Management Discussion and Analysis

For the three- and nine-month periods ended December 31, 2021

INTERPRETATION

This management discussion and analysis of financial position and results of operations ("**MD&A**"), as approved by the board of directors (the "**Board**") of Medexus Pharmaceuticals Inc. (the "**Company**") on February 9, 2022, is prepared for the three- and nine-month periods ended December 31, 2021. The unaudited condensed interim consolidated financial statements of the Company for the three- and nine-month periods ended December 31, 2021, were prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"). This MD&A should be read in conjunction with the Company's financial statements.

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

This document contains references to trademarks and service marks, including those belonging to other companies, persons, or entities. Solely for convenience, trademarks and trade names referred to in this document may appear without the ® or TM symbols, but such references are not intended to indicate, in any way, that the holder or holders of the relevant intellectual property rights will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names.

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; 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 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 (including any variants) 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, travel restrictions, and fluctuations in financial and commodity markets. The extent to which COVID-19 (including any variants) 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 DECEMBER 31, 2021

Financial Highlights

Three-month period ended December 31, 2021

The Company achieved revenue of $21.3 million for the three-month period ended December 31, 2021, compared to $24.3 million for the three-month period ended December 31, 2020.

Additional financial highlights for the period include:

- Adjusted EBITDA was $1.9 million compared to $3.9 million for the same period last year; see *"Reconciliation of Adjusted EBITDA to Net Income (Loss)".*
- Available liquidity was $10.1 million at December 31, 2021, compared to $9.6 million at September 30, 2021; see *"Liquidity and Capital Resources".*
- Net loss was $1.2 million compared to $12.8 million for the same period last year. This included a non-cash unrealized gain of $2.2 million in the current period (2020 – unrealized loss of $12.4 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 $3.4 million compared to $0.4 million for the same period last year; see "*Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)*".

Nine-month period ended December 31, 2021

The Company achieved revenue of $56.4 million for the nine-month period ended December 31, 2021, compared to $62.0 million for the nine-month period ended December 31, 2020. Additional financial highlights for the period include:

- Adjusted EBITDA was $(5.0) million compared to $9.8 million for the same period last year; see *"Reconciliation of Adjusted EBITDA to Net Income (Loss)".*
- Available liquidity was $10.1 million at December 31, 2021, compared to $24.7 million at March 31, 2021; see *"Liquidity and Capital Resources".*
- Net income was $2.4 million compared to a net loss of $17.8 million for the same period last year. This included a non-cash unrealized gain of $21.8 million in the current period (2020 – unrealized loss of $15.3 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 $19.4 million compared to $2.5 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 nine-month periods ended December 31, 2021, or subsequent to the quarter-end, include:

- **IXINITY:** The Company continued to see positive trends with respect to sales, with unit market demand in the United States experiencing continuous growth in the trailing 12 twelve-months ended December 31, 2021 (Source: customer reported dispensing data), which the Company views as indicating a moderate level of patient conversions on top of a stable, existing base of patients. IXINITY net sales and gross margins were both affected by the Company's recent initiatives to reset the supply chain and selling process and preliminary results of the Company's ongoing manufacturing process modernization initiative. The Company expects gross margins for the product will ultimately improve further as a result of these operational efficiencies.

  On August 12, 2021, 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. The trial is expected to be completed in June 2022.

  IXINITY is currently approved in the United States for patients 12 years of age or older with hemophilia B. Once completed, this study could support an expansion of the indicated patient population for IXINITY in the United States. The Company is exploring approaches to addressing this potentially expanded market. Successfully expanding the indicated patient population, together with further reductions in associated manufacturing costs, could also render the product suitable for commercialization in other markets under out-licensing or other arrangements.

- **Rupall:** Rupall continued to generate strong unit demand growth of 30% for the trailing twelve-months ended December 31, 2021. This positions Rupall as one of the fastest growing anti-histamines in the Canadian prescription market (S*ource: IQVIA CDH units – Drugstores and hospitals purchases, MAT December 2021*). This strong growth reflects a severe allergy season across Canada and physicians increasingly switching patients to Rupall from either the generic prescription anti-histamines or over-the-counter products.

- **Rasuvo**: On a units-sold basis, Rasuvo continued to maintain, and in fact slightly increased, its market share in the United States in the trailing twelve-months ended December 31, 2021 *(Source: Symphony Sub National 12/31/2021 Data & Chargebacks, PAP)*. However, product revenue was negatively impacted by a decrease in effective unit-level prices that the Company implemented during the same period to defend its strong market share in light of increased competition in the branded methotrexate market.

- **Metoject**: Despite the launch of a generic product in the Canadian methotrexate market in 2020, Metoject continued to generate 8% growth in unit demand in the trailing twelve months ended December 31, 2021 *(Source: IQVIA – TSA database)*. However, product revenue was negatively impacted by a decrease in effective unit-level prices that the Company implemented during the same period to defend its strong market share.

- **Treosulfan:** Treosulfan is an innovative 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"). Treosulfan is orphan-designated in the United States.

  On June 28, 2021, the Company received a Notice of Compliance from Health Canada to commercialize treosulfan, which the Company currently markets in Canada under the tradename Trecondyv. As a result, on July 12, 2021, the Company entered into an exclusive license with medac GmbH ("medac") to commercialize treosulfan in Canada, which the Company had previously been distributing under the Special Access Program only and has now fully launched in the Canadian market.

  On February 2, 2021, the Company entered into an exclusive license with medac to commercialize treosulfan in the United States. On August 2, 2021 the Company was notified by medac that they 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. In the CRL, the FDA communicated that it would not approve the NDA in its present form, and provided recommendations for how medac should address the outstanding issues.

The FDA's recommendations primarily related to the provision of additional clinical and statistical data and analyses pertaining to the primary endpoint of the completed pivotal Phase III study. Based on the Company's discussions with medac, the Company believes that the FDA's recommendations have been addressed in medac's existing development plan for treosulfan. The Company participated in medac's Type A Meeting with the FDA on November 23, 2021 to review medac's resubmission plan. Following that meeting, and based on further discussions with medac, the Company's conclusion is that there is a path towards approval that does not involve completing an additional Phase III study, provided medac delivers to the FDA materials that address the FDA's outstanding issues. The NDA resubmission is currently expected to occur in the second calendar quarter of 2022, with a final FDA decision expected 2 to 6 months thereafter.

- **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 currently 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. These existing products have driven the Company's performance to date. The Company is also aggressively pursuing opportunities to complement its existing product portfolio through both licensing and M&A activity, with the objective of further leveraging existing infrastructure to deliver strong financial results. The Company recently 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 IXINITY unit data, which the Company views as 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 December 31, 2021 (*Source: customer reported dispensing data*). Notwithstanding these positive trends, net sales for the three- and nine-month periods ended December 31, 2021 were lower than in the comparative periods in the prior year, as pharmacy and wholesale customers continued to work through inventory on hand. Estimated average inventories held by customers have decreased to one-third of their levels compared to the three-month period ended December 31, 2020. In addition, the Company is investing in a pediatric study that, if proven safe and efficacious, could facilitate the expansion of the IXINITY product label to include the pediatric population. The study has completed 100% of the patient enrollment.

Rupall is experiencing very strong unit demand growth in its market, with an increase of 30% in the trailing twelve-months ended December 31, 2021, continuing its trend as one of the fastest growing anti-histamines in the Canadian prescription market. These results reflect a severe 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$162 million, including C$72 million from the prescription market, which is growing at an annual rate of 16%, (*Source: IQVIA CDH dollars – Drugstores and hospitals purchases, MAT December 2021*).

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"). On a units-sold basis, Rasuvo continued to maintain, and in fact slightly increased, its market share in the United States in the trailing twelve-months ended December 31, 2021 (Source: Symphony Sub National 12/31/2021 Data & Chargebacks, PAP). However, product revenue was negatively impacted by a decrease in effective unit-level prices that the Company implemented during the same period to defend its strong market share in light of increased competition in the branded methotrexate market.

Metoject is a pre-filled syringe of methotrexate, which is indicated for the treatment of rheumatoid arthritis and psoriasis. Despite the launch of a generic product in the Canadian methotrexate market in 2020, Metoject continued to generate 8% growth in unit demand in the trailing twelve months ended December 31, 2021 (Source: IQVIA – TSA database). However, product revenue was negatively impacted by a decrease in effective unit-level prices that the Company implemented during the same period to defend its strong market share.

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 its infrastructure and grow 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 – THIRD QUARTER

Three-Month Periods Ended December 31	**2021 $'000**	2020 $'000	Variance $'000
Revenue	**21,270**	24,256	(2,986)
Cost of goods sold	**9,769**	11,599	(1,830)
Gross Profit	**11,501**	12,657	(1,156)
Selling and administrative expenses	**10,679**	9,379	1,300
Research and development	**1,035**	1,155	(120)
Transaction fees	**33**	448	(415)
Operating income (loss)	**(339)**	1,544	(1,883)
Net loss	**(1,150)**	(12,783)	11,633
Adjusted net loss[(1)]	**(3,389)**	(417)	(2,972)
Adjusted EBITDA[(1)]	**1,916**	3,915	(1,999)
Cash used by operating activities	**(1,718)**	(2,182)	464
Cash used by investing activities	**(353)**	(752)	399
Cash provided by financing activities	**3,477**	5,743	(2,266)

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

OPERATING RESULTS – YEAR TO DATE

Nine-Month Periods Ended December 31	**2021 $'000**	2020 $'000	Variance $'000
Revenue	**56,438**	62,021	(5,583)
Cost of goods sold	**28,625**	28,829	(204)
Gross Profit	**27,813**	33,192	(5,379)
Selling and administrative expenses	**34,140**	25,920	8,220
Research and development	**5,039**	2,580	2,459
Transaction fees	**33**	448	(415)
Termination benefits	**784**	680	104
Operating income (loss)	**(12,492)**	3,190	(15,682)
Net income (loss)	**2,408**	(17,774)	20,182
Adjusted net loss[(1)]	**(19,357)**	(2,468)	(16,889)
Adjusted EBITDA[(1)]	**(5,012)**	9,794	(14,806)
Cash provided (used) by operating activities	**(4,962)**	835	(5,797)
Cash used by investing activities	**(6,359)**	(1,314)	(5,045)
Cash provided by financing activities	**2,203**	4,380	(2,177)

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

Revenue

Total revenue was $21.3 million and $56.4 million for the three- and nine-month periods ended December 31, 2021, respectively, compared to revenue of $24.3 million and $62.0 million for the three- and nine-months period ended December 31, 2020, respectively.

The timing of large orders can cause variability in the Company's revenue quarter-to-quarter. In late December 2021, the Company received and filled a large order totaling approximately $2.0 million, which was originally anticipated to be received in the fourth quarter.

As previously disclosed by the Company, the three-month comparative period revenue figure includes 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.

The three- and nine-month periods ended December 31, 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. Estimated average inventories held by customers have decreased to one-third of their levels compared to the three-month period ended December 31, 2020.

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 December 31, 2021, saw unit demand growth of 30% *(Source: IQVIA CDH units – Drugstores and hospitals purchases)*. This is due to a severe 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 $11.5 million and $27.8 million for the three- and nine-month periods ended December 31, 2021, respectively, compared to gross profit of $12.7 million and $33.2 million for the three- and nine-months period ended December 31, 2020, respectively. The decline for the nine-month period ended December 31, 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 Company is currently in the middle of an initiative focused on modernizing the manufacturing process in an effort to minimize the risk of future manufacturing failures and improve yields.

The gross margin was 54.1% and 49.3% for the three- and nine-month periods ended December 31, 2021, respectively, compared to 52.2% and 53.5% for the three- and nine-months period ended December 31, 2020, respectively. The higher gross margin for the three-month period ended December 31, 2021, versus the comparative period is due to an increase in sales of higher margin products in Canada, as well as improvements made to the IXINITY manufacturing process, which has begun to generate improved yields, reducing the Company's cost per unit of IXINITY. The lower gross margin for the nine-month period ended December 31, 2021, versus the comparative period is due to the additional expenses related to failures during the IXINITY manufacturing process, discussed above.

Amortization of product licences included in cost of sales was $1.4 million and $4.3 million for the three- and nine-month periods ended December 31, 2021, respectively, compared to $1.4 million and $4.1 million for the three- and nine-month periods ended December 31, 2020, respectively.

Selling and Administrative Expenses

Selling and administrative expenses was $10.7 million and $34.1 million for the three- and nine-month periods ended December 31, 2021, respectively, compared to $9.4 million and $25.9 million for the three- and nine-month periods ended December 31, 2020, respectively.

The Company's selling and administrative expenses for the three- and nine-month periods ended December 31, 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 in the United States. 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 December 31, 2021 were comprised of:

(a) employee benefit expense of $5.5 million (2020 - $4.3 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 $2.0 million (2020 - $2.4 million); the decrease over the prior period is due to a concerted effort to reduce variable spending;

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

(d) general administrative expenses of $1.8 million (2020 - $1.5 million); the increase over the comparative period is partially due to higher recurring costs incurred as a result of the Company's graduation to the TSX.

Research & Development

Research & development was $1.0 million and $5.0 million for the three- and nine-month periods ended December 31, 2021, respectively, compared to $1.2 million and $2.6 million for the three- and nine-month periods ended December 31, 2020, respectively, as the Company continued to fund the IXINITY Pediatric Study which is now 100% enrolled. The trial is expected to be completed in June 2022.

Operating Income or Loss

Operating loss for the three- and nine-month periods ended December 31, 2021, was $0.3 million and $12.5 million, respectively, compared to an operating income of $1.5 million and $3.2 million for the three- and nine-month periods ended December 31, 2020, respectively.

Net Income or Loss

Net loss for the three-month period ended December 31, 2021, was $1.2 million and net income for the nine-month period ended December 31, 2021 was $2.4 million, compared to a net loss of $12.8 million and $17.8 million for the three- and nine-month periods ended December 31, 2020, respectively.

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 nine-month periods ended December 31, 2021, was $3.4 million and $19.4 million, respectively, compared to $0.4 million and $2.5 million for the three- and nine-month periods ended December 31, 2020; see *"Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".*

Adjusted EBITDA

Adjusted EBITDA for the three- and nine-month periods ended December 31, 2021, was $1.9 million and $(5.0) million, respectively, compared to $3.9 million and $9.8 million for the three- and nine-month periods ended December 31, 2020, respectively. see *"Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)"*.

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

	Three Months		Nine Months	
For Periods Ended December 31	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Net Income (Loss)	**(1,150)**	(12,783)	**2,408**	(17,774)
Add Back:				
Unrealized loss (gain) on fair value of derivatives	**(2,239)**	12,366	**(21,765)**	15,306
ADJUSTED NET LOSS	**(3,389)**	(417)	**(19,357)**	(2,468)

	Three Months		Nine Months	
For Periods Ended December 31	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Net Income (Loss)	**(1,150)**	(12,783)	**2,408**	(17,774)
Add Back:				
Depreciation & Amortization (property, equipment, intangible assets)	**1,500**	1,508	**4,628**	4,454
Interest expense	**3,160**	2,500	**9,116**	7,269
Income tax expense (recovery)	**(94)**	359	**(2,619)**	358
EBITDA	**3,416**	(8,416)	**13,533**	(5,693)
Share-based compensation	**722**	415	**2,035**	1,022
Transaction fees	**33**	448	**33**	448
Termination benefits	**-**	-	**784**	680
Foreign exchange loss (gain)	**(16)**	(898)	**368**	(1,969)
Unrealized loss (gain) on fair value of derivative	**(2,239)**	12,366	**(21,765)**	15,306
ADJUSTED EBITDA	**1,916**	3,915	**(5,012)**	9,794

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.

In the next 12 months the Company anticipates a significant milestone payment of between $15 million and $45 million becoming payable, dependent on the receipt and scope of the FDA's approval of treosulfan, for which the Company would need additional capital to maintain its exclusive license and distribution rights of treosulfan in the United States. Sources of funding historically for the Company have been the issuance of equity securities through public offerings and debt financing. Management will pursue such additional sources of funding when required, and while management has been successful in securing funding in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

As of December 31, 2021, the Company had $10.1 million (March 31, 2020 - $24.7 million) of available liquidity comprised of:

- cash and cash equivalents of $9.6 million (March 31, 2021 - $18.7 million); and
- undrawn credit of $0.6 million (March 31, 2021 - $6.1 million) available under the Company's secured asset-based revolving credit facility (the "ABL").

The Company's ABL is shown in the current portion of long-term debt in the Company's consolidated statement of financial position. This is due to the ABL's repayment and re-borrowing accommodations; however, there is no expectation that the ABL will be repaid in full in advance of the credit facility's expiration on June 30, 2023.

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 December 31	**2021 $'000**	2020 $'000	Variance $'000
Cash used by operating activities	**(1,718)**	(2,182)	464
Cash used by investing activities	**(353)**	(752)	399
Cash provided by financing activities	**3,477**	5,743	(2,266)
Increase in cash position during the period	**1,406**	2,809	(1,403)
Impact of foreign exchange	**28**	130	(102)
Cash and cash equivalents, beginning of period	**8,137**	6,426	1,711
Cash and cash equivalents, end of period	**9,571**	9,365	206

Nine-month Periods Ended December 31	**2021 $'000**	2020 $'000	Variance $'000
Cash provided (used) by operating activities	**(4,962)**	835	(5,797)
Cash used by investing activities	**(6,359)**	(1,314)	(5,045)
Cash provided by financing activities	**2,203**	4,380	(2,177)
Increase (decrease) in cash position during the period	**(9,118)**	3,901	(13,019)
Impact of foreign exchange	**(15)**	231	(246)
Cash and cash equivalents, beginning of period	**18,704**	5,233	13,471
Cash and cash equivalents, end of period	**9,571**	9,365	206

Operating activities

Cash used by operating activities for the three-months ended December 31, 2021, was $1.7 million, compared to $2.2 million for the three-months ended December 31, 2020. This was composed of net income (loss), adjusted for non-cash expenditures, of $1.5 million (2020 – $3.3 million) and a change in working capital of $(3.2) million (2020 – $(5.5) million).

Cash used by operating activities for the nine-months ended December 31, 2021, was $5.0 million, compared to cash provided by operating activities of $0.8 million for the nine-months ended December 31, 2020. This was composed of net income (loss), adjusted for non-cash expenditures, of $(6.9) million (2020 – $7.6 million) and a change in working capital of $1.9 million (2020 – $(6.7) million).

Investing activities

Cash used by investing activities for the three- and nine-months ended December 31, 2021, was $0.4 million and $6.4 million, respectively, compared to $0.8 million and $1.3 million for the three- and nine-months ended December 31, 2020, respectively. The year-over-year increase for the nine-month periods ended December 31, 2021 is due to milestone payments made on licencing deals.

Financing activities

Cash provided by financing activities for the three- and nine-months ended December 31, 2021, was $3.5 million and $2.2 million, respectively, compared to $5.7 million and $4.3 million for the three- and nine-months ended December 31, 2020, respectively, as the Company drew on its 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 February 9, 2022, the Company has 19,950,038 common shares outstanding. There have been no dividends declared during the three- or nine-month periods ended December 31, 2021 or in the current period subsequent thereto. The Company had the following securities outstanding as at February 9, 2022:

Type of Security	Number/Principal Amount Outstanding	Common Shares Issuable Upon Conversion, Exercise or Exchange (as applicable)
Common shares	19,950,038	N/A
Common share purchase warrants[(1)]	-	4,524,762
Convertible Debentures[(2)]	-	9,891,907
Stock options	-	855,988
Restricted Share Units ("**RSUs**")[(3)]	-	700,050
Performance Share Units ("**PSUs**")[(4)]	-	297863
Compensation Warrants[(5)]	-	366,937

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 January 2022 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 December 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 entering into of the Company's term loan facility, on February 28, 2020, the Company issued 134,290 common share purchase warrants ("**Compensation Warrants**") 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 $41,000 (2020 – $62,000) for the three-month period, and $178,000 (2020 - $207,000) for the nine-month period, ended December 31, 2021.

The Company pays royalties on an exclusive licensing agreement with 9346-4626 Québec Inc., a private company operating as Transican, a significant shareholder of the Company. Royalties paid totaled approximately $95,000 (2020 - $107,000) for the three-month period, and $287,000 (2020 - $264,000) for the nine-month period, ended December 31, 2021.

Interest paid on Convertible Debentures which are owned or controlled, directly and indirectly, by directors of the Company totaled approximately $73,000 (2020 - $69,000) for the three-month period, and $220,000 (2020 - $205,000) for the nine-month period, ended December 31, 2021.

OFF -BALANCE SHEET ARRANGEMENTS

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

QUARTERLY FINANCIAL INFORMATION

The following is a summary of unaudited quarterly financial information for each of the eight quarters ended December 31, 2021:

Three-months ended ($'000) [1]	31-Dec-21	30-Sept-21	30-Jun-21	31-Mar-21	31-Dec-20	30-Sept-20	30-Jun-20	31-Mar-20
Total Revenue	21,270	17,901	17,267	17,639	24,256	17,768	19,997	18,761
Gross Profit	11,501	9,388	6,924	8,813	12,657	9,659	10,876	9,668
Selling and Administrative Expenses	10,679	11,736	11,725	10,252	9,379	8,274	8,267	7,704
Research and Development	1,035	1,773	2,231	2,016	1,155	780	645	381
Transaction Fees	33	-	-	634	448	-	-	1,933
Operating Income (Loss)	(339)	(4,991)	(7,162)	(4,566)	1,544	482	1,164	(1,448)
Net Income (Loss)	(1,150)	10,145	(6,587)	(10,490)	(12,783)	(1,562)	(3,429)	(1,587)
Net Income (Loss) per share - Basic	(0.07)	0.53	(0.34)	(0.63)	(0.88)	(0.11)	(0.24)	(0.10)
Net Income (Loss) per share - Diluted	(0.07)	0.52	(0.34)	(0.63)	(0.88)	(0.11)	(0.24)	(0.10)
Adjusted Net Loss [2]	(3,389)	(6,135)	(9,833)	(5,158)	(417)	(1,258)	(793)	(5,094)
Adjusted Net Loss[2] per share - Basic and Diluted	(0.17)	(0.32)	(0.51)	(0.32)	(0.03)	(0.09)	(0.06)	(0.36)
Adjusted EBITDA[2]	1,916	(2,016)	(4,912)	(1,620)	3,915	2,279	3,600	3,122
Cash provided (used) by operations	(1,718)	3,571	(6,815)	4,203	(2,182)	23	2,994	(1,300)
Cash & cash equivalents, end of period	9,571	8,137	10,199	18,704	9,365	6,426	7,500	5,233
Assets	138,131	137,210	142,970	148,513	138,262	122,014	125,525	122,768
Long-term liabilities	68,350	70,145	89,198	90,558	85,851	70,400	68,822	64,337
Dividends	-	-	-	-	-	-	-	-

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

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 Board has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks are appropriately managed, including through the use of financial instruments where appropriate.

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 December 31, 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 December 31, 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.