Medexus Pharmaceuticals Inc.

Consolidated Financial Statements
March 31, 2023 and 2022
(expressed in thousands of United States dollars)

Independent auditor's report

To the Shareholders of Medexus Pharmaceuticals Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Medexus Pharmaceuticals Inc. and its subsidiaries (together, the Company) as at March 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at March 31, 2023 and 2022;
- the consolidated statements of net income (loss) and other comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition net of reserves for estimated returns, rebates, chargebacks and discounts *Refer to note 2 – Basis of presentation and summary of significant accounting policies to the consolidated financial statements.* For the year ended March 31, 2023, revenues of $108.1 million were recognized, net of reserves for estimated returns, rebates, chargebacks and discounts. The Company sells its products directly to wholesale distributors. The wholesale distributors in turn sell to independent pharmacies, managed care organizations, hospitals and group purchasing organizations (indirect customers). The ultimate selling price is determined based on the contractual arrangements that the Company has with the patient's insurer or other payment programme. The time between initial shipment to the distributor (when the revenue is recognized), the dispensing of a product to a patient and notification by the relevant insurer or payment programme may be several months. Revenue is recognized net of reserves for estimated returns, rebates, chargebacks and discounts. Management applies the expected value method using contractual terms and historical trends assumptions in estimating the returns, rebates, chargebacks and discounts, which represents variable consideration and involves a high degree of judgment and complexity.	Our approach to addressing the matter included the following procedures, among others: • For a sample of revenue transactions, tested how management determined the reserves for estimated returns, rebates, chargebacks and discounts, which included the following: – Obtained an understanding of the estimation process related to reserves for estimated returns, rebates, chargebacks and discounts. – Evaluated the appropriateness of the expected value method used by management. – Evaluated the reasonableness of the estimated returns, rebates, chargebacks and discounts, by considering the contractual terms of the applicable contracts and historical trends.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the high degree of judgment required by management in determining the estimated returns, rebates, chargebacks and discounts. This in turn led to a high degree of subjectivity and complexity in performing procedures and evaluating evidence relating to the estimated returns, rebates, chargebacks and discounts.	

Impairment assessment of goodwill and intangibles assets

Refer to note 2 – Basis of presentation and summary of significant accounting policies and note 7 – Intangible assets and goodwill to the consolidated financial statements.

As at March 31, 2023, the total carrying value of goodwill and intangible assets related to licences amounted to $10.3 million and $70.4 million, respectively. The Company has one cash generating unit (CGU) and one operating segment.

Management assesses goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the Company's CGU. No goodwill impairment was recognized as a result of management's impairment assessment.

For intangible assets related to licences, when impairment indicators exist, an impairment assessment is conducted. At year-end, management identified impairment indicators due to a decrease in projected revenue growth rates on certain intangible assets related to licences and due to the expectation that the FDA review of Treosulfan will continue beyond the agreed FDA approval outside date. As a result, management performed

Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the recoverable amounts of the goodwill CGU and of certain intangible assets related to licences, which included the following:
  - Tested the underlying data used in the discounted cash flow models.
  - Evaluated the reasonableness of the significant assumptions related to revenue growth rates and future operating costs by (i) comparing revenue growth rates to the budget, management's strategic plans approved by the Board of Directors and available third party published economic data; (ii) comparing future operating costs to recent actual operating costs incurred; and (iii) assessing whether these assumptions, as well as the probability of a successful resubmission of an NDA to the FDA related to Treosulfan, were consistent with evidence obtained in other areas of the audit.
  - Professionals with specialized skill and knowledge in the field of valuation assisted us in evaluating the appropriateness of the fair value less costs of disposal method and the discounted cash flow models and in evaluating the

Key audit matter	How our audit addressed the key audit matter
impairment assessments on these licences and no impairment was recognized. The recoverable amount of the goodwill CGU and intangible assets related to licences is the higher of fair value less costs of disposal and value and use. The recoverable amounts of the licences were based on a fair value less costs of disposal method using discounted cash flow models. Significant assumptions used in the discounted cash flow models included revenue growth rates, future operating costs and discount rates and in addition, for Treosulfan, the probability of a successful resubmission of a New Drug Application (NDA) to the FDA We considered this a key audit matter due to the significant judgment by management in determining the recoverable amounts, which led to a high degree of audit effort and subjectivity in performing procedures to test the significant assumptions used by management. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	reasonableness of the discount rates applied by management.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Popliger.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 21, 2023

Medexus Pharmaceuticals Inc.

Consolidated Statements of Financial Position

(expressed in thousands of United States dollars)

As at	Note	March 31, 2023 $	March 31, 2022 $
Assets			
Current assets			
Cash and cash equivalents		**13,069**	10,018
Accounts receivable	3	**22,381**	14,407
Inventories	4	**22,848**	21,351
Prepaids	5	**12,376**	2,055
Other current assets		**2,295**	1,280
		72,969	49,111
Property and equipment	6	**899**	1,221
Intangible assets	7	**70,373**	76,565
Goodwill	7	**10,282**	10,686
Other long-term assets		**-**	1,642
Deferred tax assets		**6,806**	-
		161,329	139,225
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	**33,415**	29,174
Income tax payable		**1,183**	27
Current portion of long-term debt	9	**8,733**	15,046
Convertible debentures – Host	10	**33,973**	-
Convertible debentures – Derivative	10	**80**	-
Balance of payable for business combinations	11	**3,492**	1,226
Other current liabilities	6	**2,620**	2,635
		83,496	48,108
Long-term debt	9	**27,377**	9,576
Convertible debentures – Host	10	**-**	30,240
Convertible debentures – Derivative	10	**-**	2,711
Balance of payable for business combinations	11	**28,008**	29,277
Deferred tax liabilities	22	**-**	1,521
		138,881	121,433
Shareholders' Equity			
Share capital	12	**69,014**	68,686
Contributed surplus		**11,307**	10,384
Cumulative translation adjustment		**6,155**	3,971
Deficit		**(64,028)**	(65,249)
		22,448	17,792
		161,329	139,225

The accompanying notes are an integral part of these Consolidated Financial Statements.

Medexus Pharmaceuticals Inc.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the years ended March 31, 2023 and 2022

(expressed in thousands of United States dollars, except per share amounts and number of shares)

	Note	2023 $	2022 $
Revenue			
Products		**108,096**	76,701
Cost of sales			
Cost of sales of products		**42,330**	33,027
Amortization of product licences	7	**5,728**	5,747
		48,058	38,774
Gross profit		**60,038**	37,927
Selling and administrative expenses	15	**48,253**	44,032
Research and development expenses		**2,943**	5,873
Transaction-related fees & expenses		**265**	86
Termination benefits		**610**	784
Depreciation and amortization	6,7	**353**	398
Impairment of intangible assets	7	**-**	1,750
Operating income (loss)		**7,614**	(14,996)
Financing costs	16	**13,499**	9,767
Convertible debentures – Unrealized gain on fair value of derivative	10	**(2,533)**	(21,097)
Foreign exchange loss		**1,689**	154
Loss before income taxes		**(5,041)**	(3,820)
Income tax expense (recovery)			
Current	22	**2,066**	177
Deferred	22	**(8,328)**	(1,118)
		(6,262)	(941)
Net income (loss)		**1,221**	(2,879)
Other comprehensive income (loss)			
Foreign currency income (loss) on translation		**2,184**	(232)
Comprehensive income (loss)		**3,405**	(3,111)
Net income (loss) per share			
Basic	12	**0.06**	(0.15)
Diluted	12	**0.06**	(0.15)

The accompanying notes are an integral part of these Consolidated Financial Statements.

Medexus Pharmaceuticals Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended March 31, 2023 and 2022

(expressed in thousands of United States dollars except number of shares)

	Note	Share Capital		Contributed surplus	Cumulative translation adjustment	Deficit	Total shareholders' equity
		Common shares	Amount				
			$	$	$	$	$
Balance – March 31, 2021		19,166,582	66,688	9,497	4,203	(62,370)	18,018
Net loss		-	-	-	-	(2,879)	(2,879)
Other comprehensive loss		-	-	-	(232)	-	(232)
Comprehensive loss		-	-	-	(232)	(2,879)	(3,111)
Share-based compensation – Stock option plan	13	-	-	793	-	-	793
Share-based compensation – RSU plan	13	-	-	1,332	-	-	1,332
Share-based compensation – PSU plan	13	-	-	175	-	-	175
Issuance of shares for settling of RSUs	13	398,875	996	(1,413)	-	-	(417)
Payment of interest on convertible debentures – settled in shares		387,081	1,002	-	-	-	1,002
Balance – March 31, 2022		19,952,538	68,686	10,384	3,971	(65,249)	17,792
Balance – March 31, 2022		19,952,538	68,686	10,384	3,971	(65,249)	17,792
Net income		-	-	-		**1,221**	**1,221**
Other comprehensive income		-	-	-	**2,184**	**-**	**2,184**
Comprehensive income		**-**	**-**	**-**	**2,184**	**1,221**	**3,405**
Issuance of warrants	14	-	-	**35**	-	-	**35**
Share-based compensation – Stock option plan	13	-	-	**451**	-	-	**451**
Share-based compensation – RSU plan	13	-	-	**583**	-	-	**583**
Share-based compensation – PSU plan	13	-	-	**545**	-	-	**545**
Issuance of shares for settling of RSUs		**228,952**	**328**	**(691)**	-	-	**(363)**
Balance – March 31, 2023		**20,181,490**	**69,014**	**11,307**	**6,155**	**(64,028)**	**22,448**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Medexus Pharmaceuticals Inc.

Consolidated Statements of Cash Flows

For the years ended March 31, 2023 and 2022

(expressed in thousands of United States dollars)

	Note	2023 $	2022 $
Operating activities			
Net income (loss)		**1,221**	(2,879)
Adjustments for			
Depreciation and amortization	6,7	**353**	398
Amortization of product licences	7	**5,728**	5,747
Impairment of intangible assets	8	**-**	1,750
Share-based compensation expense	13	**1,216**	1,883
Interest expense	16	**13,606**	12,223
Convertible debentures – Unrealized gain on fair value of derivative	10	**(2,533)**	(21,097)
Business comb. payable – Unrealized gain on change in fair value	16	**(107)**	(2,456)
Unrealized foreign exchange loss		**1,506**	146
Income tax expense	22	**(6,262)**	(941)
		14,728	(5,226)
Changes in non-cash operating working capital items	20	**(15,262)**	4,730
Income taxes paid	22	**(910)**	(684)
Cash used by operating activities		**(1,444)**	(1,180)
Investing activities			
Purchases of property and equipment		**(61)**	(97)
Purchases of intangible assets		**(301)**	(7,617)
Business acquisition deferred payment	11	**(1,359)**	(482)
Cash used by investing activities		**(1,721)**	(8,196)
Financing activities			
Interest paid		**(4,328)**	(3,066)
Draw on Asset-Based Loan, net		**-**	3,893
Issuance of long-term debt		**35,457**	-
Repayment of long- term debt		**(24,543)**	-
Repayment of lease liabilities		**(181)**	(164)
Cash provided by financing activities		**6,405**	663
Net change in cash and cash equivalents during the year		**3,240**	(8,713)
Impact of foreign exchange on cash and cash equivalents		**(189)**	27
Cash and cash equivalents – Beginning of year		**10,018**	18,704
Cash and cash equivalents – End of year		**13,069**	10,018

The accompanying notes are an integral part of these Consolidated Financial Statements.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

1 Incorporation and nature of activities

Medexus Pharmaceuticals Inc. and its subsidiaries (collectively, the "Company") is a specialty pharmaceutical company which licences and acquires pharmaceutical products for commercialization in the United States and Canada. The Company exists under the Canada Business Corporations Act and is domiciled in Canada. Its registered office is located at 35 Nixon Road, Unit 1, Bolton, Ontario, L7E 1K1. The Company's shares are traded on the Toronto Stock Exchange (TSX).

2 Basis of presentation and summary of significant accounting policies

Basis of presentation

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP) as set out in Part I of the CPA Canada Handbook – Accounting. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and were authorized for publication by the Board of Directors on June 21, 2023.

These consolidated financial statements are presented in United States dollars, which the Company has chosen as its presentation currency. The functional currency of Medexus Pharmaceuticals Inc., the Company's parent company, is Canadian Dollars. The Company has subsidiaries that use the United States dollar as their functional currency. As the Company has operations in both Canada and the United States, the consolidated financial results may vary between periods due to the effect of foreign exchange fluctuations.

The Company has consistently applied the same accounting policies throughout all periods presented in these consolidated financial statements, except for the newly adopted standards described below.

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value.

Basis of consolidation

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies to obtain benefits from its activities. Subsidiaries are fully consolidated from the date control is obtained, and they are deconsolidated on the date control ceases. These consolidated financial statements include the Company's subsidiaries. As at March 31, 2023, MI Acquisitions, Inc., Medexus Pharma, Inc. (previously Medac Pharma, Inc.), and Aptevo BioTherapeutics LLC, are the only wholly owned direct and indirect subsidiaries of the Company. MI Acquisitions, Inc. was created solely for the purpose of acquiring Medexus Pharma, Inc. and does not carry on active business other than the ownership of 100% of the outstanding shares of Medexus Pharma, Inc.

Accounting standards and interpretations issued and their effects

IAS 37, Cost of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. There was no impact on the Company's accounting policies or the consolidated financial statements as a result of adopting such amendments.

New standards not yet adopted by the Company

IAS 1, Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The amended standard is not expected to have an impact on the consolidated financial statements.

IAS 1, Disclosure of Accounting Policies

On February 12, 2021, the IASB issued amendments to IAS 1, Presentation of Financial Statements, that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. Early application is permitted and must be disclosed. The amended standard is not expected to have an impact on the consolidated financial statements.

IAS 1, Non-current Liabilities with Covenants

On October 31, 2022, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early application is permitted and must be disclosed. The amended standard is not expected to have an impact on the consolidated financial statements.

IAS 8, Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, Definition of Accounting Estimates, in which it introduces a definition of accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors, and clarify how companies use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted as long as this fact is disclosed. The amended standard is not expected to have an impact on the consolidated financial statements.

IAS 12, Income Taxes

In May 2021, the IASB issued amendments to IAS 12, Income Taxes, to require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These amendments are effective for periods beginning on or after January 1, 2023. The Company continues to assess the impact of the amended standard on the consolidated financial statements.

Use of judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make estimates and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Management bases its estimates and judgments on historical experience and on various other assumptions that it considers reasonable. The areas involving a high degree of judgment or complexity, or other areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below. Actual results could differ from those estimates. Changes will be reported in the period in which they are identified.

a) Fair value of stock options, RSUs, PSUs and warrants

When the Company issues stock options, RSUs, PSUs and warrants, an estimate of fair value is derived for the instruments using the Black-Scholes option-pricing model. The application of this model requires management to make assumptions regarding several variables, including the period for which the instrument will be outstanding, the price volatility of the Company's shares over a relevant time frame, the determination of a relevant risk-free interest rate and an assumption regarding the Company's dividend policy in the future. If different assumptions are used, the value derived for the instruments could be significantly impacted. See notes 13 and 14 for assumptions used to value these instruments.

b) Impairment of intangible assets

Licences are recognized as intangible assets and are amortized over their useful lives when they meet the criteria for capitalization. Forecasted revenue and profitability for the relevant products are used to assess compliance with the capitalization criteria and to assess the recoverable amount of the assets. The useful life is determined by identifying the period in which substantially all of the cash flows are expected to be generated, and generally amortization starts either from the date of the relevant product's regulatory approval or from the date of the licence contract signature, depending on the contract terms. Whenever licences are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.

c) Impairment of goodwill

The carrying value of goodwill is tested for impairment annually or if events or changes in circumstances indicate that the carrying value may be impaired. In order to determine if a goodwill impairment test is required, management reviews different factors on a quarterly basis such as changes in market environment and actual financial performance compared to planned performance. Any impairment loss for goodwill is

recognized directly in profit or loss in the consolidated statement of loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

d) Fair value of convertible debentures

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

e) Provisions for returns, chargebacks, rebates and discounts.

The provisions for returns, chargebacks, rebates and discounts are estimated using contracted rates and historical trends. Revenues are recognized net of reserves for estimated returns, chargebacks, rebates and discounts.

Foreign Currency Translation

Presentation currency

The Company's presentation currency is United States dollar ("US$"), while its functional currency is the Canadian dollar ("C$"). The Company has determined that the United States dollar better reflects the Company's current activities, increases the comparability to peer companies, and enhances the relevance of the financial statements to users.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities, and revenue and expense items denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in other comprehensive income.

Revenue recognition

The Company sells its products directly to wholesale distributors. The wholesale distributors in turn sell to independent pharmacies, managed care organizations, hospitals and group purchasing organizations ("indirect customers"). The ultimate selling price is determined based on the contractual arrangements that the Company has with the patient's insurer or other payment program. The time between initial shipment to the distributor

(when the revenue is recognized), the dispensing of a product to a patient and notification by the relevant insurer or payment program may be several months. An estimate of the net selling price is necessary at the date of shipment when the revenue is recognized and accordingly, the Company recognizes liabilities or reductions in accounts receivable related to rebates, returns, chargebacks and sales discounts.

Revenue related to the sale of pharmaceutical products is recognized when (i) the contract with the customer is identified; (ii) performance obligations in the contract are identified; (iii) the transaction price is determined; (iv) the transaction price is allocated to the performance obligations; and (v) performance obligations are satisfied. Products are delivered by truck directly from the Company to its direct customers located in Canada and the United States and are recognized as revenue when the control of the products are transferred to the customer.

Rights of return give rise to variable consideration. The variable consideration is estimated at contract inception using the expected value method estimating returns using contractual terms and historical trends. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. For products that are expected to be returned, a refund liability is recognized as a reduction of revenue at the time control of the products is transferred to the customers.

The Company may provide discounts, rebates and chargebacks to its direct and/or indirect customers, which give rise to variable consideration. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. The Company applies the expected value method, estimating discounts, rebates and chargebacks provided to customers using contracted rates and historical trends. Consequently, revenues are recognized net of reserves for estimated sales discounts, rebates and chargebacks. The variable consideration provisions, either recognized within accrued liabilities for returns, rebates and chargebacks or as a reduction of trade accounts receivable for sales discounts, included sales discounts.

Reserves for discounts and allowances: Product sales are recorded at the net sales price (transaction price), which includes estimates of variable consideration for which reserves are established. These reserves are based on estimates of the amounts earned or to be claimed on the related sales and are classified as reductions of accounts receivable (if the amount is payable to our customer) or a liability (if the amount is payable to a party other than our customer). The Company's estimates of reserves established for variable consideration are generally calculated based upon utilizing the expected value method. The transaction price, which includes variable consideration reflecting the impact of discounts and allowances, may be subject to constraint and is included in the net sales price only to the extent that it is probable that a significant reversal of the amount of the cumulative revenues recognized will not occur in a future period. Actual amounts may ultimately differ from the Company's estimates. If actual results vary, the Company adjusts these estimates, which could have an effect on earnings in the period of adjustment.

More specifically, these adjustments include the following:

Prompt pay discounts: The Company generally provides invoice discounts on product sales to its customers for prompt payment. The Company estimates that its customers will earn these discounts and fees, and deducts the

full amount of these discounts and fees from its gross product revenues and accounts receivable at the time such revenues are recognized.

Government rebates: The Company estimates its government rebates based upon a range of possible outcomes that are probability-weighted for the estimated payor mix. These reserves are recorded in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability that is included in accrued expenses on the consolidated statement of financial position.

Chargebacks: Chargebacks represent the estimated obligations resulting from contractual commitments to sell products to wholesale distributers at prices lower than the list prices charged to customers who directly purchase the product from the Company. These reserves are established in the same period that the related revenue is recognized, resulting in a reduction of product revenue and accounts receivable. The Company estimates provisions for chargeback based upon contractual terms and historical trends.

Co-payment assistance: Co-payment assistance represents financial assistance to qualified patients, assisting them with prescription drug co-payments required by their insurance providers. The program is administered by specialty pharmacies. The calculation of the accrual adjustment for co-payment assistance is based on the co-payments made on the Company's behalf by the specialty pharmacies; and estimated potential future claims that will be made for product that has been recognized as revenue, but remains in the distribution channel inventories at the end of each reporting period. The Company estimates provisions for co-payment assistance based upon contractual terms and historical trends.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments with original terms to maturity of 90 days or less at the date of purchase.

Prepaids

Prepaids represent payments made in advance for goods or services that the company expects to receive in future accounting periods.

Prepaid inventory includes payments made for inventory before the company has taken delivery of the goods. Once the Company has assumed ownership, the cost of prepaid inventory is reclassified to inventory.

Prepaid expenses are costs paid in advance for services that the Company will receive in the future; these are then expensed over the period that the services are received.

Inventories

Raw materials, work in process and finished goods are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Cost consists primarily of material and manufacturing costs from third-party suppliers, as well as manufacturing overhead expenses (including allocation of fixed production overhead costs). Net realizable value is the estimated selling price less applicable selling costs. If the cost exceeds

net realizable amount, a provision is recognized. The provision may be reversed in a subsequent period if the circumstances which caused the write down no longer exist.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The Company depreciates its property and equipment as follows:

	Method	Rate/Period
Computer equipment	Straight-line	3 years
Office furniture and equipment	Declining balance	20%

Intangible assets

Separately acquired licences are recorded at cost less accumulated amortization and any accumulated impairment charges. These assets have finite useful lives.

Intangible assets are amortized using the straight-line basis over their estimated lives as follows:

	Period
Licences	Between 7 and 15 years

Amortization method and useful lives are reviewed and adjusted, if appropriate, on a prospective basis at each reporting date.

Impairment of long-lived assets

Property and equipment and intangible assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels at which they have separately identifiable cash flows (cash-generating units). Non-financial assets that previously had impairment are reviewed for possible reversal of the impairment at each reporting date.

For intangible assets related to licenses, management applies significant judgment in assessing whether an indicator of impairment exists that would necessitate impairment testing. Factors, such as changes in revenue growth rates and discount rate, are evaluated by management in determining whether there are any indicators of impairment.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is extinguished, which occurs when it is either discharged, canceled or expired.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable and unconditional right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial assets

Financial assets and financial liabilities are recognized initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss (FVTPL), which are measured initially at fair value and subsequently re-valued at the end of each reporting period. The change in the fair value, if any, is recognized within financing costs (income) in the consolidated statements of loss and comprehensive loss.

Impairment

The Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortized cost and through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. An external rating of investment grade is considered to indicate that a financial instrument may be considered as having low credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Financial liabilities

Financial liabilities are initially recorded at fair value net of any directly attributable transaction costs.

Classification depends on the purpose for which the financial instruments were acquired and on their characteristics. Management determines the classification of its financial instruments at their initial recognition. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

The Company's financial instruments are classified as follows:

Financial instrument	Classification under IFRS 9
Measured at amortized cost	
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Convertible debentures – Host	Amortized cost
Measured at fair value	
Convertible debentures – Derivative	FVTPL
Balance of payable for business combinations	FVTPL

Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and identifiable intangible assets acquired in business combinations. After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Company's cash-generating unit (CGU) or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The Company reviews the carrying value of goodwill in accordance with IAS 36, *Impairment of Assets*, on an annual basis on March 31 or more frequently if events or changes in circumstances indicate a potential impairment. Impairment is determined by assessing the recoverable amount of the Company's CGU. The CGU's recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use. The Company has only one CGU.

The recoverable amount for goodwill is based on a fair value less costs of disposal method using a discounted cash flow model. Significant assumptions used in the discounted cash flow model included revenue growth rates, future operating costs and discount rate.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation (a) as a result of a past event; (b) when it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) when a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is accounted for in the consolidated statement of loss and comprehensive loss.

If the known expected settlement date exceeds 12 months from the date of recognition, provisions are discounted using a current pre-tax interest rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense. Provisions are reviewed periodically and adjusted as appropriate.

Leases

A contract is a lease (or may contain a lease) if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liabilities using the effective interest rate method and payments are applied against the lease liability.

Income taxes

Current income tax expense is calculated on the basis of the applicable Canadian and US tax laws enacted or substantively enacted at the end of the reporting period. The tax expense for the fiscal year comprises current and deferred income tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects either accounting or taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Research and development

Expenditure on research activities is recognized as an expense in the period during which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditures attributable to the intangible asset during its development.

To date, the Company has not capitalized any development costs.

Termination benefits

The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees in accordance with a detailed formal plan without possibility for withdrawal or providing benefits as a result of an offer made to encourage voluntary termination.

Share-based compensation

The Company has outstanding common stock options, RSUs and PSUs which are considered equity awards. Accordingly, the Company recognizes a share-based compensation expense based on the fair value of the options at the grant date with a corresponding credit to contributed surplus. The options and RSUs vest in tranches (graded vesting) over time. The vesting of PSU awards is contingent on non-market performance conditions. Accordingly, the expense is recognized using the accelerated expense attribution method over the vesting period. When stock options are exercised, the Company issues new shares and the proceeds net of any directly attributable transaction costs are credited to share capital.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in shareholders' equity as a deduction, net of tax, from the proceeds.

Earnings per share

Earnings per share is calculated by dividing the net income for the year attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year. The diluted weighted average number of common shares outstanding is calculated by taking into account the dilution that would occur if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the year or the issuance date, unless it is anti-dilutive. The treasury stock method is used to determine the dilutive effect of the warrants and stock options. The treasury

(expressed in thousands of United States dollars, except per share amounts and number of shares)

stock method assumes that the proceeds from the exercise of warrants and options are used to purchase common shares at the volume weighted average market price during the year. The dilutive effect of convertible securities is determined using the if-converted method. The if-converted method assumes that the convertible securities are converted into common shares at the beginning of the period and all income charges related to the convertible securities are added back to income.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company has one reportable operating segment: the products sold and the marketing services offered to the pharmaceutical industry. The operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. All of the Company's assets are located in Canada and the United States.

Business combinations

The Company follows the acquisition method to account for business combinations in accordance with IFRS 3. The acquisition method of accounting requires that assets acquired and liabilities assumed be recorded at their estimated fair values on the date of a business acquisition. The amounts included in the consolidated statement of loss and comprehensive loss under transaction-related fees and expenses arise from business combinations made by the Company. Consequently, those costs are not included in the total purchase consideration of the business combination. All other costs related to the acquisition are expensed as incurred.

New information obtained during the measurement period, up to 12 months following the acquisition date, about facts and circumstances existing at the acquisition date affect the acquisition accounting.

3 Accounts receivable

	2023 $	2022 $
Trade accounts receivable, less expected credit loss of $nil (2022 – $nil)	**21,971**	13,391
Sales tax receivable	**410**	311
Other receivables	**-**	705
	22,381	14,407

4 Inventories

	2023 $	2022 $
Raw materials	**1,738**	2,263
Work in progress	**6,253**	5,451
Finished goods	**14,857**	13,637
	22,848	21,351

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Inventories are valued under a standard costing methodology on a first-in, first-out basis and are stated at the lower of cost or net realizable value. The Company capitalizes inventory costs related to products to be sold in the ordinary course of business. The Company assesses recoverability of inventory each reporting period to determine any write down to net realizable value resulting from excess or obsolete inventories.

The Company recognized $30,405 (2022 - $26,025) of inventory in Cost of sales of products in the consolidated statement of comprehensive income and included a provision for impaired inventory of $842 (2022 - $190) for the year ended March 31, 2023.

5 Prepaids

	2023 $	2022 $
Prepaid expenses	**3,891**	1,987
Prepaid inventory	**8,485**	68
	12,376	2,055

(expressed in thousands of United States dollars, except per share amounts and number of shares)

6 Property and equipment

	Office furniture & Computer equipment $	Right-of-use lease assets $	Total $
For the year ended March 31, 2022			
Net book value at March 31, 2021	596	199	795
Additions	97	721	818
Depreciation	(172)	(224)	(396)
Currency translation adjustment	3	1	4
Net book value at March 31, 2022	524	697	1,221
As at March 31, 2022			
Cost	1,058	1,031	2,089
Accumulated depreciation	(534)	(334)	(868)
Net book value	524	697	1,221
For the year ended March 31, 2023			
Net book value at March 31, 2022	524	697	1,221
Additions	**61**	**-**	**61**
Depreciation	**(155)**	**(198)**	**(353)**
Currency translation adjustment	**(27)**	**(3)**	**(30)**
Net book value at March 31, 2023	**403**	**496**	**899**
As at March 31, 2023			
Cost	**1,073**	**700**	**1,773**
Accumulated depreciation	**(670)**	**(204)**	**(874)**
Net book value	**403**	**496**	**899**

(expressed in thousands of United States dollars, except per share amounts and number of shares)

7 Intangible assets and goodwill

	Intangible assets subject to amortization			
	Licences $	Software $	Total $	Goodwill $
For the year ended March 31, 2022				
Net book value at March 31, 2021	76,360	2	76,362	10,653
Additions	7,617	-	7,617	-
Amortization	(5,747)	(2)	(5,749)	-
Impairment	(1,750)	-	(1,750)	-
Currency translation adjustment	85	-	85	33
Net book value at March 31, 2022	76,565	-	76,565	10,686
As at March 31, 2022				
Cost	93,256	-	93,256	10,686
Accumulated amortization	(16,691)	-	(16,691)	-
Net book value	76,565	-	76,565	10,686
For the year ended March 31, 2023				
Net book value at March 31, 2022	76,565	-	76,565	10,686
Additions	**301**	**-**	**301**	**-**
Amortization	**(5,728)**	**-**	**(5,728)**	**-**
Currency translation adjustment	**(765)**	**-**	**(765)**	**(404)**
Net book value at March 31, 2023	**70,373**	**-**	**70,373**	**10,282**
As at March 31, 2023				
Cost	**92,256**	**-**	**92,256**	**10,282**
Accumulated amortization	**(21,883)**	**-**	**(21,883)**	**-**
Net book value	**70,373**	**-**	**70,373**	**10,282**

During the year ended March 31, 2023, the Company recorded additions of $301 to Licences, related to upfront payments and a milestone payable under product licence agreements.

Gleolan United States Agreement

On March 1, 2022, the Company entered into an agreement with NX Development Corp. ("NXDC"), the U.S. subsidiary of photonamic GmbH & Co. KG, for the exclusive rights to commercialize Gleolan in the United States. Gleolan is an optical imaging agent currently indicated in the United States in patients with glioma as an adjunct for the visualization of malignant tissue or tumor tissue during surgery.

The Company paid NXDC a non-refundable upfront payment of $1,500 on signing, with further payments due upon certain time and sales based milestones. Medexus also pays a tiered royalty to NXDC on net sales of Gleolan in the United States. NXDC is obligated to supply finished products to the Company under negotiated supply terms. The transaction was accounted for as an asset purchase.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Topical Terbinafine

On March 22, 2023, the Company entered into an agreement with Polichem for the exclusive rights to commercialize terbinafine hydrochloride nail lacquer in Canada. Terbinafine is used to treat fungal nail infections.

The Company paid Polichem a non-refundable upfront payment of €170 on signing, with further payments due upon certain time and sales based milestones. Medexus also pays a low double-digit percentage royalty on net sales of terbinafine in Canada. Polichem is obligated to supply finished products to the Company under negotiated supply terms. The transaction was accounted for as an asset purchase.

Goodwill

Management assesses goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate a potential impairment. The recoverable amount for goodwill is based on a fair value less costs of disposal method using a discounted cash flow model. Significant assumptions used in the discounted cash flow model included revenue growth rates, future operating costs and discount rate. No impairment was recognized as a result of the 2023 impairment assessment.

Sensitivity testing was conducted as a part of the March 31, 2023 annual impairment test, a component of which was hypothetical changes in the future weighted average cost of capital. Stress testing included a scenario of increases (1% - 5%) in the weighted average cost of capital with all other assumptions being held constant; under this scenario, the Company would be able to recover the carrying values of goodwill for the foreseeable future.

Impairment of intangible assets

At year end, management identified impairment indicators due to a decrease in projected revenue growth rates on certain intangible assets related to licenses, and due to the expectation that the FDA review of treosulfan would continue beyond the agreed FDA approval outside date, in which case the U.S. Treosulfan Agreement will be subject to renegotiation and adjustment as to reflect changes in the perceived value of the product. The Company performed an analysis of the recoverable amounts of these licences based on a fair value less costs of disposal method using the discounted cash flow model. Significant assumptions include revenue growth rates, future operating costs, discount rates and, for treosulfan, the probability of a successful resubmission of a New Drug Application (NDA) to the FDA. As a result of management analysis on these licenses, no impairment was recognized.

8 Accounts payable and accrued liabilities

	2023 $	2022 $
Account payable - Trade	**10,158**	12,046
Accrued liabilities	**23,257**	17,128
	33,415	29,174

(expressed in thousands of United States dollars, except per share amounts and number of shares)

9 Long-term debt

As at	Note	March 31, 2023 $	March 31, 2022 $
Credit facility	(a)	**38,500**	24,245
Deferred debt transaction costs		**(2,988)**	(406)
Lease liabilities		**598**	783
Long-term debt		**36,110**	24,622
Current		**8,733**	15,046
Non-current		**27,377**	9,576
Long-term debt		**36,110**	24,622

(a) Credit facility

	Term Loan $	Revolver $	Total $
As at March 31, 2023			
Outstanding	**35,000**	**3,500**	**38,500**
Remaining available	**N/A**	**-**	**-**
Total credit facility	**35,000**	**3,500**	**38,500**
As at March 31, 2022			
Outstanding	10,000	14,245	24,245
Remaining available	N/A	1,178	1,178
Total credit facility	10,000	15,423	25,423

BMO Credit Facility

On March 8, 2023, the Company entered into a definitive credit agreement ("BMO credit agreement") with a syndicate of lenders agented by Bank of Montreal ("BMO") in respect of a $35,000 secured term loan having a term of 36 months, maturing on March 8, 2026 (the "Term Loan"), which includes an additional $20,000 uncommitted accordion feature. The BMO credit agreement also includes a $3,500 revolving loan maturing on March 8, 2026 (the "Revolver"). The Company used a substantial portion of the net proceeds of the Term Loan to satisfy all obligations under its former credit facilities, which otherwise would have matured in July 2023.

The Term Loan is subject to an amortization schedule requiring that the principal amount be repaid on the last business day of each calendar quarter, on the basis of 5% per annum during the six months following the initial March 2023 funding date, 10% per annum during the subsequent three months, 20% per annum during the next subsequent three months, and 25% per annum during the remainder of the term, with the remaining balance due at maturity of the BMO credit agreement.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Borrowings under the BMO credit agreement bear interest at an annual rate of adjusted term Secured Overnight Financing Rate ("SOFR"), plus a margin determined quarterly based on the Company's consolidated leverage ratio. As at March 31, 2023, $35,000 of the Term Loan and $3,500 of the Revolver were outstanding with a weighted average interest rate of 8.63%.

The terms and conditions of the BMO credit agreement include certain customary representations, warranties and covenants, including requirements to stay below a maximum leverage ratio, and maintain a minimum fixed charge coverage ratio. As at March 31, 2023, the Company was in compliance with these financial covenants and all of the terms and conditions of its long-term debt agreements.

Midcap Credit Facility

On February 28, 2020, the Company entered into a definitive credit agreement with a syndicate of lenders agented by MidCap Financial Trust in respect of a $20,000 secured term loan maturing on July 17, 2023 unless extended to February 1, 2024 in accordance with its terms (the "Term Loan"). On May 7, 2020, the Company entered into a definitive credit agreement with a syndicate of lenders agented by MidCap Funding IV Trust in respect of a $20,000 secured asset-based revolving credit facility maturing July 17, 2023 unless extended to February 1, 2024 in accordance with its terms (the "ABL Facility") and an uncommitted $10,000 accordion. An initial advance under the ABL Facility was used by the Company to repay $10,000 of the principal amount outstanding under the Term Loan. In September 2022, the Company announced an amendment to the ABL Facility, which increased the revolving loan commitment amount to $25,000 (subject to the borrowing base) on substantially the same terms provided under the existing ABL Facility.

The Term Loan and ABL Facility were repaid in full on March 8, 2023 using net proceeds from the BMO Credit Facility.

Leases

The Company leases office space in Chicago. As of March 31, 2023, the Company has one lease expiring in 2028.

Leases are subject to amortization schedules, which results in the principal being repaid over various periods, including reasonably anticipated future renewal terms.

Anticipated future cash flow requirements to meet undiscounted long-term debt principal repayments, calculated upon such long-term debts owing as at March 31, 2023, are as follows:

Years ending March 31	Credit facility $	Leases $
2024	4,075	143
2025	8,750	145
2026	22,175	178
2027	-	182
2028	-	46

(expressed in thousands of United States dollars, except per share amounts and number of shares)

10 Convertible debentures

As at	March 31, 2023 $	March 31, 2022 $
Convertible debentures issued in October 2018	**34,224**	30,929
Embedded derivative on convertible debentures	**80**	2,711
Deferred financing transaction costs	**(251)**	(689)
	34,053	32,951
Current	**34,053**	-
Non-current	**-**	32,951
	34,053	32,951

Convertible debentures issued in October 2018

The convertible debentures will mature on October 16, 2023, and convertible debentures not previously converted by the holders will be repaid in full by the Company with a payment equal to 125% of the outstanding principal amount, together with all accrued and unpaid interest. The convertible debentures bear interest at a rate of 6.0% per annum beginning October 16, 2018, payable semiannually in arrears on each March 31 and September 30. The Company may elect to satisfy any amounts payable in respect of the convertible debentures on any semiannual interest payment date or at maturity in cash or, subject to TSX and any other required approvals, common shares or a combination of cash and common shares.

The terms of the convertible debentures provide that holders may elect to convert their convertible debentures into equity units at a conversion price of C$6.30, with each unit comprising one common share and one half of one warrant to purchase one common share, with each whole warrant exercisable at a price of C$9.45 per whole warrant until October 16, 2023. The warrants are issued under a common share purchase warrant indenture with Computershare Trust Company of Canada as warrant agent.

The convertible debentures are a compound financial instrument under IAS 32 and have both a liability and an embedded derivative component. The derivative is measured at FVPTL, and its fair value must be measured at each reporting period with subsequent changes in fair value recorded in the consolidated statement of loss.

The derivative was valued using a convertible bond valuation model with the following key assumptions:

As at	March 31, 2023	March 31, 2022
Risk-free interest rate	**3.8%**	2.3%
Volatility*	**91.8%**	67.3%
Expected life	**0.5 yrs**	1.5 yrs

* Expected share price volatility was calculated using the Company's historical volatility.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

The table below shows the immediate increase (decrease) that a 250 basis point change in the assumed volatility rate used in the valuation model would have on the embedded derivative balance. This changes in fair value recorded would result in an increase (decrease) to net income and other comprehensive income.

As at	March 31, 2023 $	March 31, 2022 $
250 basis point increase to the assumed volatility rate		
Increase to fair value of the embedded derivative	**26**	249
250 basis point decrease to the assumed volatility rate		
Decrease to fair value of the embedded derivative	**(15)**	(230)

The following table indicates the changes to the convertible debentures during the year:

	Host $	Derivative $
Balance at March 31, 2021	25,918	23,726
Interest accretion	4,832	-
Unrealized gain on fair value	-	(21,097)
Currency translation adjustment	179	82
Balance at March 31, 2022	30,929	2,711
Interest accretion	**5,740**	**-**
Unrealized loss on fair value	**-**	**(2,533)**
Currency translation adjustment	**(2,445)**	**(98)**
Balance at March 31, 2023	**34,224**	**80**

Normal course issuer bid

Subsequent to March 31, 2023, on May 15, 2023, the Company commenced a normal course issuer bid for its convertible debentures ("2023 NCIB"). Under the 2023 NCIB, Medexus may purchase for cancellation up to C$4,132 principal amount of its convertible debentures. The 2023 NCIB is expected to continue until the convertible debentures mature in October 2023, unless terminated earlier in accordance with its terms.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

11 Balance of payable for business combinations

	Note	Medac $	Aptevo $	Total $
For the year ended March 31, 2022				
Opening net book value		18,508	12,800	31,308
Interest accretion	16	1,948	822	2,770
Unrealized loss on change in fair value		(1,681)	(775)	(2,456)
Unrealized foreign exchange loss		(119)	-	(119)
Payment		(620)	(482)	(1,102)
Currency translation adjustment		102	-	102
Balance of payable at March 31, 2022		18,138	12,365	30,503
Current				1,226
Non-current				29,277
Balance of payable at March 31, 2022				30,503
For the year ended March 31, 2023				
Opening net book value		18,138	12,365	30,503
Interest accretion	16	**1,802**	**647**	**2,449**
Unrealized gain on change in fair value		**(1,229)**	**1,122**	**(107)**
Unrealized foreign exchange gain		**1,477**	**-**	**1,477**
Payment		**-**	**(1,359)**	**(1,359)**
Currency translation adjustment		**(1,463)**	**-**	**(1,463)**
Balance of payable at March 31, 2023		**18,725**	**12,775**	**31,500**
Current				**3,492**
Non-current				**28,008**
Balance of payable at March 31, 2023				**31,500**

Medac Pharma Inc.

As part of the acquisition of Medac Pharma Inc. on October 16, 2018, the Company is required to make annual earnout payments in an amount equal to 7.5% of the aggregate consolidated EBITDA of the Company, subject to certain agreed-upon adjustments and until such time as an aggregate of $30,000 in annual payments have been made. To date the Company has made earnout payments totaling $1,109.

These earnout amounts are separate from and are not directly affected by any milestones that may become payable to medac under the U.S. Treosulfan Agreement discussed in note 19.

Aptevo BioTherapeutics LLC

As part of the acquisition of Aptevo on February 28, 2020, the Company is required to make certain deferred payments on net sales of IXINITY® in an amount equal to (i) 2% of net sales until June 30, 2022, and (ii) 5% of net sales thereafter until March 1, 2035. In addition, the purchase agreement requires the Company to make

(expressed in thousands of United States dollars, except per share amounts and number of shares)

certain milestone payments upon IXINITY®'s receipt of regulatory approval in each of Canada, Germany, France, Spain, Italy and the United Kingdom, and upon IXINITY® achieving worldwide annual net sales of $120,000; in each case only if achieved by March 1, 2035.

12 Share capital

Authorized and issued

The Company is authorized to issue an unlimited number of common shares without par value.

Basic earnings per share ("EPS") is calculated by dividing the net income (loss) for the year attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for the dilution that would occur if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the year or the issuance date, unless it is anti-dilutive.

	2023	2022
Weighted average number of shares outstanding	19,976,167	19,454,155
Basic EPS	**0.06**	**(0.15)**

	2023	2022
Weighted average number of shares outstanding	19,976,167	19,454,155
Adjustments for RSUs	277,637	392,039
Adjustments for stock options	-	9,600
Adjustments for warrants	270,000	-
Weighted average number of shares for diluted EPS	20,523,804	19,855,794
Diluted EPS	**0.06**	**(0.15)**

(expressed in thousands of United States dollars, except per share amounts and number of shares)

13 Share-based compensation

Stock options

	2023		2022	
Years ended March 31	**Number of options**	**Weighted average exercise price C$**	**Number of options**	**Weighted average exercise price C$**
Outstanding, beginning of year	821,626	5.18	424,675	5.06
Granted	406,560	2.06	526,771	5.36
Forfeited	(170,213)	5.60	(115,598)	(5.40)
Expired	-		(14,222)	(6.53)
Outstanding, end of year	**1,057,973**	**3.91**	**821,626**	**5.18**
Exercisable, end of year	**502,645**	**4.71**	**348,254**	**5.37**

As at March 31, 2023, the options outstanding under the plan have a weighted average remaining life of approximately 7.9 years (2022 – 8.0 years).

Restricted stock units (RSUs)

	2023		2022	
Years ended March 31	**Number of units**	**Weighted average exercise price C$**	**Number of units**	**Weighted average exercise price C$**
Outstanding, beginning of year	695,050	0.01	1,088,137	0.01
Granted	144,149	0.01	169,290	0.01
Exercised	(486,012)	(0.01)	(554,877)	(0.01)
Forfeited	**-**	-	(7,500)	(0.01)
Outstanding, end of year	**353,187**	**0.01**	**695,050**	**0.01**
Exercisable, end of year	**194,549**	**0.01**	**360,725**	**0.01**

(expressed in thousands of United States dollars, except per share amounts and number of shares)

Performance stock units (PSUs)

	2023		2022	
Years ended March 31	**Number of units**	**Weighted average exercise price C$**	**Number of units**	**Weighted average exercise price C$**
Outstanding, beginning of year	248,613	0.01	72,999	0.01
Granted	706,855	0.01	245,597	0.01
Forfeited	(70,127)	(0.01)	(69,983)	(0.01)
Outstanding, end of year	**885,341**	**0.01**	**248,613**	**0.01**
Exercisable, end of year	-	-	-	-

The Company issues equity incentive compensation awards to eligible participants under the Company's equity incentive compensation plans ("Equity Plans"): the Medexus Long Term Incentive Plan, which was adopted at the Company's annual meeting of shareholders in September 2022, and, previously, the Company's 2018 Omnibus Equity Incentive Plan, which continues to govern only equity incentive compensation awards issued to participants before September 2022.

The Equity Plans provide that the Board of Directors may from time to time, in its discretion and in accordance with stock exchange requirements, grant to eligible participants equity incentive compensation awards ("Awards") which may include stock options ("Options"), restricted stock units ("RSUs"), deferred stock units ("DSUs") and performance stock units ("PSUs").

During the fiscal years ending March 31, 2023 and 2022, the Company issued RSUs to certain directors of the Company and issued PSUs and Options to certain directors, officers and employees of the Company.

RSUs generally vest in one or more installments based on a participant's continued service and tenure over a period of time. For example, RSUs issued annually to directors since Fall 2020 vest on the date of the following annual general meeting of shareholders. PSUs vest in the event the Company achieves one or more of a number of predetermined objectives during performance periods that generally, but not always, extend over multiple financial years. For example, PSUs issued to members of senior management through Fall 2021 will vest upon Medexus's achievement and public disclosure of company-level financial objectives which PSUs are, based on their terms, unlikely to vest before March 31, 2024. Each vested share unit represents an obligation of the Company to deliver the value of one common share in accordance with the Equity Plans and the terms of the holder's award agreement.

Options generally vest in one or more installments based on a participant's continued service and tenure over a period of time. For example, Options issued to date to newly hired employees since Fall 2020 vest in equal amounts upon the grant date and the first, second, third, and fourth anniversaries of the grant date, and Options issued annually to directors since Fall 2020 vest on the date of the following annual general meeting of shareholders. Each vested Option represents an obligation of the Company to deliver the value of one common share upon the holder's delivery of an exercise notice and value equal to the exercise price in accordance with the Equity Plans and the terms of the holder's award agreement.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

RSUs PSUs and Options may become immediately exercisable in the event of any change of control of the Company in accordance with the terms of the Equity Plans.

In estimating the share-based compensation expense for options granted to directors, officers, employees and consultants, the Company uses the Black-Scholes option-pricing model. The weighted average fair value of share option awards granted, and the weighted average assumptions used in the fair value estimation were as follows:

	2023	2022
Share option award fair value	C$1.21	C$3.37
Risk-free interest rate	3.2%	1.4%
Volatility*	68.0%	54.2%
Expected life	5 yrs	5 yrs
Expected dividend yield	NIL	NIL

* Expected share price volatility was calculated using the Company's historical volatility.

Share-based compensation expense with respect to these options, RSUs, and PSUs amounted to $ 1,579 (2022 – $2,300) for the year ended March 31, 2023. These costs are included in selling and administrative expenses in the consolidated statement of loss and comprehensive loss (note 15).

(expressed in thousands of United States dollars, except per share amounts and number of shares)

14 Warrants

	Number of warrants	Weighted average exercise price C$
Outstanding, March 31, 2021	5,082,853	9.44
Expired	**(191,154)**	**9.45**
Outstanding, March 31, 2022	4,891,699	9.44
Issued	135,710	1.02
Amended	**(134,290)**	**(4.00)**
Amended	**134,290**	**1.02**
Expired	**(2,523,491)**	**(9.73)**
Outstanding, March 31, 2023	**2,503,918**	**8.53**

Warrants outstanding as at March 31, 2023 expire as follows:

	Number of warrants	Price per warrant C$
July 2023	270,000	1.02
October 2023	2,233,918	9.45

The Company uses the residual method in establishing the value of the warrants. The carrying value of the warrants is recorded in contributed surplus.

15 Selling and administrative expenses

	Note	2023 $	2022 $
Employee benefit expense	17	**24,007**	21,194
Sales and marketing expense		**11,392**	9,511
Regulatory and business development		**6,089**	5,436
General administrative		**6,765**	7,891
		48,253	44,032

(expressed in thousands of United States dollars, except per share amounts and number of shares)

16 Financing costs

	2023 $	2022 $
Interest on convertible debentures	**1,869**	1,988
Interest accretion on convertible debentures, net of amort. of deferred financing costs	**6,130**	5,161
Interest on long-term debt, net of amort. of deferred financing costs	**3,112**	2,261
Interest accretion on balance of payable for business combinations	**2,449**	2,770
Interest on lease liabilities	**46**	43
Interest expense	**13,606**	12,223
Business combinations payable – Unrealized gain on change in fair value	**(107)**	(2,456)
	13,499	9,767

17 Employee benefit expense

a) Employees other than the Company's key management personnel as described in (b)

	2023 $	2022 $
Salaries and benefits	**16,493**	14,108
Share-based compensation	**362**	551
	16,855	14,659

b) Key management personnel consist of the Company's Chief Executive Officer, Chief Financial Officer, General Managers of the Company's US and Canadian operations, General Counsel, Vice-Presidents and Board of Directors.

	2023 $	2022 $
Key management compensation		
Salaries and benefits	**5,935**	4,786
Share-based compensation	**1,217**	1,749
	7,152	6,535

(expressed in thousands of United States dollars, except per share amounts and number of shares)

18 Related party transactions

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

a) The Company pays warehouse and other fees to a company in which a named executive officer of the Company holds a 50% equity interest for customary storage, distribution, and other related services in respect of certain of the Company's products in Canada. These fees totaled $237 (2022 – $257) for the year ended March 31, 2023.

b) Interest on convertible debentures which are owned or controlled, directly and indirectly, by two (2022 – three) directors of the Company totaled $282 in cash (2022 – $148 in cash and 58,193 in common shares) for the year ended March 31, 2023.

19 Commitments and contingencies

In the normal course of business, the Company enters into licensing, distribution or supply agreement with third parties whereby the Company may be required to make future cash payments in the event the Company achieves certain sales volumes or certain milestone events, such as a product approval by the FDA, occur.

Anticipated future cash flow requirements to meet the Company's milestone commitments as at March 31, 2023, are as follows:

Years ending March 31	Milestones $
2024	-
2025	17,500 – 47,500
2026	1,777
2027	6,927
2028	615
	26,819 – 56,819

Global exclusive licencing agreement

On September 19, 2016, the Company signed an exclusive licensing agreement with 9346-4626 Québec Inc. for the drug Relaxa.

Under the terms of the licensing agreement, the Company has the exclusive right to manufacture, promote, market, sell and distribute Relaxa globally. In return, the Company pays the licensor royalties based on annual net sales of the product.

Pursuant to the original terms of the licensing agreement, the Company had the right to acquire the product at any time until the seventh anniversary of the effective date of the licensing agreement. The aggregate price payable for the product during such term would be C$5,000 plus a 2% royalty on the annual net sales of the product up to a maximum of C$1,500 (the option exercise price). Moreover, for the term commencing on the fifth anniversary of the effective date of the licensing agreement and ending on the seventh anniversary of the effective

date of the licensing agreement, the licensor would have had the option to sell the product to the Company for the same option exercise price.

On September 29, 2021, the Company and 9346-4626 Québec Inc. signed an amendment giving the Company the right to acquire the product at any time until the tenth anniversary of the effective date of the licensing agreement, and deferring the licensor's option to sell the product to the Company until the eighth anniversary of the effective date of the licensing agreement and ending on the tenth anniversary of the effective date of the licensing agreement. There was no change to the aggregate price payable.

On December 1, 2022, the Company and 9346-4626 Québec Inc. signed an amendment giving the Company the right to pay up to 80% of the C$5,000 amount that would be payable at the closing of an option exercise transaction (if any) in common shares of the Company. There was no change to the aggregate price payable.

U.S. Treosulfan Agreement

On February 2, 2021, the Company entered into an exclusive agreement with medac GmbH ("medac") for the rights to commercialize treosulfan in the United States ("U.S. Treosulfan Agreement"). Treosulfan is an orphan-designated agent developed for use as part of a conditioning treatment for patients undergoing allogeneic hematopoietic stem cell transplantation.

medac, in collaboration with the Company, is currently applying for the FDA's approval for treosulfan in the United States. Under the U.S. Treosulfan Agreement, it was agreed that if the FDA were to approve treosulfan before an agreed FDA approval outside date, then the Company would become obligated to pay a significant milestone amount to medac. The range of possible milestone amounts would be between $15,000 and $45,000. The specific amount due would depend on the terms of the FDA's approval.

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 credited the Company with $2,500, 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 would again become payable to medac. This payable has been included in other current liabilities in the consolidated statements of financial position.

At March 31, 2023, the Company's expectation was that the FDA review of treosulfan would continue beyond the agreed FDA approval outside date, in which case the U.S. Treosulfan Agreement would be subject to renegotiation and adjustment as to reflect changes in the perceived value of the product, including as a result of increases or decreases in patient population, changes in treatment landscape, changes in competition, and changes in market access as a result of the delay in securing FDA approval of the NDA.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

20 Consolidated statements of cash flows

Changes in non-cash operating working capital items are as follows:

	2023 $	2022 $
Decrease (increase) in		
Accounts receivable	**(8,236)**	4,430
Inventories	**(1,987)**	(6,660)
Prepaids	**(10,354)**	2,655
Other current assets	**563**	700
Increase in		
Accounts payable and accrued liabilities	**4,751**	3,605
	(15,262)	4,730

21 Geographic information

The geographic segmentation of the Company's non-current assets is as follows:

As at	March 31, 2023 $	March 31, 2022 $
United States	**69,775**	73,753
Canada	**18,585**	16,361

The geographic segmentation of the Company's sales based on customer location is as follows:

	2023 $	2022 $
United States	**78,940**	52,005
Canada	**29,156**	24,696

(expressed in thousands of United States dollars, except per share amounts and number of shares)

22 Income taxes

Income tax expense includes the following components:

	2023 $	2022 $
Current		
United States	**2,066**	177
Deferred		
United States	**(8,328)**	(1,118)
Total income tax recovery	**(6,262)**	(941)

A reconciliation of income taxes at the Canadian statutory rate with reported income taxes is as follows:

	2023 $	2022 $
Statutory federal and provincial tax	**(1,383)**	(1,119)
Increase (decrease) in taxes recoverable resulting from:		
Impact of rate differential of foreign jurisdiction	**(92)**	493
Effect of change in unrecognized deferred tax asset	**499**	(1,053)
Non-deductible share-based compensation	**419**	610
Non-deductible expense for tax purposes	**71**	6
Recognition of deferred tax asset	**(6,965)**	-
Foreign exchange translation adjustment	**1,256**	-
Other differences	**(67)**	122
	(6,262)	(941)

The Canadian combined statutory rate as at March 31, 2023 was 26.5% (2022 – 26.5%).

(expressed in thousands of United States dollars, except per share amounts and number of shares)

At March 31, 2023, The Company has a deferred tax asset of $6,806 (2022 - $nil) in the United States. Additionally, the Company has accumulated non-capital losses in Canada which can be carried forward to reduce future taxable income and which expire as follows:

	Total $
2026	253
2027	548
2028	388
2029	518
2030	1,476
2031	1,286
2032	1,567
2033	627
2034	885
2035	3,796
2036	2,424
2037	2,217
2038	4,070
2039	2,498
2040	4,072
2041	3,614
2042	4,448
2043	244
	34,931

The future benefit of these non-capital losses in Canada has not been recognized in the accounts.

23 Financial instruments

Fair value estimation

The Company measures the fair value of its financial assets and financial liabilities using a fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value. The different levels of the fair value hierarchy are defined 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 (that is, as prices) or indirectly (that is, derived from prices); and

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

The Company estimated the fair value of its financial instruments as described below.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are considered to be equal to their respective carrying values due to their short-term maturities.

As at March 31, 2023 and 2022, other financial instruments measured at fair value in the consolidated statements of financial position were as follows:

	2023		2022	
	Fair value hierarchy	**Fair value $**	**Fair value hierarchy**	**Fair value $**
Financial liabilities				
Convertible debentures – Derivative	Level 2	**80**	Level 2	2,711
Balance of payable for business combinations	Level 3	**31,500**	Level 3	30,503

Liquidity risk

Liquidity risk arises when a company encounters difficulties in meeting commitments associated with liabilities and other payment obligations. Liquidity risk is managed by maintaining adequate reserves and banking facilities and by closely monitoring forecast and actual cash flows. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, long-term debt, convertible debentures and balance of payable for business combination.

The tables below categorize the Company's financial liabilities into relevant maturity groupings based on the remaining periods at the consolidated statements of financial position dates to the contractual maturity dates.

2023	**1 year or less $**	**Between 1 & 5 years $**	**Over 5 years $**	**Total $**
Accounts payable and accrued liabilities	**33,415**	**-**	**-**	**33,415**
Long-term debt	**8,733**	**27,377**	**-**	**36,110**
Convertible debentures – Host	**33,973**	**-**	**-**	**33,973**
Convertible debentures – Derivative	**80**	**-**	**-**	**80**
Balance of payable for business combinations	**3,492**	**11,510**	**16,498**	**31,500**
	79,693	**38,887**	**16,498**	**135,078**

2022	**1 year or less $**	**Between 1 & 5 years $**	**Over 5 years $**	**Total $**
Accounts payable and accrued liabilities	29,174	-	-	29,174
Long-term debt	15,046	9,576	-	24,622
Convertible debentures – Host	-	30,240	-	30,240
Convertible debentures – Derivative	-	2,711	-	2,711
Balance of payable for business combinations	1,226	16,434	12,843	30,503
	45,446	58,961	12,843	117,250

medac GmbH, in collaboration with the Company, is currently applying for the FDA's approval for treosulfan in the United States. Under the Company's February 2021 exclusive license agreement relating to treosulfan (the "U.S. Treosulfan Agreement"), upon an FDA approval of treosulfan, the Company would become obligated to pay a milestone amount to medac of between $15,000 and $45,000 depending on the terms of the FDA's approval. However, in light of the ongoing delay in the FDA's review of the treosulfan NDA, which at March 31, 2023 the Company expected to continue beyond the agreed FDA approval outside date, the U.S. Treosulfan Agreement provides that the amount of this milestone payment, together with future sales-based milestones, will be subject to renegotiation and adjustment as to reflect changes in the perceived value of the product, including as a result of increases or decreases in patient population, changes in treatment landscape, changes in competition, and changes in market access as a result of the delay in securing FDA approval of the NDA.

Credit risk

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is exposed mainly to currency risk and interest rate risk. The exposures of the Company are monitored regularly by the Company's management.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates against the functional currency.

The Company operates in Canada and the United States and is therefore exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The operating results and the financial position of the Company are reported in US$. The functional currency of the parent entity, and some subsidiaries, is C$ and is therefore exposed to foreign currency risk from financial instruments denominated in currencies other than C$. The Company has subsidiaries whose functional currency is US$ and is therefore exposed to foreign currency risk from financial instruments denominated in currencies other than US$.

(expressed in thousands of United States dollars, except per share amounts and number of shares)

The Company is exposed to foreign currency risk through the following financial assets and liabilities, expressed in US$:

	2023 $	2022 $
Cash and cash equivalents		
US dollar	**165**	**1,119**
Accounts payable and accrued liabilities		
US dollar	**(112)**	**(117)**
Euro	**(2,015)**	**(1,465)**
Balance of payable for business combinations		
US dollar	**(18,725)**	**(18,138)**

The table below shows the immediate increase (decrease) on net income of a 10% strengthening in the closing exchange rate of significant currencies to which the Company has exposure as at March 31, 2023. The sensitivity associated with a 10% weakening of a particular currency would be equal and opposite. This assumes that each currency moves in isolation. The Company has a policy to manage currency risk, and the BMO credit agreement provides for a limited risk management facility to support the Company's hedging activities. As at March 31, 2023, the Company had not entered into any arrangements to hedge its currency risk exposure.

	2023 $	2022 $
10% strengthening of the CA$:US$ exchange rate	**1,867**	**1,714**
10% strengthening of the CA$:EUR exchange rate	**202**	**146**

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed rate instruments subject the Company to fair value risk, while floating rate instruments subject it to cash flow risk. The Company has performed a sensitivity analysis on interest rate risk as at March 31, 2023. A change in interest rates on borrowings of 1% higher or lower would not have a significant impact on net income (loss) and comprehensive loss for the year.

The Company is exposed to interest rate risk as follows:

Cash and cash equivalents	Floating rate
Accounts receivable	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Long-term debt	As described in note 9
Convertible debentures	As described in note 10
Balance of payable for business combinations	As described in note 11

Capital risk management

The common shares are managed as the capital of the Company for all periods concerned. The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to minimize the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new common shares or other equity or debt securities from time to time.

24 Additional financial information

Customer concentration

The Company has a limited number of direct customers, and the majority of the Company's sales are to large national distributors, wholesalers, pharmacy chains and specialty pharmacies, healthcare institutions, and other large customers.

For the year ended March 31, 2023, three customers (2022 – two customers), all of which were large national wholesalers, each individually accounted for more than 10% of the Company's total revenue, together accounting for approximately 61% of the Company's total revenue (2022 – 59%).

For the year ended March 31, 2023, four customers (2022 – three customers), all of which were large national wholesalers, each individually accounted for more than 10% of the Company's trade accounts receivable, together accounting for approximately 80% of the Company's trade accounts receivable (2022 – 75%).