Management Discussion and Analysis

For the three- and six-month periods ended
September 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 November 10, 2021, is prepared for the three- and six-month periods ended September 30, 2021. The unaudited condensed interim consolidated financial statements of the Company for the three- and six-month periods ended September 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 timing for completion of the Company's Phase 4 clinical trial for IXINITY® and the possibility of a related expansion of the indicated patient population for 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 and the possibility of a path to review and approval for treosulfan in the United States that does not require additional clinical studies; the potential market size for and benefits of 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.

HIGHLIGHTS - PERIODS ENDED SEPTEMBER 30, 2021

Financial Highlights

Three-month period ended September 30, 2021

The Company achieved revenue of $17.9 million for the three-month period ended September 30, 2021, versus $17.8 million for the three-month period ended September 30, 2020.

Additional financial highlights for the period include:

- Adjusted EBITDA decreased to $(2.0) million compared to $2.3 million for the same period last year; see *"Reconciliation of Adjusted EBITDA to Net Income (Loss)".*
- Change in cash and cash equivalents was $(2.1) million compared to $(1.1) million for the same period last year.
- Net income was $10.1 million compared to a net loss of $1.6 million for the same period last year. This included a non-cash unrealized gain of $16.3 million in the current period (2020 – unrealized loss of $0.3 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 $6.1 million compared to $1.3 million for the same period last year; see "*Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)*".

Six-month period ended September 30, 2021

The Company achieved revenue of $35.2 million for the six-month period ended September 30, 2021, versus $37.8 million for the six-month period ended September 30, 2020. Additional financial highlights for the period include:

- Adjusted EBITDA decreased to $(6.9) million compared to $5.9 million for the same period last year; see *"Reconciliation of Adjusted EBITDA to Net Income (Loss)".*
- Available liquidity of $9.6 million at September 30, 2021, compared to $24.7 million at March 31, 2021; see *"Liquidity and Capital Resources".*
- Net income was $3.6 million compared to a net loss of $5.0 million for the same period last year. This included a non-cash unrealized gain of $19.5 million in the current period (2020 – unrealized loss of $2.9 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 $16.0 million compared to $2.1 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- or six-month periods ended September 30, 2021, or subsequent to the quarter-end, include:

Treosulfan US Licensing Agreement: During the year ended March 31, 2021, the Company entered into an exclusive license with medac GmbH ("medac") 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 that it 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 the United States. Via the CRL, the FDA communicated that it would not approve the NDA in its present form, and provided recommendations for how to address the outstanding issues, primarily relating to the provision of additional clinical and statistical data and analyses pertaining to the primary endpoint of the completed pivotal Phase III study. The FDA's recommendations are already covered by medac's existing development plan for treosulfan, which medac is contractually responsible to execute and fund. The Company believes that the CRL provides a pathway to review and approval that does not require additional clinical studies, provided the FDA's data requirements and post marketing commitments can be satisfied. The Company, together with medac, are moving forward with the FDA, with a view to meeting the agency's requests and a Type A meeting with the FDA has been scheduled to occur on November 23, 2021. On September 30, 2021, in recognition of the CRL, the parties agreed to certain amendments to the original terms of the agreement, including a non-cash transaction in which medac agreed to credit the Company with $2.5 million, attributable to prior regulatory milestone payments made by the Company to medac, which was used to offset certain existing invoices and payments the Company owed medac. Upon FDA approval, such amounts will again become payable to medac.

- **Rupall™ growth:** Rupall™ saw strong and continued unit demand growth of 33% for the trailing twelve-months ended September 30, 2021, making it one of the fastest growing anti-histamines in the Canadian prescription market (S*ource: IQVIA CDH units – Drugstores and hospitals purchases, MAT September 2021*), reflecting a strong allergy season across Canada and physicians increasingly switching patients to Rupall from either the generic prescription anti-histamines or over-the-counter products.
- **IXINITY® Pediatric Study:** During the period, the Company completed enrollment in its 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 could 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. The trial is expected to be completed in June 2022.
- **Rasuvo®**: Unit market demand in the United States has increased slightly in the trailing twelve-months ended September 30, 2021 *(Source: Symphony Sub National 9/30/2021 Data & Chargebacks, PAP)*, while the Company has adjusted price to maintain its dominant market share.
- **Metoject®**: Even with a generic entry into the Canadian methotrexate market in 2020, unit market demand in Canada has grown 3% in the trailing twelve months ended September 30, 2021, *(Source: IQVIA – TSA database)*.
- **Trecondyv® (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, which the Company had previously been distributing under the Special Access Program only.
- **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.
- **Appointment of New Chief Financial Officer ("CFO") and Internal Counsel:** On July 19, 2021, the Company introduced Marcel Konrad as the new CFO, replacing Roland Boivin. On November 8th, the Company announced the appointment of Ian C Wildgoose Brown as general counsel and corporate secretary.
- **Relaxa Amendment:** On September 28, 2021, the Company signed an amendment to the exclusive licensing agreement for the drug Relaxa, pursuant to which, among other things, the Company's right to acquire the product was extended to September 19, 2026 and the licensor's option to sell the product to the Company was deferred until the period beginning September 19, 2024 and ending September 19, 2026.

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 rheumatology, transplant, 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 has launched Trecondyv® (treosulfan) in Canada and, subject to receipt of necessary regulatory approvals, plans to launch the product in the United States as well. 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 changes to the selling environment brought about by COVID-19, the US team has seen positive trends in the IXINITY® patient unit data, indicating continued patient conversions on top of a stable, existing base of patients. In fact, IXINITY® unit market demand in the United States experienced continuous growth in the trailing 12 twelve-months ended September 30, 2021 (*Source: customer reported dispensing data*). However, net sales for the three- and six-month periods ended September 30, 2021 were lower than in the comparative periods in the prior year, as pharmacy and wholesale customers continued to work through inventory on hand. In addition, the Company is investing in a pediatric study that, if successful, will facilitate the expansion of the IXINITY® product label to include the pediatric population. The study has completed 100% of the patient enrollment.

Rasuvo® unit market demand in the United States has increased slightly in the trailing twelve-months ended September 30, 2021 *(Source: Symphony Sub National 9/30/2021 Data & Chargebacks, PAP)*, while the Company has adjusted price to maintain its dominant market share. 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 33% in the trailing twelve-months ended September 30, 2021, making it one of the fastest growing anti-histamines in the Canadian prescription market. These results reflect a strong allergy season in Canada and a growth in market share, 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 C$143 million, including C$70.1 million from the prescription market, which is growing at an annual rate of 17%, (*Source: IQVIA CDH dollars – Drugstores and hospitals purchases, MAT September 2021*).

Metoject® unit market demand in Canada has grown 3% in the trailing twelve months ended September 30, 2021, *(Source: IQVIA – TSA database)*. 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.

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).

A key aspect of the Company's 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 complementary growth opportunities in both current and planned therapeutic areas in both the US and Canada. 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.

SELECTED FINANCIAL INFORMATION

OPERATING RESULTS – SECOND QUARTER

Three-Month Periods Ended September 30	**2021 $'000**	2020 $'000	Variance $'000
Revenue	**17,901**	17,768	133
Cost of goods sold	**8,513**	8,109	404
Gross Profit	**9,388**	9,659	(271)
Selling and administrative expenses	**11,736**	8,274	3,462
Research and development	**1,773**	780	993
Termination benefits	**784**	-	784
Operating income (loss)	**(4,991)**	482	(5,473)
Net income (loss)	**10,145**	(1,564)	11,709
Adjusted net loss[(1)]	**(6,135)**	(1,258)	(4,877)
Adjusted EBITDA[(1)]	**(2,016)**	2,279	(4,295)
Cash provided by operating activities	**3,571**	23	3,548
Cash used by investing activities	**(119)**	(545)	426
Cash used by financing activities	**(5,363)**	(545)	(4,818)

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

OPERATING RESULTS – YEAR TO DATE

Six-Month Periods Ended September 30	**2021 $'000**	2020 $'000	Variance $'000
Revenue	**35,168**	37,765	(2,597)
Cost of goods sold	**18,856**	17,230	1,626
Gross Profit	**16,312**	20,535	(4,223)
Selling and administrative expenses	**23,461**	16,541	6,920
Research and development	**4,004**	1,425	2,579
Termination benefits	**784**	680	104
Operating income (loss)	**(12,153)**	1,646	(13,799)
Net income (loss)	**3,558**	(4,991)	8,549
Adjusted net loss[(1)]	**(15,968)**	(2,051)	(13,917)
Adjusted EBITDA[(1)]	**(6,928)**	5,879	(12,807)
Cash provided (used) by operating activities	**(3,244)**	3,017	(6,261)
Cash used by investing activities	**(6,006)**	(562)	(5,444)
Cash used by financing activities	**(1,274)**	(1,363)	89

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

Revenue

Total revenue was $17.9 million and $35.2 million for the three- and six-month periods ended September 30, 2021, respectively, compared to revenue of $17.8 million and $37.8 million for the three- and six-months period ended September 30, 2020.

As previously disclosed by the Company, the comparative period revenue figures do not account for over $2.5 million in revenue from IXINITY® sales, which was originally expected to be realized in September 2020, but was instead realized in early October 2020 due a delay in receipt of finished product from the Company's contract manufacturing partner. After adjusting for that event (i.e. assuming that such revenue had been recognized in September), the three- and six-month periods ended September 30, 2021 saw a year-over-year decrease in revenue mainly due to a drop in net sales of IXINITY®. While patient unit demand for IXINITY® continues to grow, net sales were lower as pharmacy and wholesale customers continued to work through inventory on hand.

This decrease in IXINITY® sales was partially offset by strong Rupall™ sales. Despite being on the market for more than four years, the trailing twelve-months ended September 30, 2021, saw unit demand growth of 33% *(Source: IQVIA CDH units – Drugstores and hospitals purchases)*. This is due to a strong allergy season across Canada, and further market share gained by the brand.

Gross Profit and Margin

In addition to actual cost of goods and royalties paid to licensors, 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 $9.4 million and $16.3 million for the three- and six-month periods ended September 30, 2021, respectively, compared to gross profit of $9.7 million and $20.5 million for the three- and six-months period ended September 30, 2020, respectively. The decline for the six-month period ended September 30, 2021 was due, in part, to an increase in cost of goods sold, caused by additional expenses related to failures during the IXINITY® manufacturing process in the quarter ended June 30, 2021, as previously disclosed.

The gross margin was 52.4% and 46.4% for the three- and six-month periods ended September 30, 2021, respectively, compared to 54.4% for both the three- and six-months period ended September 30, 2020.

Amortization of product licences included in cost of sales was $1.5 million and $2.9 million for the three- and six-month periods ended September 30, 2021, respectively, compared to $1.4 million and $2.7 million for the three- and six-month periods ended September 30, 2020, respectively.

Selling and Administrative Expenses

Selling and administrative expenses was $11.7 million and $23.5 million for the three- and six-month periods ended September 30, 2021, respectively, compared to $8.3 million and $16.5 million for the three- and six-month periods ended September 30, 2020, respectively.

The Company's selling and administrative expenses for the three- and six-month periods ended September 30, 2021 increased over the comparative period 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 reacted quickly to defer or cancel any further significant expenditures related to the treosulfan launch after receiving notice of the CRL on August 2, 2021. However, the Company believes that the CRL provides a path to review and approval, and continues to incur some expenses in anticipation of treosulfan's eventual commercial launch.

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

(a) employee benefit expense of $5.7 million (2020 - $4.0 million); the increase over the comparative period was due to the Company's increasing focus on growing its infrastructure to improve its capacity for future business development, and its preparations for the anticipated launch of treosulfan in the United States;

(b) sales and marketing expense of $2.4 million (2020 - $2.1 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 September 30, 2020, due to the uncertainty around COVID-19;

(c) regulatory and business development expense of $1.3 million (2020 - $1.2 million); and

(d) general administrative expenses of $2.4 million (2020 - $1.0 million); the increase over the comparative period is partially related to heavily restrained spending during the three-month period ended September 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 $1.8 million and $4.0 million for the three- and six-month periods ended September 30, 2021, respectively, compared to $0.8 million and $1.4 million for the three- and six-month periods ended September 30, 2020, respectively, as the Company continued to accelerate the IXINITY® Pediatric Study which is now 100% enrolled. The trial is expected to be completed in June 2022.

Termination Benefits

On July 19, 2021, the Company announced a change to its senior management team. Costs associated with this change, including any termination benefits paid to departing personnel (the "**Termination Benefits**") are considered outside of the normal course of business activity and are excluded from our Adjusted EBITDA (see *"Reconciliation of Adjusted EBITDA to Net Income (Loss)"*). During the three-months ended September 30, 2021, Termination Benefits totaled $0.8 million (2020 - $nil).

Operating Income or Loss

Operating loss for the three- and six-month periods ended September 30, 2021, was $5.0 million and $12.2 million, respectively, compared to an operating income of $0.5 million and $1.6 million for the three- and six-month periods ended September 30, 2020.

Net Income or Loss

Net income for the three- and six-month periods ended September 30, 2021, was $10.1 million and $3.6 million, respectively, compared to a net loss of $1.6 million and $5.0 million for the three- and six-month periods ended September 30, 2020.

Included in net income or loss is a non-cash unrealized gain or 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- and six-month periods ended September 30, 2021, was $6.1 million and $16.0 million, respectively, compared to $1.3 million and $2.1 million for the three- and six-month periods ended September 30, 2020; see *"Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)"*.

Adjusted EBITDA

Adjusted EBITDA for the three- and six-month periods ended September 30, 2021, was $(2.0) million and $(6.9) million, respectively, compared to $2.3 million and $5.9 million for the three- and six-month periods ended September 30, 2020.

The three- and six-month periods ended September 30, 2021 saw a year-over-year decrease in Adjusted EBITDA due to the impact of the IXINITY® manufacturing failures during the three-months ended June 30, 2021, the large increase in research & development costs over the comparative period, and the significant investments the Company made to improve its capacity for future business development, and prepare for the anticipated commercialization of treosulfan in the United States.

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 six-month periods ended September 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	Three Months		Six Months	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Net Income (Loss)	**10,145**	(1,562)	**3,558**	(4,991)
Add Back:				
Unrealized loss (gain) on fair value of derivatives	**(16,280)**	304	**(19,526)**	2,940
ADJUSTED NET LOSS	**(6,135)**	(1,258)	**(15,968)**	(2,051)

For Periods Ended September 30	Three Months		Six Months	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Net Income (Loss)	**10,145**	(1,562)	**3,558**	(4,991)
Add Back:				
Depreciation & Amortization (property, equipment, intangible assets)	**1,549**	1,480	**3,128**	2,946
Interest expenses	**3,072**	2,440	**5,956**	4,769
Income tax recovery	**(2,525)**	(273)	**(2,525)**	(1)
EBITDA	**12,241**	2,085	**10,117**	2,723
Share-based compensation	**642**	317	**1,313**	607
Termination benefits	**784**	-	**784**	680
Foreign exchange loss (gain)	**597**	(427)	**384**	(1,071)
Unrealized loss (gain) on fair value of derivative	**(16,280)**	304	**(19,526)**	2,940
ADJUSTED EBITDA	**(2,016)**	2,279	**(6,928)**	5,879

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. Failure to generate sufficient cash flows from operations or raise additional capital could have an adverse effect on the Company's ability to fulfill its financial obligations and to achieve its business objectives, including its ability to: make regulatory milestone payments if and when they become due; to carry on the development and commercialization of existing products and to secure new business opportunities and product registrations or clinical development programs; to prevent or mitigate delays or problems in the supply of products; and to comply with manufacturing regulations. Accordingly, in order to preserve or modify its capital structure and achieve its business objectives, the Company may require additional capital, which may include the issuance of additional shares and/or the negotiation of new loans.

As of September 30, 2021, the Company had $9.6 million (March 31, 2020 - $24.7 million) of available liquidity comprised of:

- cash and cash equivalents of $8.1 million (March 31, 2021 - $18.7 million); and
- undrawn credit of $1.5 million (March 31, 2021 - $6.1 million) available under the Company's secured asset-based revolving credit facility (the "Revolving Credit Facility").

On September 30, 2021 the Company and medac signed an amendment to the treosulfan US licensing agreement, pursuant to which, among other things, medac agreed to a non-cash transaction in which medac agreed to credit the Company with $2.5 million, attributable to prior regulatory milestone payments made by the Company to medac, which was used to offset certain existing invoices and payments the Company owed medac. Upon FDA approval, such amounts will again become payable to medac.

Cash Flows

Three-Month Periods Ended September 30	**2021 $'000**	2020 $'000	Variance $'000
Cash provided by operating activities	**3,571**	23	3,548
Cash used by investing activities	**(119)**	(545)	426
Cash used by financing activities	**(5,363)**	(545)	(4,818)
Decrease in cash position during the period	**(1,911)**	(1,067)	(844)
Impact of foreign exchange	**(151)**	(7)	(144)
Cash and cash equivalents, beginning of period	**10,199**	7,500	2,699
Cash and cash equivalents, end of period	**8,137**	6,426	1,711

Six-Month Periods Ended September 30	**2021 $'000**	2020 $'000	Variance $'000
Cash provided (used) by operating activities	**(3,244)**	3,017	(6,261)
Cash used by investing activities	**(6,006)**	(562)	(5,444)
Cash used by financing activities	**(1,274)**	(1,363)	89
Increase (decrease) in cash position during the period	**(10,524)**	1,092	(11,616)
Impact of foreign exchange	**(43)**	101	(144)
Cash and cash equivalents, beginning of period	**18,704**	5,233	13,471
Cash and cash equivalents, end of period	**8,137**	6,426	1,711

Operating activities

Cash provided by operating activities for the three-months ended September 30, 2021, was $3.6 million, compared to $0.0 million for the three-months ended September 30, 2020. This was composed of net income (loss), adjusted for non-cash expenditures, of $(3.4) million (2020 – $1.4 million) and a change in working capital of $7.0 million (2020 – $(1.4) million).

Cash used by operating activities for the six-months ended September 30, 2021, was $3.2 million, compared to cash provided by operating activities of $3.0 million for the six-months ended September 30, 2020. This was composed of net income (loss), adjusted for non-cash expenditures, of $(8.4) million (2020 – $4.2 million) and a change in working capital of $5.1 million (2020 – $(1.2) million).

Investing activities

Cash used by investing activities for the three- and six-months ended September 30, 2021, was $0.1 million and $6.0 million, respectively, compared to $0.5 million and $0.6 million for the three- and six-months ended September 30, 2020, respectively. The year-over-year increase for the six-month periods ended September 30, 2021 is due to milestone payments made on licencing deals.

Financing activities

Cash used by financing activities for the three- and six-months ended September 30, 2021, was $5.4 million and $1.3 million, respectively, compared to $0.5 million and $1.4 million for the three- and six-months ended September 30, 2020, respectively. The increase in the current period is due to payments made on the Revolving Credit Facility.

CAPITAL STRUCTURE

Description of the Company's Securities

The Company's authorized share capital consists of an unlimited number of common shares. As of November 10, 2021, the Company has 19,674,745 common shares outstanding. There have been no dividends declared during the three- or six-month periods ended September 30, 2021 or in the current period subsequent thereto. The Company had the following securities outstanding as at November 10, 2021:

Type of Security	Number/Principal Amount Outstanding	Common Shares Issuable Upon Conversion, Exercise or Exchange (as applicable)
Common shares	19,674,745	N/A
Common share purchase warrants(1)	-	4,524,762
Convertible Debentures(2)	-	9,891,907
Stock options	-	850,248
Restricted Share Units ("**RSUs**")(3)	-	970,444
Performance Share Units ("**PSUs**")(4)	-	267,997
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 November 10, 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 October 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 October 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 2018, the 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 Company's 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.

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 $67,000 (2020 – $62,000) for the three-month period, and $137,000 (2020 - $145,000) for the six-month period, ended September 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 $112,000 (2020 - $174,000) for the three-month period, and $192,000 (2020 - $157,000) for the six-month period, ended September 30, 2021.

Interest paid on Convertible Debentures which are owned or controlled, directly and indirectly, by three directors of the Company totaled approximately $72,000 (2020 - $70,000) for the three-month period, and $147,000 (2020 - $136,000) for the six-month period, ended September 30, 2021.

OFF -BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as of September 30, 2021.

QUARTERLY FINANCIAL INFORMATION

The following is a summary of unaudited quarterly financial information for each of the eight quarters ended September 30, 2021:

Three-months ended ($'000) [1]	30-Sept-21	30-Jun-21	31-Mar-21	31-Dec-20	30-Sept-20	30-Jun-20	31-Mar-20	31-Dec-19
Total Revenue	17,901	17,267	17,639	24,256	17,768	19,997	18,761	12,274
Gross Profit	9,388	6,924	8,813	12,657	9,659	10,876	9,668	6,797
Selling and Administrative Expenses	11,736	11,725	10,252	9,379	8,274	8,267	7,704	7,099
Transaction and Financing Expenses	-	-	634	448	-	-	1,933	173
Operating Income (Loss)	(4,991)	(7,162)	(4,566)	1,544	482	1,164	(1,448)	(2,505)
Net Income (Loss)	10,145	(6,587)	(10,490)	(12,781)	(1,562)	(3,429)	(1,587)	(1,988)
Net Income (Loss) per share - Basic	0.53	(0.34)	(0.63)	(0.88)	(0.11)	(0.24)	(0.10)	(0.14)
Net Income (Loss) per share - Diluted	0.52	(0.34)	(0.63)	(0.88)	(0.11)	(0.24)	(0.10)	(0.15)
Adjusted Net Loss [2]	(6,135)	(9,833)	(5,158)	(415)	(1,258)	(793)	(5,094)	(3,942)
Adjusted Net Loss[2] per share - Basic and Diluted	(0.32)	(0.51)	(0.32)	(0.03)	(0.09)	(0.06)	(0.36)	(0.28)
Adjusted EBITDA[2]	(2,016)	(4,912)	(1,599)	3,903	2,279	3,600	3,122	552
Cash provided (used) by operations	3,571	(6,815)	4,205	(2,166)	23	2,994	(1,300)	(795)
Cash & cash equivalents, end of period	8,137	10,199	18,704	9,365	6,426	7,500	5,233	17,408
Assets	137,210	142,970	148,513	138,262	122,014	125,525	122,768	85,715
Long-term liabilities	70,145	89,198	90,558	85,851	70,400	68,822	64,337	45,083
Dividends	-	-	-	-	-	-	-	-

Notes:
(1) Except per share amounts.
(2) See *"Reconciliation of 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.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

The Company's management is responsible for establishing and maintaining disclosure controls and procedures, as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**") and have designed such disclosure controls and procedures to provide reasonable assurance that material information with respect to the Company is made known to them and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal controls over financial reporting

The Company's management is responsible for establishing and maintaining internal controls over financial reporting ("**ICFR**"), as defined in NI 52-109 and have designed such ICFR to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS. The control framework the Company's management used to design the Company's ICFR is set forth in Internal Control–Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. There have been no changes in the Company's ICFR during the three months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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 September 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.