Management's Discussion & Analysis

For the three-month period ended June 30, 2022

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PRELIMINARY NOTES

This management's discussion and analysis of financial position and results of operations (**MD&A**) of Medexus Pharmaceuticals Inc. and its subsidiaries (collectively **Medexus** or **Company**) relates to the three-month period ended June 30, 2022. It was approved by Medexus's board of directors (**Board**) on August 8, 2022.

The unaudited condensed interim consolidated financial statements of Medexus for the three-month period ended June 30, 2022 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 Medexus's audited consolidated financial statements and most recently filed annual information form (**AIF**).

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

Forward-looking statements

Certain statements in this MD&A contain forward-looking information within the meaning of applicable securities laws (**forward-looking statements**). Such forward-looking statements include statements that express or involve discussions as to expectations, beliefs, plans, objectives, assumptions, or future events or performance, and which are not historical facts. Forward-looking statements are often, but not always, indicated by 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". All forward-looking statements in this MD&A are expressly qualified by the cautionary statements in this section.

Specific forward-looking statements in this MD&A include, but are not limited to, information contained in statements regarding any of the following: Medexus's business strategy, outlook, and other expectations regarding financial or operational performance; anticipated trends and challenges in Medexus's business and the markets in which it operates, including the company's competitive position in and demographics of those markets; Medexus's expectations and plans regarding future growth and revenues and ability to pay dividends and distributions; Medexus's expectations regarding the business strategies of its competitors; Medexus's expectations regarding availability of funds from operations, cash flow generation, and capital allocation, and anticipated cash needs, capital requirements, and needs for additional financing; Medexus's ability to secure and fund commercialization rights to promising products and the performance of those products against expectations; the ability of Medexus and its business partners to secure regulatory approvals from the U.S. Food and Drug Administration (**FDA**), Health Canada, and other agencies when required; and the potential ongoing impact of the Covid-19 pandemic (including any variants) and Medexus's response, including any balance-sheet and cost management strategies and any benefits from those strategies. In addition, forward-looking statements in this MD&A also include statements regarding the potential benefits of treosulfan and the timing and expected outcome of the FDA approval process for treosulfan, including submission of information to the FDA and the FDA's acceptance and review of that information, and a related launch of the product in the United States and expectations regarding the product's prospects if approved by the FDA.

The forward-looking statements and information included in this MD&A are based on Medexus's current expectations and assumptions. Although Medexus believes that such expectations and assumptions are reasonable, readers of this MD&A should not place undue reliance on the forward-looking statements and information in this MD&A because Medexus can give no assurance that they will prove to be correct. Forward-looking statements and information involve inherent risks and uncertainties because they address future events and conditions. Actual results could differ materially from those currently anticipated by Medexus as a result of a number of factors, risks and uncertainties. Relevant risks and uncertainties include, among other things, the uncertainties inherent in research and development conducted by Medexus or, more frequently, its business partners, including the ability to meet anticipated clinical endpoints, commencement and/or completion dates for clinical trials, regulatory submission dates, regulatory approval dates and/or launch dates, as well as the possibility of unfavorable new clinical data and further analyses of existing clinical data; the risk that clinical trial data relating to product candidates are subject to differing interpretations and assessments by regulatory authorities; whether regulatory authorities will be satisfied with the design of and results from clinical studies of a given product candidate; whether and when drug applications may be filed in a given market for the relevant product; whether and when any such applications may be approved by regulatory authorities, which will depend on many factors, including making a determination as to whether the product candidate's benefits outweigh its known risks and determination of the product candidate's efficacy; decisions by regulatory authorities impacting labeling, manufacturing processes, safety, and/or other matters that could affect the availability or commercial potential of the product; and, if approved, whether the product will be commercially successful, including as a result of competitive developments. A further description of material risk factors that could cause actual results or events to differ materially from those expressed in Medexus's forward-looking statements can be found under the heading "Risk Factors and Risk Management" in this MD&A and "Risk Factors" in Medexus's most recent AIF. In addition, new factors and risks that affect Medexus can emerge from time to time. It is not possible for management to predict all such factors and risks and to assess in advance the impact of each such factor or risk on Medexus's business, or the extent to which any factor or risk, or combination of factors or risks, may cause actual results to differ materially from those contained in any of Medexus's forward-looking statements.

Unless otherwise noted, any forward-looking statement speaks only as of the date of this MD&A. Except as expressly required by applicable law, Medexus does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which that forward-looking statement is made or to reflect the occurrence of unanticipated subsequent events.

Non-GAAP measures

Company management uses, and this MD&A refers to, financial measures that are not recognized under IFRS and do not have a standard meaning prescribed by generally accepted accounting principles (**GAAP**) in accordance with IFRS or other financial or accounting authorities (**non-GAAP measures**). These non-GAAP measures may include "non-GAAP financial measures" and "non-GAAP ratios" (each defined in National Instrument 52-112, *Non-GAAP and Other Financial Measures Disclosure*). Medexus's method for calculating these measures may differ from methods used by other companies and therefore these measures are unlikely to be comparable to similarly-designated measures used or presented by other companies. Medexus believes that these non-GAAP measures complement its IFRS measures and provide additional insight into,

and allow for a more complete understanding of, the company's financial and operational results and management's perspective on Medexus's business and operations.

In particular, management uses Adjusted Net Income (Loss) and Adjusted EBITDA as measures of Medexus's performance. Adjusted Net Income (Loss), EBITDA (earnings before interest, taxes, depreciation, and amortization) and Adjusted EBITDA are non-GAAP financial measures. In addition, Adjusted Net Income (Loss) is presented in this MD&A on a per share basis. Adjusted Net Income (Loss) per Common Share is a non-GAAP ratio and is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of Common Shares outstanding during the applicable period.

Medexus considers Adjusted Net Income (Loss) and Adjusted EBITDA to be key metrics in assessing business performance and an important measure of operating performance and cash flow. However, Medexus's non-GAAP measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of Medexus's financial information as reported under IFRS.

A further explanation and discussion of each of these non-GAAP measures, including their limitations, is set out below. A reconciliation of each of these non-GAAP measures to the most directly comparable IFRS measure can be found under the heading "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

Adjusted Net Income (Loss)

Medexus defines **Adjusted Net Income (Loss)** as net income (loss), determined under IFRS, before unrealized loss (gain) on the change in fair value of the embedded derivatives in Medexus's 6% unsecured convertible debentures due 2023 (**Convertible Debentures**).

The Convertible Debentures are a compound financial instrument under IAS 32, *Financial Instruments: Presentation*, and have both a liability and an embedded derivative component. The fair value of the consideration for the compound instrument must be split into its liability and derivative components. The derivative is measured at fair value through profit or loss, and its fair value must be measured at each reporting period with subsequent changes in fair value recorded in the consolidated statement of loss. This non-cash value is sensitive to, among other things, fluctuations in Medexus's share price, which is largely outside management's control and subject to external factors. In addition, several key assumptions affect the results of this calculation, including estimated share price volatility. Medexus uses a derivative valuation model to estimate the fair value of the derivative at the inception date and again at subsequent reporting dates. The most significant assumption used in this model is the discount rate to fair value for the liability component of the Convertible Debentures. Several other assumptions affect the results of this calculation, including estimated share price volatility.

Adjusted Net Income (Loss) adjusts net income (loss) to exclude these non-cash unrealized losses (gains). Medexus believes that Adjusted Net Income (Loss) provides a better representation of Medexus's performance because it excludes these non-cash fair value adjustments on unrealized liabilities that are largely outside management's control and that Medexus can settle for shares.

Adjusted EBITDA

Medexus defines Adjusted EBITDA as net income (loss), or earnings, adjusted to exclude interest income and expense, income tax recovery and expense, depreciation of property and equipment, amortization of intangible assets, share-based compensation, financing and special transaction costs (for clarity, including fees related to acquisitions and related financings), termination benefits, foreign exchange gains or losses, unrealized gain or loss on the fair value of the embedded derivatives in the Convertible Debentures, unrealized gain or loss on the fair value of amounts payable in connection with business combination transactions, income from sale of assets, and impairment of intangible assets.

Medexus believes that Adjusted EBITDA, when used in conjunction with IFRS financial measures, is a useful supplemental measure of operating performance because Medexus believes that Adjusted EBITDA corresponds more closely over time to the performance of the company's underlying business assets. In particular, Medexus believes that Adjusted EBITDA facilitates comparisons of historical performance by excluding non-cash items (such as stock-based payments, fair value adjustments, and impairment charges) and other amounts not directly attributable to the company's primary operations (such as the impact of acquisitions, dispositions, and settlements).

Company management and the Board also use this non-GAAP measure to develop internal budgets and evaluate the performance of the company and its management team.

Key limitations to using Adjusted EBITDA include the following –

- Adjusted EBITDA does not reflect the cash requirements necessary to service interest or principal payments on Medexus's debt, that may be required to pay the company's taxes, that Medexus pays in connection with financing and special transactions, or that Medexus pays to former employees as termination benefits.
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for those potential future replacements.
- Although stock-based compensation expenses are non-cash charges, Medexus relies on equity instruments to compensate and incentivize company directors, officers, and employees, and expects to continue doing so in the future.
- Although adjusting for the fair value of the embedded derivatives in the Convertible Debentures and the fair value of amounts payable in connection with business combination transactions are non-cash adjustments, these charges generally reflect the present value of amounts that Medexus may be required to pay in Common Shares.

Trademarks and trade names

This MD&A 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 "™" symbols. Each such reference should be read as though it appears with the relevant symbol. Any 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.

COMPANY OVERVIEW

Medexus is a leader in innovative rare-disease treatment solutions with a strong North American commercial platform and a portfolio of proven best-in-class products. Medexus's experienced management team has a long and proven track record of successfully sourcing, developing, and commercializing pharmaceutical products in a variety of therapeutic areas at all stages of their life cycle throughout the United States and Canada.

Medexus's current focus is on the therapeutic areas of oncology, hematology, rheumatology, auto-immune diseases, and allergy. Medexus continues to build a highly differentiated company with a growing portfolio of innovative high-value orphan drug and rare disease products that will underpin the company's future growth.

Medexus's current leading products are –

- IXINITY, an 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;
- Rasuvo (U.S.) and Metoject (Canada), a unique formulation of methotrexate (auto-pen and pre-filled syringe) designed to treat rheumatoid arthritis and other auto-immune diseases; and
- Rupall, an innovative prescription allergy medication with a unique mode of action.

These existing products have primarily driven Medexus's performance to date. Medexus also actively pursues opportunities to complement its existing product portfolio by licensing and acquiring new products. For example –

- Medexus recently acquired exclusive U.S. and Canadian rights to commercialize Gleolan (aminolevulinic acid hydrochloride or ALA HCl). Gleolan is an optical imaging agent currently indicated in patients with glioma (suspected World Health Organization Grades III or IV on preoperative imaging) as an adjunct for the visualization of malignant tissue during surgery. Gleolan is approved by Health Canada and the U.S. Food and Drug Administration (FDA), and is orphan drug designated in the United States.
- Medexus previously acquired exclusive U.S. and Canadian rights to commercialize treosulfan. Treosulfan is part of a preparative regimen for allogeneic hematopoietic stem cell transplantation (allo-HSCT) to be used in combination with fludarabine, used in treating eligible patients with acute myeloid leukemia (AML) and myelodysplastic syndromes (MDS). Final study results and analysis of the pivotal phase 3 clinical trial of treosulfan conducted by medac, a strategic partner of Medexus, demonstrated clinically relevant superiority of treosulfan over a widely applied "reduced-intensity conditioning" busulfan regimen with regard to its primary endpoint, event-free survival and favorable conclusions on two key secondary endpoints, overall survival and non-relapse mortality. (Source: Beelen et al, "Treosulfan compared with reduced-intensity busulfan improves allogeneic hematopoietic cell transplantation outcomes of older acute myeloid leukemia and myelodysplastic syndrome patients: Final analysis of a prospective randomized trial", American Journal of Hematology (May 2022).) Treosulfan is approved by Health Canada, is currently the subject of an ongoing regulatory review process with the FDA, and is orphan drug designated in the United States.

For more information about Medexus's products and programs, see "Narrative Description of Medexus's Business—Core products and programs" in the AIF.

Medexus believes that its existing commercialization infrastructure will benefit from leverage effects as Medexus continues optimizing the company's product portfolio. Medexus therefore regularly explores additional complementary product opportunities in both current and planned therapeutic areas in both the United States and Canada, and regularly evaluates various transaction opportunities based on the company's strategic plan. The company's current objective is to execute near-term accretive transactions to achieve its growth targets over the coming years to deliver strong financial results for the company and its investors.

Medexus believes that the company offers a scalable commercial platform that can provide significant revenue and earnings potential. To achieve this objective, Medexus continues striving to increase revenue, develop and leverage the company's commercialization infrastructure across products, realize synergies across the company's predecessor companies, and maintain strict financial discipline.

SELECTED FINANCIAL INFORMATION

(Amounts in $ '000s)

Three-Month Periods Ended June 30	2022 $'000	2021 $'000	2020 $'000
Revenue	23,046	17,267	19,997
Cost of goods sold	8,657	8,894	7,775
Gross profit	12,944	6,924	10,876
Selling and administrative expense	12,125	11,725	8,267
Research and development	661	2,231	645
Transaction fees	28	-	-
Operating income (loss)	33	(7,162)	1,164
Net loss	(1,398)	(6,587)	(3,429)
Adjusted net loss*	(3,637)	(9,833)	(793)
Adjusted EBITDA*	1,906	(4,912)	3,600
Basic and diluted net loss per share	(0.07)	(0.34)	(0.24)
Total assets	136,399	142,970	125,525
Total non-current liabilities	69,133	89,198	68,822
Cash provided (used) by operating activities	(4,015)	(6,815)	2,994
Cash used by investing activities	(165)	(5,887)	(17)
Cash provided by financing activities	1,524	4,089	(818)

* See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

HIGHLIGHTS FOR THREE-MONTH PERIOD ENDED JUNE 30, 2022

The following describes highlights in Medexus's financial and operating performance for the three-month period ended June 30, 2022.

Financial Highlights

Medexus achieved revenue of $23.0 million for the three-month period ended June 30, 2022, an increase of $5.7 million, or 33.0%, compared to $17.3 million for the three-month period ended June 30, 2021. The revenue increase was primarily attributable to an increase in net sales of IXINITY and recognition of a portion of revenue from Gleolan sales in the United States. Medexus expects net sales of Gleolan to be recognized in full in Medexus's total revenue within Medexus's second financial quarter 2023. See "—Operational Highlights—Product highlights—Recently added products—Gleolan (United States)".

Medexus achieved Adjusted EBITDA of $1.9 million for the three-month period ended June 30, 2022, an increase of $6.8 million compared to the three-month period ended June 30, 2021. See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted EBITDA to Net Income (Loss)". The Adjusted EBITDA increase was primarily attributable to an organic increase in net sales, including sales of IXINITY, a reduction in research & development costs, and recognition of a portion of revenue from Gleolan sales in the United States, during the three-month period ended June 30, 2022. In addition, Adjusted EBITDA for the three-month period ended June 30, 2021 was negatively impacted by the failed batches of IXINITY discussed under "—Gross profit and gross margin".

Additional financial highlights for the three-month period ended June 30, 2022 include the following –

- Available liquidity of $8.7 million (June 30, 2022) compared to $11.2 million (March 31, 2022). See "Liquidity and Capital Resources".
- Net loss of $1.4 million compared to $6.6 million for the three-month period ended June 30, 2021, an improvement of $5.2 million.
- Adjusted net loss of $3.6 million compared to $9.8 million for the three-month period ended June 30, 2021. Adjusted net loss is adjusted for non-cash unrealized gain of $2.2 million for the three-month period ended June 30, 2022 and $3.2 million for the three-month period ended June 30, 2021. See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

Operational Highlights

Product highlights

Current leading products by revenue

IXINITY

Pharmacy and wholesale customers have now returned to normal buying patterns that are better aligned with patient unit demand. The highly targeted IXINITY patient population means that small

changes in the IXINITY patient base affect overall IXINITY sales and period-over-period comparability.

Medexus continues to invest in its initiative to improve the IXINITY manufacturing process, which remains ongoing. Preliminary results of this initiative have indicated meaningfully improved yields. Although it is not yet certain that these preliminary results indicate a sustained trend, Medexus continues to expect that gross margins for the product will ultimately improve as a result of operational efficiencies generated by these investments over the coming quarters.

Rasuvo
Unit demand increased in the trailing 12-month period ended June 30, 2022. (Source: Symphony Sub National 6/30/2022 Data & Chargebacks, PAP.) However, increasing competition in the U.S. branded methotrexate market continue to negatively affect Rasuvo product-level revenue. Medexus implemented effective unit-level price reductions to defend its strong branded market position.

Rupall
Unit demand in Canada experienced strong growth in the trailing 12-month period ended June 30, 2022, which continues to position Rupall as one of the fastest-growing antihistamines in the Canadian prescription market, with unit demand growth of 22% for the 12 months ended June 30, 2022. (Source: IQVIA CDH units – Drugstores and hospitals purchases, MAT June 2022.) Medexus attributes this growth to increasingly severe allergy seasons across Canada and successful sustained execution of the company's sales and marketing initiatives.

Metoject
Unit demand increased in the trailing 12-month period ended June 30, 2022. (Source: IQVIA – TSA database.) However, product-level performance continues to experience disruption from the launch of a generic product in the Canadian methotrexate market in calendar year 2020. Medexus implemented effective unit-level price reductions to defend its strong market position.

In August 2020, Medexus and medac commenced a patent litigation in Canada's Federal Court relating to two generic versions of Metoject in Canada (**Metoject Litigation**). Medexus and medac intend to take all appropriate steps to enforce their intellectual property rights under medac's Canadian patent rights relating to concentrated methotrexate solutions, which Medexus licenses from medac to market and sell Metoject in Canada. A trial date has been set for early calendar year 2023. For more information about the Metoject Litigation, see the AIF.

Recently added products

Gleolan (United States)
In March 2022, Medexus entered into a license, supply, and distribution agreement (**U.S. Gleolan Agreement**) with NX Development Corp. (**NXDC**), the U.S. subsidiary of photonamic GmbH & Co. (**Photonamic**). Under the U.S. Gleolan Agreement, Medexus acquired the exclusive right to commercialize Gleolan in the United States. This transaction extended Medexus's strong relationship with Photonamic and complements Medexus's existing commercialization rights to Gleolan in Canada, where Medexus executed a full commercial launch of Gleolan in February 2021.

Gleolan sales during the ongoing transition period, including the three-month period ended June 30, 2022, have been in line with expectations, and Medexus recognized a portion of net

sales in its revenue accordingly. Transition of commercialization responsibility to Medexus under the U.S. Gleolan Agreement continues to go well, and Medexus expects to complete this process in full in the current financial quarter ending September 30, 2022. This will result in Medexus having full responsibility for commercializing Gleolan in the United States, which will therefore allow Medexus to begin fully recognizing product revenue within the three-month period ending September 30, 2022.

Treosulfan (United States)
In July 2022, medac GmbH (**medac**), a strategic partner of Medexus, resubmitted its New Drug Application (**NDA**) for treosulfan with the FDA. The resubmission included updates to data files and supporting information in response to the FDA's information request received in May 2022, following medac's April 2022 resubmission in response to the FDA's July 2021 Complete Response Letter to medac. The review clock for the FDA's review of the NDA resubmission will then start if and when the response is considered complete by the FDA.

During the extended registration period, Medexus has continued to work diligently with medac to further prepare for the launch of treosulfan in the United States. An FDA approval would allow a commercial launch of treosulfan in the United States in the first half of calendar year 2023. If approved by the FDA, Medexus expects that commercialization of treosulfan would have a materially positive impact on the company's total revenue, as management estimate that the current market-leading product in the United States generated approximately $126 million in peak annual revenue before genericization.

Other highlights

Amendment to U.S Treosulfan Agreement
In August 2022, Medexus and medac signed an amendment to their February 2021 license agreement for treosulfan (**U.S. Treosulfan Agreement**). Under the U.S. Treosulfan Agreement, if the FDA approves treosulfan, then Medexus would become obligated to pay a significant milestone amount to medac. The amendment extends the payment date for this milestone amount to October 2023, which therefore allows Medexus to launch and begin commercialization well before these license payments must be paid. For more information, see "Liquidity and Capital Resources—Overview".

DISCUSSION OF OPERATIONS

The following section discusses Medexus's results of operations for the three-month period ended June 30, 2022 compared to the three-month period ended June 30, 2021.

Revenue

(Amounts in millions)

Three-month periods ended June 30	2022	2021	Change	%
Revenue	$23.0	$17.3	$5.7	33.0%

The $5.7 million increase in total revenue for the three-month period ended June 30, 2022 compared to the three-month period ended June 30, 2021 was primarily attributable to an increase in net sales of IXINITY and recognition of a portion of revenue from Gleolan sales in the United States. Net sales of IXINITY were lower during the three-month period ended June 30, 2021, as pharmacy and wholesale customers worked through inventory on hand. Pharmacy and wholesale customers have now returned to buying patterns better aligned with patient unit demand.

During the three-month period ended June 30, 2022, Medexus recognized a portion of U.S. net sales of Gleolan, determined in accordance with the U.S. Gleolan Agreement. Medexus expects net sales of Gleolan to be recognized in full in Medexus's total revenue during the financial quarter ending September 30, 2022. See "Highlights for Three-Month Period Ended June 30, 2022—Operational Highlights—Product highlights—Recently added products—Gleolan (United States)".

Gross profit and gross margin

(Amounts in millions)

Three-month periods ended June 30	2022	2021	Change	%
Gross profit	$12.9	$6.9	$6.0	87.0%
Gross margin	56.1%	39.9%	16.2%	40.6%

The $6.0 million increase in gross profit and 16.2% increase in gross margin for the three-month period ended June 30, 2022 compared to the three-month period ended June 30, 2021 is attributable to the increase in revenue discussed above and reflects the impact of failed batches of IXINITY during the three-month period ended June 30, 2021.

IXINITY is a biologic, and the IXINITY manufacturing process is therefore highly sensitive to deviations from product specifications. Failed batches of IXINITY during the three-month period ended June 30, 2021 caused low product batch yields, which in turn resulted in a $1.9 million increase to cost of goods sold for that period. These manufacturing events did not result in compromised product delivered to customers or patients.

In general, gross profit and gross margin are primarily affected by Medexus's supply and distribution costs, specifically the supply prices and royalties paid to Medexus's third-party licensors and warehouse and logistics expenses for product inventory, and allowances for potential product returns. Medexus also includes amortization of product licenses as a component of cost of goods sold. This amortization was $1.4 million in each of the three-month periods ended June 30, 2022 and 2021.

Selling and administrative expense

(Amounts in millions)

Three-month periods ended June 30	2022	2021	Change	%
Selling and administrative expense	$12.1	$11.7	$0.4	3.4%

The $0.4 million increase in selling and administrative expense for the three-month period ended June 30, 2022 compared to the three-month period ended June 30, 2021 was primarily attributable to Medexus's investments in personnel and infrastructure to support its anticipated future growth, including improved capacity for future business development and continued preparation for a commercial launch of treosulfan in the United States, offset by targeted reductions in sales & marketing and general & administrative expenses.

Medexus also continues to seek opportunities to optimize its deployment of sales and marketing resources. For example, Medexus expects to realize economies of scale across Gleolan - which Medexus expects to relaunch in the coming months - and treosulfan - if and when approved and launched - because of high overlap in targeted accounts. Medexus has also realized continued strong performance in its Rasuvo product with moderate sales force allocation.

The following table provides additional detail on the primary components of Medexus's selling and administrative expense discussed above.

(Amounts in millions)

Three-month periods ended June 30	2022	2021	Change	%
Employee benefits	$6.0	$5.2	$0.8	15.4%
Sales and marketing	$3.1	$3.3	$(0.2)	(6.1)%
Regulatory, business development	$1.4	$1.1	$0.3	27.3%
General and administrative	$1.6	$2.1	$(0.5)	(23.8)%

Research and development

(Amounts in millions)

Three-month periods ended June 30	2022	2021	Change	%
Research and development	$0.7	$2.2	$(1.5)	(68.2)%

The $1.5 million decrease in research and development expense for the three-month period ended June 30, 2022 compared to the three-month period ended June 30, 2021 was primarily attributable to reductions in investments in the IXINITY phase 4 clinical trial as it approaches its analysis and clinical study report stage. Medexus continues to invest a moderate amount of additional capital in connection with its IXINITY manufacturing process improvement initiative.

Operating income or loss

As a result of the factors described above, operating income was $0.0 million for the three-month period ended June 30, 2022, an increase of $7.2 million compared to operating loss of $7.2 million for the three-month period ended June 30, 2021.

Net income or loss and adjusted net income or loss

As a result of the factors described above, net loss was $1.4 million for the three-month period ended June 30, 2022, an increase of $5.2 million compared to net loss of $6.6 million for the three-month period ended June 30, 2021.

Adjusted net loss was $3.6 million for the three-month period ended June 30, 2022, an increase of $6.2 million compared to adjusted net loss of $9.8 million for the three-month period ended June 30, 2021.

Adjusted net loss is adjusted for the unrealized loss (gain) on the fair value of the embedded derivatives in the Convertible Debentures that is included in net loss. See “Preliminary Notes—Non-GAAP measures” and “Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)”.

Adjusted EBITDA

Adjusted EBITDA was $1.9 million for the three-month period ended June 30, 2022 compared to $(4.9) million for the three-month period ended June 30, 2021. The $6.8 million increase was primarily attributable to an organic increase in net sales, including sales of IXINITY, a reduction in research & development costs, and recognition of a portion of revenue from Gleolan sales in the United States, during the three-month period ended June 30, 2022. Medexus achieved this Adjusted EBITDA increase while continuing to maintain appropriate investments in preparations for a commercial launch of treosulfan in the United States.

In addition, Adjusted EBITDA for the three-month period ended June 30, 2021 was negatively impacted by the failed batches of IXINITY discussed under “—Gross profit and gross margin”.

Adjusted EBITDA is adjusted for a number of non-cash charges that are included in net loss and adjusted net loss. See “Preliminary Notes—Non-GAAP measures” and “Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)”.

SUMMARY OF QUARTERLY RESULTS

The following table sets out summary unaudited quarterly financial information for each of the eight financial quarters through and including the financial quarter ended June 30, 2022.

(Amounts in $ '000s, except per share amounts)

Three-months ended	30-Jun-22	31-Mar-22	31-Dec-21	30-Sept-21	30-Jun-21	31-Mar-21	31-Dec-20	30-Sept-20
Total Revenue	23,046	20,263	21,270	17,901	17,267	17,639	24,256	17,768
Gross Profit	12,944	10,114	11,501	9,388	6,924	8,813	12,657	9,659
Selling and Administrative Expenses	12,125	9,892	10,679	11,736	11,725	10,252	9,379	8,274
Research and Development	661	834	1,035	1,773	2,231	2,016	1,155	780
Transaction Fees	28	53	33	–	–	634	448	–
Operating Income (Loss)	33	(2,504)	(339)	(4,991)	(7,162)	(4,566)	1,544	482
Net Income (Loss)	(1,552)	(5,287)	(1,150)	10,145	(6,587)	(10,490)	(12,783)	(1,562)
Net Income (Loss) per share – Basic	(0.08)	(0.27)	(0.07)	0.53	(0.34)	(0.63)	(0.88)	(0.11)
Net Income (Loss) per share – Diluted	(0.07)	(0.27)	(0.07)	0.52	(0.34)	(0.63)	(0.88)	(0.11)
Adjusted Net Loss*	(3,637)	(4,619)	(3,389)	(6,135)	(9,833)	(5,158)	(417)	(1,258)
Adjusted Net Loss per share* - Basic and Diluted	(0.18)	(0.23)	(0.17)	(0.32)	(0.51)	(0.32)	(0.03)	(0.09)
Adjusted EBITDA*	1,906	1,081	1,916	(2,016)	(4,912)	(1,620)	3,915	2,279
Cash provided (used) by operations	(4,015)	3,782	(1,718)	3,571	(6,815)	4,203	(2,182)	23
Cash & cash equivalents, end of period	7,285	10,018	9,571	8,137	10,199	18,704	9,365	6,426
Assets	136,399	139,225	138,131	137,210	142,970	148,513	138,262	122,014
Long-term liabilities	69,298	73,325	68,350	70,145	89,198	90,558	85,851	70,400
Dividends	–	–	–	–	–	–	–	–

* See “Preliminary Notes—Non-GAAP measures” and “Reconciliation of Adjusted EBITDA to Net Income (Loss)”.

Note regarding period-to-period variations

Medexus's total revenue is minimally affected by seasonality in net sales of Rupall, one of Medexus's current leading products by revenue, depending on the severity and timing of allergy seasons across Canada.

Medexus's research and development expense has varied in large part due to the timing of expenditures relating to the IXINITY clinical trial and IXINITY manufacturing process improvement initiative discussed under "Operational Highlights—Product highlights—Current leading products by revenue—IXINITY".

COMPANY STRATEGY AND OUTLOOK

Business strategy

Medexus focuses on commercialization of an existing portfolio of pharmaceutical products previously licensed or acquired from third parties. These existing products have primarily driven Medexus's performance to date. Medexus also focuses on opportunities to complement its existing product portfolio by licensing and acquiring new products. Medexus therefore does not make significant investments in research and development. Medexus generally purchases finished products manufactured by third-party licensors and distributes them in the United States or Canada. Medexus uses third-party contract manufacturers for products that Medexus owns outright.

Corporate organizational structure

Medexus Pharmaceuticals Inc., a Canada corporation, operates Medexus's business operations in Canada. It also owns 100% of the issued and outstanding shares of MI Acquisitions, Inc., a Delaware corporation.

MI Acquisitions, Inc. is an intermediate holding company that does not engage in any operating activities. MI Acquisitions, Inc. owns 100% of the issued and outstanding shares of Medexus Pharma, Inc., a Delaware corporation.

Medexus Pharma, Inc. operates Medexus's business operations in the United States. It is also the sole member (owning 100% of the membership interests) of Aptevo BioTherapeutics LLC, a Delaware limited liability company.

Aptevo BioTherapeutics LLC owns Medexus's rights to IXINITY. It otherwise does not engage in significant operating activities.

Industry trends

Medexus believes that a number of trends in the pharmaceutical industry create a favorable environment for the licensing or acquisition and distribution of commercial-stage assets.

Demographics

Growth of the population in general and aging of the population in particular will continue to drive demand for pharmaceutical therapies. Favorable perception of branded products will result in sustained opportunities for select established brand assets and promotional stage products, including those within Medexus's product portfolio.

Healthcare reform: U.S. Patient Protection and Affordable Care Act

The U.S. Patient Protection and Affordable Care Act has resulted in an increase of access to healthcare services and treatments in the United States. This trend may continue but will be attenuated by changes in the legal and political environment, including changes in formulary management practices.

Commercial pricing pressures

Pricing and access pressures in the commercial sector continue to be significant. Overall, there is increasing pressure on U.S. providers to deliver healthcare at a lower cost and to ensure that those expenditures deliver demonstrated value in terms of health outcomes. Many employers have adopted high deductible health plans, which can increase out-of-pocket costs for medicines. This trend is likely to continue. Private third-party payers, such as health plans, increasingly challenge pharmaceutical product pricing, which could result in lower prices, lower reimbursement rates, and a reduction in demand for Medexus's products. Pricing pressures also may occur as a result of highly competitive insurance markets. Healthcare provider purchasers, directly or through group purchasing organizations, are seeking enhanced discounts or implementing more rigorous bidding or purchasing review processes.

*Managed care organizations (**MCOs**)*

The evolution of managed care in the United States has been a major factor in the competitiveness of the healthcare marketplace. A significant percentage of the U.S. population now have some form of health insurance coverage, and the marketing of prescription drugs to both consumers and the entities that manage coverage in the United States continues to grow in importance. In particular, the influence of MCOs has increased in recent years due to the growing number of patients receiving coverage through MCOs. At the same time, consolidation in the MCO industry has resulted in fewer, even larger MCOs, which enhances those MCOs' ability to negotiate pricing and increases their importance to Medexus's business. Since MCOs seek to contain and reduce healthcare expenditures, their growing influence has increased pressure on drug prices as well as revenues.

Medicare coverage

Often, established brand pharmaceutical products subject to Medicare or Medicaid or falling under the Federal Supply Schedule may still be competitive in price to alternatives due to mandatory rebates and average manufacturer price calculation rules prescribed by U.S. law. The Federal Supply Schedule is a list of contractors that have been awarded a contract by the U.S. General Services Administration, an independent agency of the U.S. government, and those contractors can be used by all U.S. federal agencies.

Product opportunities

Medexus expects that drug development companies without commercial infrastructure in the United States and Canada will continue seeking commercialization partners to promote their products in those markets.

Medexus also believes that large pharmaceutical companies will continue to focus on their core therapeutic areas, meaning that these companies will divest non-core or non-strategic products, many of which could fall into the product lifecycle stages on which Medexus focuses its business development activities.

Customers

Medexus has a limited number of direct customers, and the majority of Medexus's sales are to large national wholesalers, specialty pharmacies, and healthcare institutions. For financial year 2022, two customers individually accounted for more than 10% of Medexus's total revenue, together accounting for approximately 59% of Medexus's total revenue. See "Risk Factors—Risks Relating to the Business—Dependence on a Small Number of Customers" in the AIF.

Manufacturing, supply and distribution

Medexus focuses on managing the production and distribution of pharmaceutical products that the company commercializes. Medexus generally purchases finished products manufactured by third-party licensors and distributes them in the United States or Canada. Medexus uses third-party contract manufacturers for products that Medexus owns outright. Medexus relies on third-party logistics providers to administer distribution logistics processes in both the United States and Canada. This includes warehousing, order processing, shipping, and invoicing and collections.

Medexus and its third-party partners are, and will continue to be, subject to extensive government regulation in connection with the manufacture, supply, and distribution of pharmaceutical products. Products that Medexus commercializes must be manufactured in facilities and using processes, methods, and equipment that comply with the requirements of the FDA (for products commercialized in the United States) or Health Canada (for products commercialized in Canada). See "Risk Factors—Risks Relating to the Business—Reliance on Third Parties for the Manufacture and Supply of Products" in the AIF.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Medexus continually and proactively monitors its liquidity position. Medexus seeks to manage the company's liquidity and capital resources to meet the demands of its operations in light of changes in business conditions and otherwise as appropriate in light of the underlying risk of the company's assets. Failure to generate sufficient cash flows from operations or from additional financing activities would have an adverse effect on Medexus's ability to fulfill its financial obligations and achieve its business objectives. Meaningful near-term liquidity considerations for the company include maintaining sufficient financial resources to –

- make regulatory milestone payments to the company's third-party licensors if and when they become due;
- make interest and principal payments in respect of the company's debt financing arrangements;
- carry on the continued development and commercialization of existing products;
- secure new business opportunities and product registrations, including funding any associated clinical development programs;
- prevent or mitigate delays or challenges in supply of the company's products; and
- comply with regulatory requirements, including those relating to manufacturing and distribution of the company's products.

If the FDA approves treosulfan, then Medexus would become obligated to pay a significant milestone amount to medac under Medexus's February 2021 exclusive license agreement relating to treosulfan (the "U.S. Treosulfan Agreement"). The range of possible milestone amounts would be between $15.0 million and $45.0 million. The specific amount due would depend on the terms of the FDA's approval. In addition, if the FDA approves treosulfan, then Medexus would become obligated to repay a $2.5 million credit received from medac in September 2021 in respect of previously paid milestone amounts. In August 2022, Medexus and medac amended the U.S. Treosulfan Agreement to defer any milestone payments related to the FDA approval of treosulfan to October 2023; for clarity: this does not include repayment of the $2.5 million credit, which would occur shortly following the FDA's approval. If the FDA approves treosulfan, then Medexus would likely need to secure additional third-party debt or equity financing to make these payments and retain its exclusive license and distribution rights under the U.S. Treosulfan Agreement. Medexus has engaged in fundraising discussions with a number of existing investors and other capital providers who have expressed significant interest in the company and recognize the significant commercial potential of treosulfan if it is approved. Medexus expects that this interest will increase as the FDA's review progresses and in the event of a favorable FDA decision. Medexus has been successful in securing third-party financing in the past, most recently in February 2021, when the Company raised $22.6 million in equity financing after announcing the U.S. Treosulfan Agreement, and, in July 2021, filed a shelf prospectus that allows the company to efficiently access the capital markets for up to C$100.0 million. However, there can be no assurance that the company will be able to secure similar third-party financing in the future, or that these sources of capital will be available to Medexus on terms acceptable to the company.

Sources of liquidity

As of June 30, 2022, Medexus had $8.7 million (March 31, 2022 – $11.2 million) of available liquidity as follows –

- cash and cash equivalents of $7.3 million (March 31, 2022 – $10.0 million); and
- available credit of $1.4 million (March 31, 2022 – $1.2 million) under its May 2020 revolving loan credit agreement with a syndicate of lenders represented by MidCap Funding IV Trust as agent (**Revolving Loan Agreement**).

Amounts outstanding under the Revolving Loan Agreement appear in the current portion of long-term debt in Medexus's consolidated statement of financial position because Medexus may repay (and reborrow) those amounts at any time. However, Medexus has no obligation – and does not expect – to repay those amounts in full before the June 2023 maturity date under the Revolving Loan Agreement.

Cash flows

(Amounts in $ '000s)

Three-month periods ended June 30	2022	2021
Cash used by operating activities	(4,015)	(6,815)
Cash used by investing activities	(165)	(5,887)
Cash provided by financing activities	1,524	4,089
Decrease in cash position during the period	(2,656)	(8,613)
Impact of foreign exchange	(77)	108
Cash and cash equivalents, beginning of period	10,018	18,704
Cash and cash equivalents, end of period	7,285	10,199

Operating activities

Cash used by operating activities was $4.0 million for the three-month period ended June 30, 2022 compared $6.8 million for the three-month period ended June 30, 2021. Cash used by operating activities for the three-month period ended June 30, 2022 comprised a net loss, adjusted for non-cash expenditures, of $1.9 million (2021 – $(4.9) million) and a change in working capital of $(5.9) million (2021 – $(1.9) million).

The $2.8 million reduction in cash used by operating activities was attributable to improved operational performance during the three-month period ended June 30, 2022, partially offset by an increase in payments towards working capital items.

Investing activities

Cash used by investing activities was $0.2 million for the three-month period ended June 30, 2022 compared to $5.9 million for the three-month period ended June 30, 2021. The $5.7 million decrease was primarily attributable to relatively lower payments to third-party licensors in the three-month period ended June 30, 2022.

Financing activities

Cash provided by financing activities was $1.5 million for the three-month period ended June 30, 2022 compared to $4.1 million for the three-month period ended June 30, 2021. The $2.6 million decrease was primarily attributable to relatively lower net draws on the Revolving Loan Agreement.

OFF–BALANCE SHEET ARRANGEMENTS

Medexus had no off-balance sheet arrangements as of June 30, 2022.

TRANSACTIONS WITH RELATED PARTIES

Below is a summary of transactions during the three-month period ended June 30, 2022 in which Medexus participated and in which any related party as determined under IFRS had a direct or indirect material interest. Medexus views the following transactions with related parties as having occurred in the normal course of the company's operations.

- Medexus incurs interest on Convertible Debentures that are owned or controlled, directly or indirectly, by three of the company's directors. All interest payments are made in accordance with the terms of the Convertible Debentures. Interest expense related to these three individuals totaled an aggregate of $73,000 during the three-month period ended June 30, 2022, compared to $75,000 during the three-month period ended June 30, 2021.
- Medexus pays warehouse fees to a company in which an executive officer holds a 50% equity interest for storage and distribution services in respect of certain of Medexus's products in Canada. These warehouse fees totaled $76,000 during the three-month period ended June 30, 2022, compared to $70,000 during the three-month period ended June 30, 2021.

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

The following tables are derived from and should be read together with Medexus's consolidated statement of operations for the three-month period ended June 30, 2022. 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 Medexus's operating performance. See "Preliminary Notes—Non-GAAP measures".

(Amounts in $ '000s)		
For the three-month period ended June 30	2022	2021
Net loss	(1,398)	(6,587)
Add back:		
Unrealized gain on fair value of derivatives	(2,239)	(3,246)
Adjusted net income (loss)	(3,637)	(9,833)

(Amounts in $ '000s)

For the three-month period ended June 30	2022	2021
Net loss	(1,398)	(6,587)
Add back:		
Depreciation and amortization (property, equipment, intangible assets)	1,542	1,579
Interest expense	3,149	2,884
Income tax recovery	(154)	-
EBITDA	3,139	(2,124)
Add back:		
Share-based compensation	303	671
Transaction fees	28	-
Foreign exchange loss (gain)	675	(213)
Unrealized gain on fair value of derivatives	(2,239)	(3,246)
Adjusted EBITDA	**1,906**	**(4,912)**

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 to the Company's interim consolidated financial statements for the three-month period ended June 30, 2022.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying values of cash, amounts receivable, advances to related parties, loans receivable, accounts payable and accrued liabilities, and advances from related parties approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 13, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

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

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

Medexus's financial instruments consist of cash, other current assets, accounts payable, derivative liability, and promissory notes. The fair values of other current assets, accounts payable, related parties payable, Convertible Debentures, and promissory note approximate their carrying values either due to their current nature or current market rates for similar instruments. Cash is measured at fair value on a recurring basis using level 1 inputs. Derivative liability is measured at fair value on a recurring basis using level 3 inputs.

DISCLOSURE OF OUTSTANDING SHARE DATA

Summary

Medexus's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As at August 8, 2022, Medexus had 19,954,459 Common Shares and no preferred shares issued and outstanding.

In addition, as at August 8, 2022, the following number of Common Shares were issuable in accordance with the terms of convertible securities (including equity incentive compensation awards) issued by Medexus –

- 9,891,907 Common Shares issuable upon conversion of the Convertible Debentures;
- 2,233,918 Common Shares issuable upon exercise of the 2018 Warrants;
- 2,290,844 Common Shares issuable upon exercise of the 2021 Warrants;
- 232,647 Common Shares issuable upon exercise of the 2021 Underwriter Warrants;
- 134,290 Common Shares issuable upon exercise of the MidCap Warrants;
- 692,900 Common Shares issuable upon exercise of RSUs (defined below);
- 275,979 Common Shares issuable upon exercise of PSUs (defined below) (assuming vesting at 100%); and
- 837,300 Common Shares issuable upon exercise of Options (defined below).

Description of securities

The following sections set out a description of the material characteristics of each class of security that is issued and outstanding as of the date of this MD&A.

Common Shares

Each Common Share entitles the holder to one vote per share. The holders of Common Shares are entitled to receive notice of meetings of shareholders of Medexus and to vote at the meeting. Holders of Common Shares are entitled to receive, as and when declared by the Board, dividends in such amounts as may be determined by the Board. Holders of Common Shares have the right to receive any remaining residual asset value of Medexus in the event of a liquidation, dissolution, or winding-up of Medexus, whether voluntary or involuntary.

Convertible Debentures and 2018 Warrants

In October 2018, in connection with the acquisition of Medexus Inc. and Medac Pharma, Inc. (now known as Medexus Pharma, Inc.), Medexus issued C$42.0 million aggregate principal amount of Convertible Debentures under a convertible debenture indenture with Computershare Trust Company of Canada as trustee. As of June 30, 2022, the C$42.0 million aggregate principal amount remained issued and outstanding.

The Convertible Debentures bear interest at an annual rate equal to 6.00%. Interest on the issued and outstanding Convertible Debentures is payable semiannually in arrears on March 31 and September 30, and may be paid in cash, Common Shares, or a combination of the two. The Convertible Debentures mature on October 16, 2023. At maturity, Medexus will be obligated to repay 125% of the aggregate principal amount of the then issued and outstanding Convertible Debentures plus any accrued and unpaid interest. Subject to TSX approval as required, Medexus may satisfy these amounts in cash, Common Shares, or a combination of the two. The Convertible Debentures are senior to Medexus's equity securities, including the Common Shares, and subordinate to Medexus's senior secured debt facilities, including the Credit Agreements.

The Convertible Debentures are convertible into units (**Conversion Units**) at a conversion price of C$6.30, subject to adjustment as provided under the terms of the Convertible Debentures. Each Conversion Unit consists of one Common Share and one half of one warrant to purchase one Common Share (each whole warrant a **2018 Warrant**) exercisable at a price of C$9.45 per whole 2018 Warrant until October 16, 2023.

Medexus issued a further 2,233,918 2018 Warrants under a warrant indenture dated October 2018 (**2018 Warrant Indenture**) with Computershare Trust Company of Canada as warrant agent.

As of June 30, 2022, holders of Convertible Debentures had received 72,062 Conversion Units upon conversion of Convertible Debentures, comprising 72,062 Common Shares and 2018 Warrants to purchase an additional 36,030 Common Shares. If all remaining Convertible Debentures were converted in full (without giving effect to accrued interest, which Medexus may elect to pay in cash, Common Shares, or a combination of the two), then holders would receive 6,594,604 Conversion Units, comprising 6,594,604 Common Shares and 2018 Warrants to purchase an additional 3,297,303 Common Shares.

2021 Warrants and 2021 Underwriter Warrants

In February 2021, in the 2021 Offering, Medexus issued units each consisting of one Common Share and one half of one warrant to purchase one Common Share (each whole warrant a **2021 Warrant**) exercisable at a price of C$10.00 per whole 2021 Warrant until February 23, 2023. Medexus issued a total of 2,290,844 2021 Warrants in the 2021 Offering.

Medexus also issued, to the underwriters of the 2021 Offering, an aggregate of 232,647 warrants to purchase one Common Share (**2021 Underwriter Warrants**) exercisable at a price of C$7.10 per 2021 Underwriter Warrant until February 23, 2023.

Medexus issued the 2021 Warrants and the 2021 Underwriter Warrants under a warrant indenture dated February 23, 2021 (**2021 Warrant Indenture**) with Computershare Trust Company of Canada as warrant agent.

MidCap Warrants

In February 2020, in connection with its February 2020 term loan credit agreement with a syndicate of lenders represented by MidCap Financial Trust as agent (**Term Loan Agreement** and together with the Revolving Loan Agreement the **Credit Agreements**) (discussed in the AIF), Medexus issued, to an affiliate of MidCap Financial Trust, 134,290 warrants to purchase one Common Share (**MidCap Warrants**) exercisable at a price of C$4.00 until the maturity of the loan

outstanding under the Term Loan Agreement in June 2023 (unless otherwise extended in accordance with the terms of the Term Loan Agreement).

Securities issued under the 2018 Plan

RSUs

Since December 2018, Medexus has issued restricted stock units (**RSUs**) to participants under the company's 2018 Omnibus Equity Incentive Plan (**2018 Plan**). The RSUs generally vest in equal amounts upon the first, second, third, and fourth anniversaries of the grant date. RSUs issued annually to directors generally vest on the date of the following annual general meeting of shareholders. Each vested RSU entitles the holder to receive one Common Share in accordance with the 2018 Plan and the terms of the holder's RSU award agreement.

PSUs

Since October 2020, Medexus has issued performance share units (**PSUs**) to participants under the 2018 Plan. The PSUs will vest if Medexus achieves a number of predetermined objectives during performance periods that generally extend over multiple financial years. Each vested PSU will represent an obligation of Medexus to issue one Common Share in accordance with the 2018 Plan and the terms of the holder's PSU award agreement.

Options

Since October 2020, Medexus has issued options to purchase Common Shares (**Options**) to participants under the 2018 Plan. The Options generally vest in equal amounts upon the grant date and the first, second, third, and fourth anniversaries of the grant date. Options issued annually to directors generally vest on the date of the following annual general meeting of shareholders. Each vested Option entitles the holder to receive one Common Share by delivering an exercise notice and payment of the exercise price in accordance with the 2018 Plan and the terms of the holder's Option award agreement.

RISK FACTORS AND RISK MANAGEMENT

Medexus 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 company's financial condition, financial performance, or business. The Board has overall responsibility for overseeing Medexus's evaluation and mitigation of these risks and periodically reviews Medexus's risk management practices.

A comprehensive discussion of the principal risks and uncertainties that Medexus faces are described under the heading "Risk Factors" in Medexus's most recent AIF, which is available on Medexus's issuer profile on SEDAR at www.sedar.com. Management believes that the risks and uncertainties set out therein have not materially changed. However, those risks are not the only risks facing Medexus, its business, and the pharmaceutical industry as a whole. Additional risks not currently known to Medexus, or that the company currently deems immaterial, may also adversely affect Medexus's operations.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

Medexus's management are together 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). Medexus's management have together designed such a system of disclosure controls and procedures to provide reasonable assurance that material information with respect to Medexus is made known to them and information required to be disclosed by Medexus in its annual filings, interim filings, or other reports filed, furnished, or submitted by the company under securities laws is recorded, processed, summarized, and reported within the time periods required by the relevant securities laws.

Internal controls over financial reporting

Medexus's management are together responsible for establishing and maintaining internal controls over financial reporting as defined in NI 52-109 (ICFR). Medexus's management have together designed such a system of ICFR to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS. The control framework that Medexus's management used to design the company's ICFR is set out in Internal Control–Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission. There have been no changes in Medexus's ICFR during the three months ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, Medexus's ICFR.

Limitations of controls and procedures

Any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide

absolute assurance that all control issues and instances of fraud, if any, within Medexus have been prevented or detected.

These inherent limitations include the reality that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of individuals, by collusion of two or more people, or by unauthorized override of the control. The design of any control system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ADDITIONAL INFORMATION

SEDAR

Additional information about Medexus may be found on SEDAR at www.sedar.com. In particular, additional information about Medexus's business and operations is provided in Medexus' most recent annual information form, and additional financial information is provided in Medexus' consolidated financial statements as of and for the three-month period ended June 30, 2022, together with the related independent auditor's report dated August 8, 2022, each of which have been filed on SEDAR.

Corporate website

Medexus maintains a corporate website at {https://www.medexus.com/}. (This uniform resource locator, or website address, is provided as an inactive textual reference only.) Medexus uses its corporate website as a channel of distribution of information about the company. Information Medexus provides through this channel may be deemed material. Investors should monitor Medexus's corporate website, including press releases posted to the website, in addition to Medexus's public filings, conference calls, and webcasts. However, information contained on or accessible through the Medexus corporate website is not a part of this MD&A and is not incorporated by reference into this MD&A or any of Medexus's public filings.