likelihood of the anticipated benefits of the treosulfan License materializing for the Company or from occurring within the time periods anticipated by the Company, including the results of the ongoing review by the FDA of the Initial NDA.

Further, as the Company anticipates that certain milestone and royalty payments will need to be made to medac from time to time pursuant to the License Agreement, the precise amount and timing of which are difficult to estimate accurately, the Company's financial and operation assumptions with respect to the treosulfan License may be inaccurate. There can be no assurance that the Company will be able to effectively finance such payments when due and, if it is unable to do so, it may result in the termination of the License Agreement by medac. Pursuant to the terms of the License Agreement, medac may terminate the License Agreement if, among other things, the Company fails to pay certain milestone payments

when due or cannot demonstrate its ability to pay the remaining milestone payments as and when required by the License Agreement.

The consideration paid and payable by the Company pursuant to the License Agreement, including the milestone payments, is non-refundable except in the case of termination in certain limited circumstances, in which case a portion of the regulatory milestone payments may be refunded. If the License Agreement were to be terminated by medac, the Company would no longer have exclusive rights to market, promote, import, use, offer for sale, distribute and have distributed treosulfan in the United States, which may have a material adverse effect on our business, financial condition, and results of operations.

The FDA approval process in the United States is expensive, time-consuming and uncertain and may prevent the Company from obtaining approvals for the commercialization of treosulfan

The FDA has substantial discretion in the drug approval process, including with respect to the approval of the Initial NDA for treosulfan. Despite the ongoing time and effort exerted by medac and the Company to obtain FDA approval of the Initial NDA for treosulfan, failure can occur at any stage. The FDA can choose to delay, limit or deny approval of the Initial NDA for many reasons, including:

- treosulfan may not be deemed safe or effective;
- the FDA may not find the data from preclinical studies and clinical trials sufficient;
- the FDA may change its approval policies or adopt new regulations; or
- third-party products may enter the market and change approval requirements.

In addition, approvals may be withdrawn if compliance with regulatory standards is not maintained. The restriction, suspension, or revocation of regulatory approvals, the inability for the Company to obtain FDA approval for treosulfan, and any other failure to comply with regulatory requirements could enable medac to terminate the License Agreement and the rights afforded to the Company therein, each of which may have a material adverse effect on our business, financial condition, and results of operations.

Limitations Imposed by Government Regulation

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

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

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

Expiration of Core Patent Protection

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

Inability to Protect, Maintain and Enforce Intellectual Property

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

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

Product Liability Claims

The administration of drugs to humans, whether in clinical trials or after marketing clearance is obtained, can result in product liability claims. Product liability claims can be expensive, difficult to defend and may result in large judgments or settlements against the Company. In addition, third party collaborators and licensees may not protect the Company from product liability claims.

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

Litigation May Negatively Impact Medexus' Business, Financial Condition and/or Results of Operations

From time to time in the ordinary course of its business, Medexus may become involved in various legal proceedings, including commercial, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause Medexus to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Company's business, financial condition and/or results of operations.

On August 28, 2020, the Company and medac filed a statement of claim (the "**Statement of Claim**") in the Federal Court against Accord Healthcare Inc. ("**Accord**"). The Statement of Claim relates to, among other things, the launch by Accord of a generic version of Metoject® in the Canadian market (the "**Accord Product**"). medac is the owner of a patent in Canada for concentrated methotrexate solutions (the "**Metoject® Patent**") and Medexus has an exclusive license to market, use and sell Metoject® in Canada. The Company and medac believe that the launch of the Accord Product in Canada constitutes an infringement of the Metoject® Patent and intend to take all appropriate steps to enforce their rights.

Risk of Being Removed from or Failure to be Included in Public and Private Formularies

Managed care organizations, pharmacy benefit managers, group purchasing organizations and other third-party public and private payers try to negotiate the pricing of medical services and drug products to control their costs. Managed care organizations and pharmacy benefit managers typically develop public and commercial formularies to reduce their cost for medications. Formularies can be based on the prices and therapeutic benefits of the available products. Due to their lower costs, generic products are often favoured. The breadth of the products covered by formularies varies considerably from one managed care organization to another, and many formularies include alternative and competitive products for treatment of particular medical conditions. Failure to be included in such formularies or to achieve favourable formulary status may negatively impact the utilization of Medexus' products. If Medexus' products are not included within an adequate number of formularies or adequate reimbursement levels are not provided, or if those policies increasingly favour generic products, Medexus' market share and gross margins could be harmed, as could Medexus' business, financial condition, results of operations and cash flows.

Risks Associated with Debt Financing

The Company's ability to satisfy its liabilities, including under the Midcap Facilities and the Convertible Debentures, and make payments when due and payable will be contingent, in part, upon its success in achieving significant revenues from its products. While Medexus was successful in securing financing under the Midcap Facilities, there is no assurance that Medexus will be able to secure additional financing to repay its liabilities under the Midcap Facilities should cash flows from operations be insufficient to repay these liabilities. The Company's inability to repay outstanding debt when due would have a material adverse impact on its business.

The Company and its subsidiaries are the borrowers under the Midcap Facilities. The Term Loan Facility is secured by a first-priority security interest in all existing and after-acquired assets of the Company and each other borrower, while the ABL Facility is secured by a first-priority security interest in all existing and after-acquired personal property of the Company and each other borrower. In the event of a default in payment on or the acceleration of repayment under the financing under the Term Loan Facility or the ABL Facility, or upon the exercise of the remedies on behalf of the Lenders pursuant to the terms of either or both of the Midcap Facilities, such enforcement would have a material adverse effect on the business, operations, financial condition and prospects of Medexus.

Marketing and Distribution Risk

Except with respect to those products that the Company intends to commercialize itself, the Company intends to collaborate with third parties that have direct sales forces and established distribution systems, either to augment, or in lieu of, its own sales force and distribution systems. For any collaboration to be successful, the Company must identify partners whose competencies complement those of the Company, however, it is not certain that any sales, fees or royalties payable to the Company under any commercial arrangement will allow the Company to fully recoup its investment made on its products or product candidates. To the extent that the Company enters into co-promotion or other commercial

arrangements, its share of product revenue is likely to be lower than if the Company directly marketed or sold its products. In addition, any revenue received will depend in whole or in part upon the efforts and decisions of such third parties, which may not be successful and will generally not be within the Company's direct control. Furthermore, any commercial agreements may be subject to termination by a partner of the Company, and any such termination may make it difficult for the Company to attract new partners or adversely affect how the Company is perceived in the business and financial communities.

If the Company is not successful in commercializing its existing products and future product candidates, either on its own or through collaborations with one or more parties, future product revenue will suffer and the Company may incur significant losses.

Publication of Clinical Trial Results

From time to time, studies or clinical trials on various aspects of pharmaceutical products, including a product's active ingredient, are conducted by academic researchers, government agencies or other third parties. The results of these studies or trials, when published, may have a significant effect on the market for the pharmaceutical product or products that are the subject of the study or trial. The publication of negative results or studies or clinical trials related to the Company's products, an active ingredient in the Company's products or the therapeutic areas in which the Company's products compete (or are anticipated to compete) could have an adverse impact on the Company's current or future sales, prescribing trends for the Company's products or the reputation of the Company and its products. Such an impact could have a material adverse effect on the financial position of the Company.

Reliance on Data Obtained from Third Party Sources

The Company relies on certain operational data obtained from third parties that are industry accepted data sources. Such data relied on by the Company may not accurately reflect actual prescriptions. If such data turns out to be inaccurate or unreliable and the Company's controls are not effective, there could be an adverse effect on the Company's financial performance, its ability to properly manage inventory and its ability to interpret industry trends.

Clinical Trials

The Company and its drug development partners must demonstrate, through preclinical studies and clinical trials, that any product being developed is safe and efficacious before obtaining regulatory approval for the commercial sale of such product. The results of preclinical studies and previous clinical trials are not necessarily predictive of future results and the Company's current product candidates may not have favourable results in later testing or trials. Preclinical tests and Phase 1 and Phase 2 clinical trials are primarily designed to test safety, to study pharmacokinetics and pharmacodynamics, test efficacy and to understand the side effects of products at various doses and schedules. Success in preclinical or animal studies and early clinical trials does not ensure that later large-scale efficacy trials will be successful and such success is not necessarily predictive of final results. Favourable results in early trials may not be repeated in later trials and positive interim results do not ensure success in final results. Even after the completion of Phase 3 clinical trials, which are designed to test efficacy and monitor adverse reactions, the FDA and Health Canada or other regulatory authorities may disagree with the clinical trial design and interpretation of data and may require additional clinical trials to demonstrate the efficacy of product candidates.

A number of companies in the biotechnology and pharmaceutical industry have suffered significant setbacks in advanced clinical trials, even after achieving promising results in earlier trials and preclinical studies. Failure to complete clinical trials successfully and to obtain successful results on a timely basis could materially adversely impact the Company's business, financial condition or operating results and could cause the market value of its Common Shares to decline.

Reliance on Third Parties to Conduct Clinical and Preclinical Studies

The Company and its drug development partners rely on third parties such as Contract Research Organizations ("**CROs**"), medical institutions and clinical investigators to enroll qualified patients, conduct, supervise and monitor its clinical trials, conduct preclinical studies and complete chemistry, manufacturing and controls work. The reliance on these third parties for clinical development activities reduces the Company's control over these activities. Further, the reliance on these third

parties does not relieve the Company or its drug development partners of their regulatory responsibilities, including ensuring that its clinical trials are conducted in accordance with Good Clinical Practices and that its preclinical studies are conducted in accordance with Good Laboratory Practices. Furthermore, these third parties may have relationships with other entities, some of which may be competitors. In addition, they may not complete activities on schedule or may not conduct preclinical studies or clinical trials in accordance with regulatory requirements or the Company's trial design. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, the Company's ability to obtain regulatory approvals for product candidates may be delayed or prevented which could in turn could materially adversely impact the Company's business, financial condition or operating results and could cause the market value of its Common Shares to decline.

Risk of Foreign Exchange and Market Rate Fluctuations

Currency exchange rate fluctuations can affect the Company's results of operations to the extent that the revenues and expenses of the Company may be in differing currencies. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities when revenue or expenses are denominated in United States or other foreign currency. All of the sales from Medexus US, representing a significant portion of gross revenues earned, are in United States dollars. As a result, the Company's competitiveness could be impacted by unfavourable fluctuations in currency exchange rates.

Minimum Payment Obligations

The Company is or may become subject to certain contractual arrangements that may require the payment of certain annual minimum fees to the applicable counterparties (e.g. technology partners), regardless of the sales or quantities of applicable products required. Payment of such amounts, without a corresponding revenue inflow, may have an adverse effect on the financial position of the Company. Additionally, certain arrangements may require the Company to purchase more quantities of raw materials than are necessary to sustain annual production requirements. If such materials are not used prior to their expiry, this could have an adverse effect on the financial position of the Company.

Risks Relating to Future Acquisitions

The Company intends to grow by, in part, acquiring new products at a reasonable price to allow it to earn a desirable rate of return on its investment. The Company expects to compete to identify and acquire products with other potential purchasers, including pharmaceutical companies and other third parties that may have greater resources than the Company. If the Company is not able to acquire or license additional products at reasonable prices, its ability to grow its business operations may be adversely impacted.

In the course of any proposed acquisition, the Company will undertake business, legal and financial due diligence with the goal of identifying and evaluating any material risks. Despite any such efforts, the Company may not be successful in identifying and evaluating all such risks and may not realize the anticipated advantages of any given investment. Any such failure could adversely affect the Company's business, results of operations or financial condition.

Acquisitions or licensing transactions in connection with new products can be complex, time-consuming and expensive. The Company may fail to consummate a transaction in connection with a given product despite considerable investment of time and resources. If a transaction is not completed, the Company may be subject to several risks including that: (i) the market price of the Common Shares may reflect an assumption that one or more transactions may be undertaken, and a failure to consummate such transactions could result in a negative market perception and associated decline in Common Share price; and (ii) many costs related to the pursuit of a given opportunity may be payable by the Company whether or not such transaction is completed.

The integration of any newly acquired or licensed business or product may be complex and time-consuming. If such business or product is not successfully integrated, the Company may not be able to achieve the anticipated benefits, cost savings or growth opportunities.

Any given acquisition or licensing transaction may not further the Company's strategy as anticipated, and may expose the Company to increased risks, liabilities and competition. Any one of such challenges or risks could impact the

Company's ability to realize any benefit from a given transaction and this could have a material adverse effect on the Company's business, results of operations or financial condition.

Risks Related to Expiry of Inventory

The Company values its inventory of finished products for sale at the lower of cost determined on a first-in, first out basis, and net realizable value. The Company may establish accounting reserves for inventory from time to time to reflect situations in which the costs of the inventory is not expected to be recovered. The reserve for inventory is expected to equal to all or a portion of the inventory which has reached its expiration or is close to expiration and not expected to be sold, based on specific facts and circumstances. Any write-down of inventory may have a material adverse effect on the business, results of operations or financial condition of the Company.

Rapid Technological Change; New Products and Standards

The pharmaceutical industry is characterized by rapid technological change, frequent new product and services introductions embodying new technologies and emergence of new industry standards and practices that could render the Company's existing products and system obsolete. The Company's products and services embody complex technology and may not always be compatible with current and evolving technical standards and products developed by others. Failure or delays by the Company to meet or comply with the requisite and evolving industry or user standards could have a material adverse effect on its business, results of operations and financial condition.

Inability to Achieve Drug Development Goals within Expected Time Frames

From time-to-time, the Company sets targets and makes public statements regarding its expected timing for achieving drug development goals. These include targets for the commencement and completion of preclinical and clinical trials, studies and tests and anticipated regulatory filing and approval dates. These targets are set based on a number of assumptions that may not prove to be accurate. The actual timing of these forward-looking events can vary dramatically from the Company's estimates or they might not be achieved at all, due to factors such as delays or failures in clinical trials or preclinical work, scheduling changes at CROs, the need to develop additional data required by regulators as a condition of approval, the uncertainties inherent in the regulatory approval process, delays in achieving manufacturing or marketing arrangements necessary to commercialize product candidates and limitations on the funds available to the Company. If the Company does not meet these targets, including those which are publicly announced, the ultimate commercialization of its products may be delayed and, as a result, its business could be harmed.

Dependence on a Small Number of Customers

The Company sells certain of its products in Canada and the United States to a limited number of distributors. Under this distribution model, the distributors generally take physical delivery of the product and generally sell the product directly to pharmacies or patients. In addition, certain of the Company's products may be highly dependent on a small number of customers. The Company expects this significant distributor/customer concentration to continue for the foreseeable future. The Company's ability to generate and grow sales of its products will depend, in part, on the extent to which its distributors are able to provide adequate distribution of its products on pricing terms that are favorable to it. Although the Company believes it can find additional or replacement distributors, if necessary, the pricing terms of such arrangements may not be as favourable to the Company, its revenue during any period of disruption could suffer and the Company might incur additional costs. In addition, these distributors/customers are responsible for a significant portion of the Company's net trade accounts receivable balances. The loss of any large distributor/customer, a significant reduction in sales the Company make to them, any cancellation of orders they have made with the Company, or any failure to pay for the products the Company has shipped to them could materially adversely impact the Company's business, financial condition or operating results and could cause the market value of its Common Shares to decline.

Repayment of Convertible Debentures

In the event the Convertible Debentures do not get converted into Common Shares pursuant to their terms, the Company may not be able to refinance the principal amount outstanding under the Convertible Debentures or generate enough cash from operations to meet its debt obligations and will be forced to adopt an alternative strategy that may include actions

such as reducing or delaying capital expenditures, selling assets or seeking equity capital. There is no assurance that Medexus will be able to repay the outstanding principal amount of any indebtedness upon maturity thereof.

Need for Additional Financing

Medexus may eventually require additional capital to secure new business opportunities and product registrations, as well as clinical development programs that Medexus may decide to pursue. There is no assurance that the Company can adequately finance its development programs which could put it at risk as a going concern, lead to delays, limit its ability to move its programs forward in a timely and satisfactory manner or abandon the programs or force it to pursue alternative strategic options, any of which would harm its business, financial condition and results of operations.

There can be no assurance that the Company will be able to raise the additional funding that it will need to carry out its business objectives and to complete acquisitions. The development of the Company's business depends upon prevailing capital market conditions, Medexus' business performance and its ability to obtain financing through debt financing, equity financing or other means. There is no assurance that Medexus will be successful in obtaining the financing it requires as and when needed or at all in order to complete future acquisitions or to refinance existing debt. If additional financing is raised by the issuance of Common Shares from treasury, shareholders may suffer additional dilution.

Increases in Interest Rates

Increases in interest rates, both domestically and internationally, could negatively affect Medexus' cost of financing its operations and investments. Adverse credit market conditions could limit the Company's ability to raise debt that may be needed to fund the Company's operations. Medexus' ability to maintain its current credit facility and its ability to issue or borrow long-term debt and raise financing may be critical to the success of Medexus' business. The Company's ability to conduct operations could be materially and adversely impacted should these or other adverse conditions affect the Company's sources of liquidity.

Product Safety

Unexpected safety or efficacy concerns can arise with respect to Medexus' marketed and commercialized products, whether or not scientifically justified, leading to product recalls, withdrawals, post-approval requirements, labeling revisions, withdrawal of regulatory approvals for the affected products, issuance of safety alerts or other safety notices, required labeling changes, or declining sales, as well as product liability, consumer fraud and/or other claims. If product safety issues present a public health risk, products in the field may be subject to seizure or injunctive action preventing their distribution. This could have a material adverse effect on Medexus' business, financial condition and results of operations.

Reliance on Third Party Services

Medexus relies on third parties to provide information technology, medical, distribution, logistics, regulatory and sales services including warehousing of finished product, accounts receivable management, billing, collection and record keeping. If the third parties cease to be able to provide Medexus with these services, or do not provide these services in a timely or professional manner, Medexus may not be able to successfully manage the product revenues or integrate new products into its business, which may result in decreases in sales. Additionally, any delay or interruption in the process or in payment could result in a delay delivering product to the Company's customers, which could have a material effect on the Company's business, financial condition and operating results.

Cybersecurity and Protection of Data

Medexus maintains significant amounts of data electronically in locations throughout Canada and the United States. This data relates to all aspects of the Company's business and also contains certain patient or customer data. The Company maintains systems and processes designed to protect this data, but notwithstanding such protective measures, there is a risk of intrusion or tampering that could compromise the integrity and privacy of this data. In addition, Medexus provides confidential and proprietary information to its third-party business partners in certain cases where doing so is necessary to conduct the Company's business. While Medexus obtains assurances from those parties that they have systems and

processes in place to protect such data, and where applicable, that they will take steps to assure the protections of such data by third parties, nonetheless those partners may also be subject to data intrusion or otherwise compromise the protection of such data.

While Medexus and its third-party business partners maintain systems for preventing and detecting a breach of their respective information technology systems, Medexus and such third parties may be unaware that a breach has occurred and may be unable to detect an ongoing breach. Medexus has exposure to similar security risks faced by other large companies that have data stored on their information technology systems. To its knowledge, Medexus has not experienced any material breach of its cybersecurity systems. If the Company's or any third-party service providers' systems fail to operate effectively or are damaged, destroyed, or shut down, or there are problems with transitioning to upgraded or replacement systems, or there are security breaches in these systems, any of the aforementioned could occur as a result of natural disasters, software or equipment failures, telecommunications failures, loss or theft of equipment, acts of terrorism, circumvention of security systems, or other cyber-attacks, Medexus could experience delays or decreases in product sales, and reduced efficiency of its operations. Any compromise of the confidential data of the Company's patients, customers or itself, or failure to prevent or mitigate the loss of this data could disrupt the Company's operations, damage its reputation, violate applicable laws and regulations and subject the Company to additional costs and liabilities and have a material and adverse impact on its business, financial condition and performance.

Public Company Requirements May Strain Resources

As a public company, the Company is subject to the reporting requirements of the *Securities Act* (Ontario), as amended, the regulations and rules thereto, including the national and multilateral instruments adopted as rules, decisions, rulings and orders promulgated under the *Securities Act* (Ontario) and the published policy statements issued by the Ontario Securities Commission (OSC) as well as stock exchange requirements. The ever-increasing obligations of operating as a public company will require significant expenditures and will place additional demands on management as the Company complies with the reporting requirements of a public company. The Company may need to hire additional accounting, financial and legal staff with appropriate public company experience and technical accounting and regulatory knowledge.

In addition, actions that may be taken by significant stockholders may divert the time and attention of the Board and management from its business operations. Campaigns by significant investors to effect changes at publicly traded companies have increased in recent years. If a proxy contest were to be pursued by any of the Company's stockholders, it could result in substantial expense to the Company and consume significant attention of management and the Board. In addition, there can be no assurance that any stockholder will not pursue actions to effect changes in the management and strategic direction of the Company, including through the solicitation of proxies from the Company's stockholders.

Risks Relating to Tax and Financial Matters

Estimates, Judgments and Assumptions

The preparation of Medexus' consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Medexus cannot provide assurance that its estimates, judgments and assumptions are accurate or adequate, which could have a material adverse effect on the Company's results of operations, financial condition, and cash flows.

Fair value of stock options, RSUs, 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 13 and 14 for assumptions used to value these instruments.

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 distribution 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.

Impairment of goodwill

The carrying value of goodwill is tested for impairment annually or 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.

Fair value of convertible debentures

The convertible debentures are a compound financial instrument under IAS 32, Financial Instruments: Presentation, and have both a liability and an embedded derivative component. The fair value of the consideration for the compound instrument must be split into its liability and derivative components. The derivative is measured at fair value through profit or loss, and its fair value must be measured at each reporting period with subsequent changes in fair value recorded in the consolidated statement of loss. To estimate the fair value of the derivative at the inception date and again at subsequent reporting dates, a derivative valuation model was used. The most significant assumption used is the discount rate to fair value for the liability component. If other assumptions are used, the values derived could be significantly impacted. Several key assumptions affect the results of this calculation, including estimated share price volatility, as discussed in note 10.

Provisions for returns, chargebacks and rebates

The provision for returns is calculated using management's best estimate of products that will ultimately be returned by customers. The provisions for chargebacks and rebates are estimated using contracted rates. Revenues are recognized net of reserves for estimated returns, chargebacks and rebates.

Business combinations

Business combinations are accounted for in accordance with the acquisition method. The consideration transferred and the acquiree's identifiable assets, liabilities and contingent liabilities are measured at their fair value. The Company develops the fair value by using appropriate valuation techniques, which are generally based on a forecast of the total expected future net discounted cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate. Contingent consideration is measured at fair value using a discounted cash flow model.

Inability to Maintain Effective Internal Controls Over Financial Reporting

Medexus' management, with the participation of its Chief Executive Officer and its Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Medexus' internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives due to its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is therefore subject to error, collusion, or improper override. Due to such limitations, there

is a risk that material misstatements may not be prevented or detected on a timely basis, and although it is possible to incorporate into the financial reporting process safeguards to reduce this risk, they cannot be guaranteed to entirely eliminate it. If Medexus fails to maintain effective internal control over financial reporting, then there is an increased risk of an error in its financial statements that could result in Medexus being required to restate previously issued financial statements at a later date.

Risks Relating to Ownership of Common Shares

Unpredictability and Volatility of Common Share Price

Publicly-traded securities such as the Common Shares do not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Common Shares trade cannot be predicted. The market price of the Common Shares could be subject to significant fluctuations in response to a variety of factors, including the factors described in this "Risk Factors" section or otherwise, and other factors beyond the Company's control, such as fluctuations in the valuations of companies perceived by investors to be comparable.

In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Common Shares. In addition, in the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against Medexus, could result in substantial costs and diversion of management's attention and resources.

Dilution

Issuances of additional securities will result in a dilution of the equity interests of any Person who is or may become a holder of Common Shares. Medexus may require additional funding for future development programs and potential acquisitions. Medexus may issue additional Common Shares in the future if further capital is required and on the exercise of outstanding Convertible Debentures, warrants or stock options. Sales or issuances of substantial amounts of Common Shares, or the inability to find purchasers of Common Shares, could adversely affect the market prices for the Common Shares. A decline in the market prices of Common Shares could impair the Company's ability to raise additional capital through the sale of new Common Shares should it desire to do so. If additional Common Shares or securities convertible into Common Shares are sold or issued, such sales or issuances may substantially dilute the interests of holders of Common Shares.

Global Financial Conditions

Global financial conditions have always been subject to volatility. This volatility may impact the ability of Medexus to obtain equity or debt financing in the future and, if obtained, on terms favourable to Medexus. Increase levels of volatility and market turmoil can adversely affect the Company's operations and the value and the price of the Common Shares could be adversely affected. Medexus may also be negatively impacted by volatility in the equity markets as a result of a number of catastrophic events that are beyond the Company's control, including infectious diseases, pandemics or similar health threats, such as the COVID-19 pandemic, or fear of any of the foregoing.

Catastrophic Events, Natural Disasters, Severe Weather and Disease

The Company's business may be negatively impacted to varying degrees by a number of events which are beyond its control, including cyber-attacks, unauthorized access, energy blackouts, pandemics, terrorist attacks, acts of war, earthquakes, hurricanes, tornados, fires, floods, ice storms or other natural or manmade catastrophes. While Medexus engages in emergency preparedness, including business continuity planning, to mitigate risks, such events can evolve very rapidly and their impacts can be difficult to predict. As such, there can be no assurance that in the event of such a catastrophe that the Company's operations and ability to carry on business will not be disrupted. The occurrence of such events may not release the Company from performing its obligations to third parties.

A catastrophic event, including an outbreak of infectious disease, a pandemic or a similar health threat, such as the COVID-19 pandemic, or fear of any of the foregoing, could adversely impact Medexus by causing operating or supply chain delays and disruptions, such as meaningful delays for the enrollment of the pediatric trial for IXINITY® as hospitals around the world close their doors to all non-critical patients, labour shortages, expansion project delays, facility shutdowns and other business disruptions, each of which could have a negative impact on its ability to conduct its business and increase its costs. In addition, liquidity and volatility, credit availability and market and financial conditions generally could change at any time as a result. Specifically, third parties on which the Company relies, including its manufacturers, suppliers, licensors and/or distributors, have operations around the world and are exposed to a number of global and regional risks outside of the Company's control, including but not limited to those related to COVID-19.

The COVID-19 pandemic has created, and continues to create, significant societal and economic disruptions. The COVID-19 pandemic has had, and may continue to have, a broad impact across industries and the economy, including by affecting consumer confidence, global financial markets (with global equity markets having experienced significant volatility and weakness), regional and international travel, supply chain distribution of various products for many industries, government and private sector operations, the price of consumer goods, countrywide lockdowns in various regions of the world, and numerous other impacts on daily life and commerce. Additionally, the COVID-19 pandemic has led, and may continue to lead, governments around the world to enact measures to combat the spread of the COVID-19 virus, including, but not limited to, the implementation of travel bans, staged vaccine roll-out plans, border closings, mandated closure of non-essential services, self-imposed quarantine periods and social and physical distancing policies, which have contributed to the material disruption to businesses globally.

The COVID-19 pandemic and measures to prevent its spread may negatively impact the Company, its customers, counterparties, employees, third-party service providers and other stakeholders, as applicable, in a number of ways, including, but not limited to, by: (i) adversely affecting the business operations of the Company, including access to its products and customers and the Company's planned sales and marketing processes for its approved products; (ii) disrupting the Company's supply chain, including the manufacturing, supplying, licensing and/or distributing of its products by third-parties on which the Company relies; (iii) adversely affecting local, national or international economies and employment levels; (iv) causing business interruptions as a result of the strain on existing resources, including information technology systems resulting from senior management and other employees working remotely; (v) disrupting health care delivery; and (vi) negatively impacting operations at Health Canada and the FDA, which may result in delays in reviews and approvals. Any of these events in isolation or in combination, could have a material negative impact on the Company's financial condition, operating results and cash flows.

Securities Industry Analyst Research Reports

The trading market for the Common Shares relies in part on the research and reports that securities analysts and other third parties choose to publish about Medexus. The Company does not control these analysis or other third parties. The price of the Common Shares could decline if one or more securities analysts downgrade the Common Shares or if one or more securities analysts or other third parties publish inaccurate or unfavourable research about Medexus or cease publishing reports about Medexus. If one or more analysts cease coverage of Medexus or fail to regularly publish reports on Medexus, the Company could lose visibility in the financial markets, which in turn could cause the Common Share price or trading volume to decline.

Absence of dividends

Medexus has not paid dividends on its Common Shares and does not anticipate declaring any dividends in the foreseeable future. Thus, the return on an investment in Common Shares will depend upon any future appreciation in value. There is no guarantee that the Company will declare dividends in the future or that the Common Shares will appreciate in value or even maintain the price at which they were purchased.

Treasury Risks

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations exposes the Company to credit risks, liquidity risks, interest rate risks and foreign currency risk. The Company

manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The Company does not have any hedges in place.

Liquidity risk

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

Credit risk

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

Interest rate risk

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

Currency risk

Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities when revenue or expenses are denominated in United States or other foreign currency. All of the sales from Medexus US, representing a significant portion of gross revenues earned, are in United States dollars. As a result, the Company's competitiveness could be impacted by unfavourable fluctuations in currency exchange rates.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

As a "venture issuer" as defined by National Instrument 51-102 - *Continuous Disclosure Obligations*, the Chief Executive Officer and the Chief Financial Officer are not required to certify that they have designed and evaluated the effectiveness of disclosure controls and procedures and internal controls over financial reporting. Instead, the Company files a Certification of Annual Filings – Venture Issuer Basic Certificate or Certification of Interim Filings – Venture Issuer Basic Certificate, as the case may be, pursuant to which the Chief Executive Officer and the Chief Financial Officer certify the performance of a review of the information, no knowledge of misrepresentations and the fair presentation of the information in the annual or interim filings, as applicable.

ADDITIONAL INFORMATION

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