Management Discussion and Analysis

For the three-month period ended
June 30, 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 August 16, 2021, is prepared for the three-month period ended June 30, 2021. The unaudited condensed interim consolidated financial statements of the Company for the three-month period ended June 30, 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 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 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 acquisitions and related financings), 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 the year ended March 31, 2021, the Company changed its presentation currency to United States dollars ("US$") from Canadian dollars ("C$"). The Company 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 has restated the comparative financial information in its unaudited condensed interim consolidated financial statements for the three-month period ended June 30, 2021 as if the presentation currency had always been US$.

HIGHLIGHTS - THREE-MONTH PERIOD ENDED JUNE 30, 2021

Financial Highlights

The Company achieved revenue of $17.3 million for the three-month period ended June 30, 2021, versus $20.0 million for the three-month period ended June 30, 2020. This is mainly due to a drop in IXINITY® net sales. While patient unit demand for IXINITY® increased 25.3%, to 7.6 million IUs, compared to the three-month period ended June 30, 2020 *(Source: customer reported dispensing data),* net sales were lower as pharmacy and wholesale customers continued to work through inventory on hand.

Additional financial highlights for the period include:

- Adjusted EBITDA decreased to $(4.9) million compared to $3.6 million for the same period last year, due primarily to the decrease in net sales, the impact of IXINITY® manufacturing failures, a large increase in research & development costs over the comparative period, and the significant investments the Company made related to plans for the for commercialization of treosulfan; see *"Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".*
- Cash used by operating activities was $6.8 million, compared to cash provided by operating activities of $3.0 million for the same period last year.
- Net loss was $6.6 million compared to $3.4 million for the same period last year. This included a non-cash unrealized gain of $3.2 million in the current period (2020 – unrealized loss of $2.6 million) on the fair value of the embedded derivatives in the Company's convertible debentures, which was driven by changes in the Company's share price as at the end of the applicable periods; 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 $9.8 million compared to $0.8 million for the same period last year; see "*Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)*".

Operational Highlights

Operational highlights for the three-month period ended June 30, 2021, or subsequent to the period end, include:

- **Treosulfan US Licensing Agreement:** During the year ended March 31, 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, in combination with fludarabine as a preparative regimen, for patients undergoing allogeneic hematopoietic stem cell transplantation ("allo-HSCT"). On August 2, 2021 the Company received notice from medac, Medexus's licensor for treosulfan, that is had received a Complete Response Letter (CRL) from the U.S. Food and Drug Administration ("FDA") with respect to the New Drug Application ("NDA" for use of treosulfan in in United States). Via the CRL the FDA has determined that it cannot approve the NDA in its present form. The FDA has however provided recommendations for how to address what they see as the outstanding issues, primarily around the provision of additional clinical and statistical data and analyses pertaining to the primary endpoint of the completed pivotal Phase III study, which recommendations are already covered by medac's existing development plan for treosulfan, which medac is contractually responsible to execute and fund. The Company, together with medac, will move forward with the FDA, to meet the agency's requests. It is the Company's belief that the CRL provides a path to review and approval that does not require additional clinical studies, provided we can satisfy the FDA's data requirements and post marketing commitments, which the Company is hopeful can be done with already available data from the existing completed Phase III study and the current development plan.
- **Rupall™ growth:** Rupall™ saw unit demand growth of 44.4% for the trailing twelve-months ended June 30, 2021, which reflects further acceleration compared to the unit demand growth of 35.7% seen for trailing twelve-months ended March 31, 2021 (*Source: IQVIA CDH units – Drugstores and hospitals purchases*). This due to a strong allergy season across Canada, and further market share gain by the brand. Rupall™ is one of the fastest growing anti-histamines in the Canadian prescription market (*Source: IQVIA CDH units – Drugstores and hospitals purchases, MAT June 2021*).
- **IXINITY® Pediatric Study:** During the period, the Company continued 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 August 16, 2021 the study is 100% enrolled and the trial is expected to be completed in June 2022.
- **Treosulfan Canada:** On June 28, 2021, the Company received a Notice of Compliance from Health Canada to commercialize treosulfan in Canada under the tradename Trecondyv® and on July 12, 2021, the Company entered into an exclusive license with medac to commercialize treosulfan in Canada. Previously, the Company had been distributing treosulfan in Canada only under the Special Access Program pursuant to the authorization received in March of 2019.
- **Graduation to Toronto Stock Exchange:** On June 17, 2021 the Company's common shares, which had previously been listed for trading on the TSX Venture exchange, began trading on the TSX.
- **New CFO:** On July 19, 2021, the Company introduced Marcel Konrad as the new CFO replacing Roland Boivin. Marcel brings broad understanding of the healthcare market, having worked in companies large and small, ranging from Novartis to most recently, CareDx. The Company believes that his experience will be instrumental to its continued growth in the future. Roland Boivin is continuing to work with the Company for a three-month period in order to help ensure a smooth transition.
- **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.

COMPANY OVERVIEW, STRATEGY & OUTLOOK

The Company, both directly and through its active operating subsidiary, Medexus US, 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 also preparing for the launch of treosulfan in Canada and, subject to receipt of necessary regulatory approvals, in the United States. The Company expects that treosulfan will become a leading agent for use in conditioning regimens as part of allogenic hematopoietic stem cell transplantation protocols.

Even with extreme changes to the selling environment brought about by COVID-19, the US 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 18.3% in the trailing 12 twelve-months ended June 30, 2021 (Source: customer reported dispensing data).

Rasuvo® unit market demand in the United States has remained steady in the trailing twelve-months ended June 30, 2021, (Source: Symphony Sub National 6/30/2021 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**").

Rupall™ is experiencing very strong unit demand growth in its market, with an increase of 44.4% in the trailing twelve-months ended June 30, 2021, (Source: IQVIA CDH units – Drugstores and hospitals purchases, MAT June 2021) as physicians are switching patients from either the generic prescription anti-histamines or over-the-counter products. The Company expects Rupall™ to be a leading prescription anti-histamine in a total market valued at $135.2 million, including $68.7 million from the prescription market, which is growing at an annual rate of 20.9% (Source: IQVIA CDH dollars – Drugstores and hospitals purchases, MAT June 2021). During the trailing twelve-month period ended June 30, 2021, Rupall™ was one of the fastest growing anti-histamines in the Canadian prescription market (Source: IQVIA CDH units – Drugstores and hospitals purchases, MAT June 2021).

Metoject® unit market demand in Canada remained steady in the trailing twelve months ended June 30, 2021, (Source: IQVIA – TSA National units). 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.

In the past year, 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 – Financial Year Ended 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."*

The Company is investing in a pediatric study that, if successful, will expand the IXINITY® 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 August 16, 2021, the study has completed 100% of the patient enrollment.

In addition to continuing to market and grow its new and existing product lines, the Company also has a right of first refusal on certain specified products of medac, the previous owner of Medexus US, that medac wishes to commercialize for use in the United States or Canada during the term of 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. 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 – FIRST QUARTER

Three-Month Periods Ended June 30	**2021 $'000**	2020 $'000	Variance $'000
Revenue	**17,267**	19,997	(2,730)
Cost of goods sold	**8,894**	7,775	1,119
Gross profit	**6,924**	10,876	(3,952)
Selling and administrative expenses	**11,725**	8,267	3,458
Research and development	**2,231**	645	1,586
Termination benefits	-	680	(680)
Operating income (loss)	**(7,162)**	1,164	(8,326)
Net loss	**(6,587)**	(3,429)	(3,158)
Net loss per share – basic and diluted	**(0.34)**	(0.24)	(0.10)
Adjusted net loss[(1)]	**(9,833)**	(793)	(9,040)
Adjusted net loss per share – basic and diluted	**(0.51)**	(0.05)	(0.46)
Adjusted EBITDA[(1)]	**(4,912)**	3,600	(8,512)
Cash provided (used) by operating activities	**(6,815)**	2,994	(9,809)
Cash used by investing activities	**(5,887)**	(17)	(5,870)
Cash provided (used) by financing activities	**4,089**	(818)	4,907

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

Revenue

Total revenue was $17.3 million for the three-month period ended June 30, 2021, compared to revenue of $20.0 million for the three-month period ended June 30, 2020.

The three-month period ended June 30, 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 during the first quarter, increasing 25.3%, to 7.6 million IUs, compared to the three-month period ended June 30, 2020 *(Source: customer reported dispensing data),* net sales were lower as pharmacy and wholesale customers continued to work through inventory on hand.

This decrease was partially offset by strong Rupall™ sales. Despite being on the market for more than four years, the trailing twelve-months ended June 30, 2021, saw unit demand growth of 44.4%, which reflects further acceleration compared to the trailing twelve-months ended March 31, 2021, unit demand growth of 35.7% *(Source: IQVIA CDH units – Drugstores and hospitals purchases)*. This due to a strong allergy season across Canada, and further market share gain by the brand.

Gross Profit and Margin

In addition to 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 was $6.9 million for the three-month period ended June 30, 2021, compared to gross profit of $10.9 million for the three-month period ended June 30, 2020. The decline was due, in part, to a $2.5 million increase in cost of goods sold, caused by additional expenses related to IXINITY®, due to failures during the manufacturing process. During the period ended June 30, 2021, the Company began a year-long initiative focused on modernizing the manufacturing process in an effort to minimize the risk of future manufacturing failures and improve future yields.

These manufacturing failures also impacted gross margin for the period, which was 40.1%, compared to 54.5% for the three-month period ended June 30, 2020. Normalized for this $2.5 million impact, the gross margin for the three-month period ended June 30, 2021, would have been 54.6%.

Amortization of product licences included in cost of sales was $1.4 million for the three- month period ended June 30, 2021, compared to $1.3 million for the three-month period ended June 30, 2020.

Selling and Administrative Expenses

Selling and administrative expenses were $11.7 million for the three-month period ended June 30, 2021, compared to $8.3 million for the three-month period ended June 30, 2020.

The Company's selling and administrative expenses for the three-month period ended June 30, 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 three-month period ended June 30, 2021 were comprised of:

(a) employee benefit expense of $5.2 million (2020 - $3.9 million); the increase over the comparative period is due to the Company's increasing focus on growing its infrastructure to improve its capacity for future business development, and prepare for the anticipated launch of treosulfan in the United States.

(b) sales and marketing expense of $3.3 million (2020 - $2.0 million); the increase over the prior period is due to a return to promotional spending in order to drive future growth, following more restrained spending during the three-month period ended June 30, 2020, due to the uncertainty around COVID-19, as well as an increase in promotional spending in advance of the anticipated launch of treosulfan in the United States.

(c) Regulatory and business development expense of $1.1 million (2020 - $1.1 million); and

(d) general administrative expenses of $2.1 million (2020 - $1.2 million); the increase over the comparative period is partially related to heavily restrained spending during the three-month period ended June 30, 2020, due to the uncertainty around COVID-19, as well as costs incurred related to the Company's graduation to the TSX, and the anticipated launch of treosulfan in the United States.

Research & Development

Research & development was $2.2 million for the three-month period ended June 30, 2021, compared to research & development of $0.6 million for the three-month period ended June 30, 2020, as the Company continued to accelerate the IXINITY® Pediatric Study which was 95% enrolled at the end of the period, and 100% enrolled as of August 16, 2021.

Operating Income or Loss

Operating loss for the three-month period ended June 30, 2021, was $7.2 million compared to an operating income of $1.2 million for the three-month period ended June 30, 2020. The year over year decrease is due in part to the decrease in net sales, the impact of the IXINITY® manufacturing failures, the large increase in research & development costs over the comparative period, and the significant investments the Company made related to the anticipated commercialization of treosulfan.

Net Loss

Net loss for the three-month period ended June 30, 2021, was $6.6 million, compared to a net loss of $3.4 million for the three-month period ended June 30, 2020.

Included in net loss is a non-cash unrealized gain (2020 – 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 three-month period ended June 30, 2021, was $9.8 million, compared to $0.8 million for the three-month period ended June 30, 2020; see *"Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)"*.

Adjusted EBITDA

Adjusted EBTIDA was $(4.9) million for the three-month period ended June 30, 2021, compared to Adjusted EBITDA of $3.6 million for the three-months period ended June 30, 2020.

The three-month period ended June 30, 2021 saw a year over year decrease in Adjusted EBITDA due in part to the decrease in Net Sales, the impact of the IXINITY® manufacturing failures, the large increase in research & development costs over the comparative period, and the significant investments the Company made related to the anticipated commercialization of treosulfan.

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-month period ended June 30, 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.

For the three-month periods ended June 30	**2021**	2020
	$'000	$'000
Net Loss	**(6,587)**	(3,429)
Add Back:		
Unrealized loss (gain) on fair value of derivatives	**(3,246)**	2,636
ADJUSTED NET INCOME (LOSS)	**(9,833)**	(793)

For the three-month periods ended June 30	**2021**	2020
	$'000	$'000
Net Loss	**(6,587)**	(3,429)
Add Back:		
Depreciation & Amortization (property, equipment, intangible assets)	**1,579**	1,466
Interest expenses	**2,884**	2,329
Income tax expense (recovery)	**-**	272
EBITDA	**(2,124)**	638
Share-based compensation	**671**	290
Termination benefits	**-**	680
Foreign exchange gain	**(213)**	(644)
Unrealized loss (gain) on fair value of derivatives	**(3,246)**	2,636
ADJUSTED EBITDA	**(4,912)**	3,600

LIQUIDITY AND CAPITAL RESOURCES

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

As of June 30, 2021, the Company had $10.7 million (March 31, 2021 - $24.8 million) of available liquidity comprised of:

- cash and cash equivalents of $10.2 million (March 31, 2021 - $18.7 million); and
- undrawn credit of $0.5 million (March 31, 2021 - $6.1) available under the Company's secured asset-based revolving credit facility (the "**Revolving Credit Facility**").

Cash Flows

Three-month periods ended June 30	**2021 $'000**	2020 $'000	Variance $'000
Cash provided (used) by operating activities	**(6,815)**	2,994	(9,809)
Cash used by investing activities	**(5,887)**	(17)	(5,870)
Cash provided (used) by financing activities	**4,089**	(818)	4,907
Increase (decrease) in cash position during the period	**(8,613)**	2,159	(10,772)
Impact of foreign exchange	**108**	108	-
Cash and cash equivalents, beginning of period	**18,704**	5,233	13,471
Cash and cash equivalents, end of period	**10,199**	7,500	2,699

Operating activities

Cash used by operating activities for the three-month period ended June 30, 2021, was $6.8 million, compared to cash provided by operating activities of $3.0 million for three-month period ended June 30, 2020. This was composed of net loss, adjusted for non-cash expenditures, of $(4.9) million (2020 – $2.8 million) and a change in working capital of $(1.9) million (2020 – $0.2 million).

Investing activities

Cash used by investing activities for the three-month period ended June 30, 2021, was $5.9 million, compared to $0.0 million for the three-month period ended June 30, 2020, due to milestone payments made on licencing deals in the current period.

Financing activities

Cash provided by financing activities for the three-month period ended June 30, 2021, was $4.1 million compared to cash used by financing activities of $0.8 million for the three-month period ended June 30, 2020. The increase in the current period is due to additional draws made on the Revolving Credit Facility needed to finance, in part, the milestone payments made on licencing deals.

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 $70,000 (2020 - $83,000) for the three-month period ended June 30, 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 $80,000 (2020 - $83,000) for the three-month period ended June 30, 2021.

Interest paid on Convertible Debentures which are owned or controlled, directly and indirectly, by two directors of the Company totaled approximately $75,000 (2020 - $66,000) for the three-month period ended June 30, 2021.

OFF -BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as of June 30, 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 August 16, 2021, the Company has 19,178,979 common shares outstanding. There have been no dividends declared during the three-month period ended June 30, 2021 or in the current period subsequent thereto. The Company had the following securities outstanding as at August 16, 2021:

Type of Security	Number/Principal Amount Outstanding	Common Shares Issuable Upon Conversion, Exercise or Exchange (as applicable)
Common shares	19,178,979	N/A
Common share purchase warrants[(1)]	-	4,524,762
Convertible Debentures[(2)]	-	9,891,907
Stock options	-	679,771
Restricted Share Units ("**RSUs**")[(3)]	-	1,099,742
Performance Share Units ("**PSUs**")[(4)]	-	200,547
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 common share purchase warrants (the "**2021 Offering Warrants**") issued by the Company in connection with its February 2021 "bought deal" public offering of units (the "**2021 Offering**") , which warrants are 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 August 16, 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 July 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 June 2021 and vest if certain Company performance factors are met during a performance period of approximately 5 years. If and when vested, a PSU represents an obligation of the Company to issue one common share

(5) In connection with the Company's offering of subscription receipts in October 2018the agents for the offering 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, the Company 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, 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 June 30, 2021:

Three-months ended ($'000) [1]	30-Jun-21	31-Mar-21	31-Dec-20	30-Sept-20	30-Jun-20	31-Mar-20	31-Dec-19	30-Sept-19
Total Revenue	17,267	17,639	24,256	17,768	19,997	18,761	12,274	12,415
Gross Profit	6,924	8,813	12,657	9,659	10,876	9,668	6,797	7,273
Selling and Administrative Expenses	11,725	10,252	9,379	8,274	8,267	7,704	7,099	7,994
Transaction and Financing Expenses	-	634	448	-	-	1,933	173	-
Operating Income (Loss)	(7,162)	(4,566)	1,544	482	1,164	(1,448)	(2,505)	(979)
Net Income (Loss)	(6,587)	(10,490)	(12,781)	(1,564)	(3,429)	(1,587)	(1,988)	485
Net Income (Loss) per share - Basic	(0.34)	(0.63)	(0.88)	(0.11)	(0.24)	(0.10)	(0.14)	0.03
Net Income (Loss) per share - Diluted	(0.34)	(0.63)	(0.88)	(0.11)	(0.24)	(0.10)	(0.15)	0.03
Adjusted Net Income (Loss) [2]	(9,833)	(5,158)	(415)	(1,253)	(800)	(5,094)	(3,942)	(2,769)
Adjusted Net Income (Loss)[2] per share - Basic and Diluted	(0.51)	(0.32)	(0.03)	(0.09)	(0.06)	(0.36)	(0.28)	(0.19)
Adjusted EBITDA[2]	(4,912)	(1,599)	3,903	2,296	3,574	3,122	552	387
Cash provided (used) by operations	(6,815)	4,205	(2,166)	5	2,994	(1,300)	(795)	579
Cash & cash equivalents, end of period	10,199	18,704	9,365	6,426	7,500	5,233	17,408	19,163
Assets	142,970	148,513	138,262	122,014	125,525	122,768	85,715	85,316
Long-term liabilities	89,198	90,558	85,851	70,400	68,822	64,337	45,083	45,595
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 an acquisition completed in February 2020, as well as the seasonality of some of the Company's major products.

RISK FACTORS AND RISK MANAGEMENT

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

The principal risks and uncertainties that could affect the Company are described under the heading *"Risk Factors"* in the Company's most recent AIF and under the heading *"Risk Factors and Risk Management"* in the Company's most recent annual MD&A, each available on the Company's profile on SEDAR at www.sedar.com. Management believes that the risks and uncertainties set out therein have not materially changed.

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 result of the Company's graduation to the TSX on June 17, 2021, the Company has ceased to be a "venture issuer" as defined by National Instrument 51-102 - *Continuous Disclosure Obligations* ("NI 51-102") and National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). Accordingly, the Company is in the process of updating its disclosure controls and procedures in order to meet the requirements applicable to a non-venture issuer for the period ending September 30, 2021 and on a go-forward basis. However, since the interim period ended June 30, 2021 was the first period ending after the Company became a non-venture, 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 will continue to file Certification of Interim Filings – *Venture Issuer Basic Certificate* for the period ended June 30, 2021, 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.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the Company's condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and reported amounts of revenues and expenses during the period. These estimates and assumptions are based on historical experience, expectations of the future, and other relevant factors and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Actual results may differ from these estimates.

A description of the Company's significant estimates, judgements and assumptions is included in note 2 of the Company's interim consolidated financial statements for the period ended June 30, 2021.

ADDITIONAL INFORMATION

For additional information relating to 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.