
# Management's Discussion & Analysis

Financial Year Ended March 31, 2023

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## PRELIMINARY NOTES

This management's discussion and analysis of financial position and results of operations (**MD&A**) of Medexus Pharmaceuticals Inc. and its subsidiaries (collectively **Medexus** or **Company**) relates to the financial year ended March 31, 2023. It was approved by Medexus's board of directors (**Board**) on June 21, 2023.

The audited consolidated financial statements of Medexus for the financial year ended March 31, 2023 were prepared in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**). This MD&A should be read in conjunction with Medexus's audited consolidated financial statements and most recently filed annual information form (**AIF**).

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

### Forward-looking statements

Certain statements in this MD&A contain forward-looking information within the meaning of applicable securities laws (**forward-looking statements**). Such forward-looking statements include statements that express or involve discussions as to expectations, beliefs, plans, objectives, assumptions, or future events or performance, and which are not historical facts. Forward-looking statements are often, but not always, indicated by words or phrases such as "anticipates", "believes", "budget", "could", "estimates", "expects", "forecasts", "goals", "intends", "may", "might", "objective", "outlook", "plans", "projects", "schedule", "should", "will", "would", and "vision". All forward-looking statements in this MD&A are expressly qualified by the cautionary statements in this section.

Specific forward-looking statements in this MD&A include, but are not limited to, information contained in statements regarding any of the following: Medexus's business strategy, outlook, and other expectations regarding financial or operational performance; anticipated trends and challenges in Medexus's business and the markets in which it operates, including the company's competitive position in and demographics of those markets; Medexus's expectations and plans regarding future growth and revenues (including in respect of IXINITY and Medexus's other leading products) and ability to pay dividends and distributions; Medexus's expectations regarding the business strategies of its competitors, pricing of products, and product opportunities; the timing of a trial court decision in respect of, and any outcome of, the Metoject Litigation (defined below) and any consequences of any such timing or outcome; Medexus's overall capital allocation strategy, including expectations regarding availability of funds from operations, cash flow generation, and capital allocation and anticipated cash needs, capital requirements, and needs for additional financing, and including potential future purchases of the Convertible Debentures (defined below) under the 2023 NCIB (defined below), if any, and the potential availability of the uncommitted accordion facility under the BMO Credit Agreement (defined below); Medexus's ability to secure and fund commercialization rights to promising products and the performance of those products against expectations; the ability of Medexus and its business partners to secure regulatory approvals from the US Food and Drug Administration (**FDA**), Health Canada, and other agencies when required; and the potential ongoing impact of the Covid-19 pandemic (including any variants) and Medexus's response, including any balance-sheet and cost management strategies and any benefits from those strategies. In addition, forward-looking statements in this

MD&A also include statements regarding the potential benefits of treosulfan and the occurrence, timing, and expected outcome of the FDA review process for treosulfan, including any related collection and submission of information to the FDA and the FDA's acceptance and review of that information, and a related launch of the product in the United States and expectations regarding the product's prospects if approved by the FDA.

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

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

### Non-GAAP measures

Company management uses, and this MD&A refers to, financial measures that are not recognized under IFRS and do not have a standard meaning prescribed by generally accepted accounting

principles (**GAAP**) in accordance with IFRS or other financial or accounting authorities (**non-GAAP measures**). These non-GAAP measures may include "non-GAAP financial measures" and "non-GAAP ratios" (each defined in National Instrument 52-112, *Non-GAAP and Other Financial Measures Disclosure*). Medexus's method for calculating these measures may differ from methods used by other companies and therefore these measures are unlikely to be comparable to similarly-designated measures used or presented by other companies. Medexus believes that these non-GAAP measures complement its IFRS measures and provide additional insight into, and allow for a more complete understanding of, the company's financial and operational results and management's perspective on Medexus's business and operations.

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

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

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

### *Adjusted Net Income (Loss)*

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

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

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

*Adjusted EBITDA*

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

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

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

Key limitations to using Adjusted EBITDA include the following –

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

### Trademarks and trade names

This MD&A contains references to trademarks and other protected names and marks, including those belonging to other companies, persons, or entities. Solely for convenience, trademarks and other protected names and marks referred to in this document may appear without the "®" or "™" symbols. Each such reference should be read as though it appears with the relevant symbol. Any such references are not intended to indicate, in any way, that the holder or holders of the relevant intellectual property rights will not assert, to the fullest extent under applicable law, its rights to these trademarks and other protected names and marks.

### Website addresses

Uniform resource locators, or website addresses, that may appear in this MD&A are intended to be provided as inactive textual references only. Information contained on or accessible through these website addresses is not a part of this MD&A and is not incorporated by reference into this MD&A or any of Medexus's public filings.

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## COMPANY OVERVIEW

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

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

Medexus's current leading products are –

- IXINITY, an intravenous recombinant factor IX therapeutic for use in patients 12 years of age or older with hemophilia B, a hereditary bleeding disorder characterized by a deficiency of clotting factor IX in the blood which is necessary to control bleeding;
- Rasuvo (US) and Metoject (Canada), a unique formulation of methotrexate (auto-pen and pre-filled syringe) designed to treat rheumatoid arthritis and other auto-immune diseases;
- Rupall, an innovative prescription allergy medication with a unique mode of action; and
- Gleolan (aminolevulinic acid hydrochloride or ALA HCl), an optical imaging agent currently indicated in patients with glioma (suspected World Health Organization Grades III or IV on preoperative imaging) as an adjunct for the visualization of malignant tissue during surgery.

These products have primarily driven Medexus's performance to date. Medexus also actively pursues opportunities to complement its existing product portfolio by licensing and acquiring new products. For example, in 2021, Medexus acquired exclusive US and Canadian rights to commercialize treosulfan. Treosulfan is part of a preparative regimen for allogeneic hematopoietic stem cell transplantation, or allo-HSCT, to be used in combination with fludarabine, used in treating eligible patients with acute myeloid leukemia, or AML, and myelodysplastic syndromes, or MDS. Treosulfan is approved by Health Canada, remains the subject of an ongoing regulatory review process with the FDA, and is orphan drug designated in the United States. Most recently, in March 2023, Medexus secured exclusive Canadian rights to commercialize terbinafine hydrochloride nail lacquer supplied by Polichem, an Almirall group company focused on medical dermatological treatments for skin health.

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

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

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

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## SELECTED ANNUAL INFORMATION

(Amounts in $ '000s)

| Financial year ended March 31, | 2023 | 2022 | 2021 |
|---|---|---|---|
| Revenue | 108,096 | 76,701 | 79,660 |
| Cost of goods sold | 48,058 | 38,774 | 37,655 |
| Gross profit | 60,038 | 37,927 | 42,005 |
| Selling and administrative expense | 48,253 | 44,032 | 36,172 |
| Research and development | 2,943 | 5,873 | 4,596 |
| Transaction fees | 265 | 86 | 1,082 |
| Termination benefits | 610 | 784 | 1,025 |
| Operating income (loss) | 7,614 | (14,996) | (1,376) |
| Net income (loss) | 1,221 | (2,879) | (28,264) |
| Adjusted Net Loss* | (1,312) | (23,976) | (7,626) |
| Adjusted EBITDA* | 16,149 | (3,931) | 8,174 |
| Basic net income (loss) per Common Share | 0.06 | (0.15) | (1.86) |
| Diluted net income (loss) per Common Share | 0.06 | (0.15) | (1.86) |
| Total assets | 161,329 | 139,225 | 148,513 |
| Total non-current liabilities | 55,385 | 73,325 | 90,558 |
| Cash provided (used) by operating activities | (1,444) | (1,180) | 5,041 |
| Cash used by investing activities | (1,721) | (8,196) | (11,707) |
| Cash provided by financing activities | 6,405 | 663 | 18,683 |

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

Note regarding period-to-period variations

Medexus acquired the exclusive right to commercialize Gleolan in the United States in March 2022 and successfully completed the full transition of US commercial responsibility to Medexus in August 2022. September 2022 was therefore the first full month, and the three-month period ended December 31, 2022 was the first full fiscal quarter, in which Medexus recognized 100% of Gleolan net sales in the company's total revenue.

Medexus's total revenue in financial year 2022 and 2021 were moderately affected by the extreme changes to the selling environment brought about by the Covid-19 pandemic. The Covid-19 pandemic created significant disruptions in the selling environment beginning in late fourth financial quarter 2020 and continued to create moderate disruptions through early financial year 2023.

## HIGHLIGHTS FOR TWELVE-MONTH PERIOD ENDED MARCH 31, 2023

The following describes highlights in Medexus's financial and operating performance for the 12-month period ended March 31, 2023. Throughout this MD&A, 12-month periods (ended March 31) are referred to as "financial years" and three-month periods within each financial year are referred to as sequentially-numbered "financial quarters" (with fourth financial quarters ended on March 31).

### Financial Highlights

Medexus remains focused on delivering strong revenue growth and improved overall performance across the company's portfolio of products in both the United States and Canada, and saw continued strength and stability in the company's base business.

- Medexus achieved record revenue of $108.1 million, an increase of $31.4 million, or 40.9%, compared to financial year 2022. The revenue increase was primarily attributable to a continuing positive trend in sales of IXINITY, continuing strong Rupall demand growth and Rasuvo performance, and the inclusion of Gleolan net sales in total revenue.
- Medexus achieved record Adjusted EBITDA of $16.1 million, an increase of $20.0 million compared to financial year 2022. See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)". The Adjusted EBITDA increase was primarily attributable to the increases in net sales mentioned above, a reduction in research and development costs, and an increase in gross margin.

Additional financial highlights for financial year 2023 include the following –

- Available liquidity of $13.1 million (March 31, 2023) compared to $11.2 million (March 31, 2022). See "Liquidity and Capital Resources".
- Net income of $1.2 million compared to net loss of $2.9 million for financial year 2022.
- Adjusted Net Loss of $1.3 million compared to $24.0 million for financial year 2022. Adjusted Net Loss is adjusted for non-cash unrealized gain of $2.5 million for financial year 2023 and $21.1 million for financial year 2022. See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

### Operational Highlights

#### *Product highlights*

##### *Leading products*

*IXINITY (US)*

Unit demand in the United States remained strong during the 12-month period ended March 31, 2023, with the fourth financial quarter 2023 reflecting the best quarter of financial year 2023 for new patient conversions, on top of a stable, existing base of patients. (Source: customer-reported dispensing data.) Medexus's sales and marketing initiatives also benefited from resumption of in-person selling earlier in financial year 2023. Medexus has also continued to invest moderately in

its IXINITY manufacturing process improvement initiative, which has had a positive impact on manufacturing costs, expected to be offset by increases in direct costs of Medexus's third-party contract manufacturing arrangements.

*Rasuvo (US)*
Medexus maintained its market leading position during the 12-month period ended March 31, 2023, with an estimated >80% unit share, as unit demand for Rasuvo remained strong in the moderately-growing US branded methotrexate market with a highly efficient allocation of sales force resources. (Source: Symphony Sub National 3/31/2023 Data & Chargebacks, PAP). However, increasing competition in the US branded methotrexate market continues to adversely affect Rasuvo product-level revenue. Medexus implemented effective unit-level price reductions to defend and grow its strong market position.

*Rupall (Canada)*
Unit demand in Canada remained strong during the 12-month period ended March 31, 2023, which was reflected in the unit demand growth of 25% over that period. (Source: IQVIA CDH units – Drugstores and hospitals purchases, MAT March 2023.) This strong performance reflects successful execution of the company's sales and marketing initiatives to sustain the product's strong performance over the six years since launch. Medexus continues to evaluate appropriate business-planning options well in advance of Rupall's Health Canada market exclusivity expiration date of January 2025.

*Gleolan (US)*
Unit demand in the United States continues to be in line with expectations, with the fourth financial quarter 2023 having included the best month of US unit sales of financial year 2023. (Source: customer-reported dispensing data.) This strong performance reflects successful execution of the company's post-transition commercial plan including new sales and marketing initiatives. The company began shipping Medexus-labeled product to customers across the United States in August 2022, meaning that September 2022 was the first full month, and the three-month period ended December 31, 2022 was the first full fiscal quarter, in which Medexus recognized 100% of Gleolan net sales in the company's total revenue.

*Metoject (Canada)*
Unit demand increased by 10% in the trailing 12-month period ended March 31, 2023 in spite of direct generic competition. (Source: IQVIA – TSA database.) However, product-level performance continues to experience disruption from the launch of a generic product in the Canadian methotrexate market in calendar year 2020. Medexus implemented effective unit-level price reductions to defend and grow its strong market position.

The trial in Medexus's defense of the Canadian patent for Metoject in Canada's Federal Court (Metoject Litigation) concluded in January 2023. The Metoject Litigation was a response to the "at-risk" launch of a generic version of Metoject in August 2020. Medexus anticipates that the Federal Court of Canada will issue its decision on the Metoject Litigation later in calendar year 2023. For more information about the Metoject Litigation, see the AIF.

*Pipeline opportunities*

*Treosulfan (US)*

FDA review process

In September 2022, Medexus was informed by medac GmbH (**medac**), licensor of Medexus's commercialization rights to treosulfan, that the FDA had delivered to medac a second notice of incomplete response regarding medac's July 2022 resubmission of the new drug application (**NDA**) for treosulfan, following the FDA's May 2022 notice of incomplete response and July 2021 complete response letter to medac. (For more information about treosulfan, see "Medexus's Business—Core products and programs—Pipeline opportunities—Treosulfan (US)" in the AIF.) medac – as the party responsible for regulatory matters under the US Treosulfan Agreement (defined below), Medexus's license agreement for treosulfan –continues to engage with the FDA regarding medac's resubmission of the treosulfan NDA. The FDA continues to seek supporting information from medac relating to the pivotal phase 3 clinical trial of treosulfan conducted by medac.

Based on Medexus's assessment of the FDA's feedback and discussions with medac, Medexus expects that it will take medac up to a year to collect and submit the information requested by the FDA. The FDA would then evaluate the completeness of the available information submitted and medac's response and, if considered to be complete, then proceed to review medac's treosulfan NDA resubmission.

Medexus believes that treosulfan would make a substantial difference for US patients and therefore continues to urge medac to take the steps necessary to respond to the FDA's requests in a timely and complete fashion. Medexus has applied much of the infrastructure added in anticipation of a treosulfan launch to support Gleolan, gaining experience in many of the same institutions that are expected to use treosulfan if and when it is approved. Medexus also implemented a restructuring plan in October 2022 to focus resources on existing products.

Amendment to US Treosulfan Agreement

In August 2022, Medexus and medac signed an amendment to the US Treosulfan Agreement. The amendment extended the payment date for any regulatory milestones triggered by a potential FDA approval to October 2023. In light of the ongoing delay in medac's response to the FDA's requests in respect of the treosulfan NDA, the FDA's review of the treosulfan NDA has now continued beyond the agreed outside date for FDA approval set out in the US Treosulfan Agreement, and so the August 2022 amendment is expected to be superseded in the coming months by a further amendment to the US Treosulfan Agreement. See "Risk Factors and Risk Management—Possible failure to realize benefits of the US Treosulfan Agreement".

*Topical Terbinafine (Canada)*

In March 2023, Medexus secured exclusive Canadian rights to commercialize terbinafine hydrochloride nail lacquer supplied by Polichem, an Almirall group company focused on medical dermatological treatments for skin health. The product, which Medexus will submit for Health Canada approval later in calendar year 2023, has been widely used in other markets to treat fungal nail infections. Management views this product as a strategic fit with Rupall and expects that it will both contribute to the company's Canadian revenues and engage the commercial infrastructure previously put in place to support Rupall, one of Medexus's current leading products.

Medexus has agreed to sponsor the new drug submission seeking Health Canada approval of topical terbinafine nail lacquer. If and when approved by Health Canada, Medexus will pay Polichem a low double-digit percentage royalty on net sales of the product on a quarterly basis, inclusive of supply price. The long-term license agreement also provides for a low upfront payment and four one-time sales-based milestone payments, which limits Medexus's initial outlay and aligns the parties' interests around product performance.

*Other highlights*

*2023 NCIB*

In May 2023, the Toronto Stock Exchange accepted Medexus's notice of intention to make a normal course issuer bid for its Convertible Debentures (**2023 NCIB**). Under the 2023 NCIB, Medexus may purchase for cancellation up to C$4,132,100 principal amount of its Convertible Debentures. The 2023 NCIB is expected to continue until the maturity date of the Convertible Debentures in October 2023, unless the 2023 NCIB is terminated earlier in accordance with its terms. See "Disclosure of Outstanding Share Data—2023 NCIB".

*BMO Credit Agreement*

In March 2023, Medexus entered into a new senior secured credit agreement, the BMO Credit Agreement (defined below), agented by Bank of Montreal, or BMO. The BMO Credit Agreement provides for up to $58.5 million in credit facilities. Medexus used a substantial portion of the net proceeds of the Term Facility to satisfy all obligations under the company's then-existing senior secured credit facilities, comprising a May 2020 revolving loan agreement (**MidCap Revolving Loan Agreement**) and a February 2020 term loan agreement (**MidCap Term Loan Agreement**), which otherwise would have matured in July 2023. Medexus uses the net proceeds of the Revolving Facility for general corporate purposes. See "Liquidity and Capital Resources—Sources of liquidity—BMO Credit Agreement".

*Amendment to Relaxa License Agreement*

In December 2022, Medexus signed an amendment to its September 2016 exclusive license agreement with 9346-4626 Quebec Inc. (operating as **Transican**) relating to Relaxa, an osmotic laxative used to treat occasional constipation (**Relaxa License Agreement**). Under the Relaxa License Agreement, Medexus has the right to acquire the rights to Relaxa at any time until September 2026 for a purchase price equal to C$5 million plus a 2.0% royalty on annual net sales of Relaxa up to a maximum of C$1.5 million, and Transican has the right to sell (and Medexus will be obligated to purchase) the rights to Relaxa to Medexus between September 2024 and September 2026 for the same price (any such acquisition a **Relaxa Transfer**). Among other things, the December 2022 amendment permits Medexus to satisfy up to 80% of the C$5 million amount payable at the closing of a Relaxa Transfer in Common Shares, subject to Toronto Stock Exchange (**TSX**) approval as required. For more information about the Relaxa License Agreement, see the AIF.

## DISCUSSION OF OPERATIONS

The following section discusses Medexus's results of operations for financial year 2023 compared to financial year 2022.

### Revenue

(Amounts in millions)

| | 2023 | 2022 | Change | % |
|---|---|---|---|---|
| Revenue | $108.1 | $76.7 | $31.4 | 40.9% |

The $31.4 million year-over-year increase in total revenue was primarily attributable to a continuing positive trend in sales of IXINITY, continuing strong Rupall demand growth and Rasuvo performance, and the inclusion of Gleolan net sales in total revenue.

Regarding IXINITY net sales, most pharmacy and wholesale customers have returned to normal buying patterns that are better aligned with patient unit demand following a period of lower net sales during financial year 2022 as those customers worked through inventory on hand. Medexus believes that this development, which took place over the course of financial year 2023, will reduce inorganic fluctuations in quarterly sales, and also potentially allow the company to reduce customer discounts over time.

In addition, revenue in financial year 2022 did not include revenue from Gleolan sales in the United States. Medexus has recognized at least a portion of Gleolan sales in the United States since March 2022, when Medexus acquired the exclusive right to commercialize Gleolan in the United States. Starting September 2022, Medexus has recognized 100% of revenue from Gleolan sales in the United States.

### Gross profit and gross margin

(Amounts in millions)

| | 2023 | 2022 | Change | % |
|---|---|---|---|---|
| Gross profit | $60.0 | $37.9 | $22.1 | 58.3% |
| Gross margin | 55.5% | 49.4% | 6.1 ppt | 12.3% |

The $22.1 million year-over-year increase in gross profit and 6.1 ppt year-over-year increase in gross margin reflects the increases in revenue discussed above, including the relative contribution of product-level net sales, the effect of Gleolan sales in the United States before September 2022, and the impact of failed batches of IXINITY during financial year 2022.

In general, gross profit and gross margin are primarily affected by Medexus's supply and distribution costs. These costs include the supply prices and royalties paid to third parties, warehouse and logistics expenses for product inventory, and allowances for potential product

returns and other provisions. In the case of IXINITY, the rights to which Medexus owns, these costs include manufacturing costs charged by third-party contract manufacturers, which are subject to periodic increases in accordance with the terms of Medexus's contracts, including an amendment signed in April 2023; costs associated with manufacturing events such as low-yield or failed batches, as the manufacturing process is highly sensitive to deviations from product specifications; and royalty payment obligations assumed in connection with the February 2020 acquisition of Aptevo BioTherapeutics LLC, which are based on a percentage of annual net sales and are expected to constitute a low double-digit percentage of IXINITY net sales from September 2022 through the remaining life of the IXINITY patent portfolio.

Medexus also includes amortization of product licenses as a component of cost of goods sold. This amortization was $5.7 million for each of the financial years 2023 and 2022.

### Selling and administrative expense

(Amounts in millions)

| | 2023 | 2022 | Change | % |
|---|---|---|---|---|
| Selling and administrative expense | $48.3 | $44.0 | $4.3 | 9.8% |

The $4.3 million year-over-year increase in selling and administrative expense was primarily attributable to investments in personnel and infrastructure to support the sale of Gleolan in the United States, partially offset by targeted reductions in general & administrative expenses, including as a result of a restructuring implemented in October 2022, in light of the ongoing delay in medac's response to the FDA's requests in respect of the treosulfan NDA. Medexus also continues to seek opportunities to optimize its deployment of sales and marketing resources. For example, Medexus has realized continued strong performance in its Rasuvo product with a highly efficient allocation of sales force resources.

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

(Amounts in millions)

| | 2023 | 2022 | Change | % |
|---|---|---|---|---|
| Employee benefits | $24.0 | $21.2 | $2.8 | 13.2% |
| Sales and marketing | $11.4 | $9.5 | $1.9 | 20.0% |
| Regulatory, business development | $6.1 | $5.4 | $0.7 | 13.0% |
| General and administrative | $6.8 | $7.9 | $(1.1) | (13.9)% |

### Research and development

(Amounts in millions)

| | 2023 | 2022 | Change | % |
|---|---|---|---|---|
| Research and development | $2.9 | $5.9 | $(3.0) | (50.8)% |

The $3.0 million year-over-year decrease in research and development expense was primarily attributable to reductions in investments in the company's phase 4 clinical trial of IXINITY as it approached its analysis and clinical study report stage, in advance of Medexus's submission of a supplemental Biological License Application which was accepted by the FDA in June 2023. Medexus continues to invest a moderate amount of additional capital in connection with its IXINITY manufacturing process improvement initiative, which has had a positive impact on manufacturing costs.

### Operating income or loss

As a result of the factors described above, operating income was $7.6 million for financial year 2023, an increase of $22.6 million compared to operating loss of $15.0 million for financial year 2022.

During financial year 2023, Medexus restructured the management team responsible for its Canadian operations and implemented a restructuring plan within its US operations in light of the ongoing delay in medac's response to the FDA's requests in respect of the treosulfan NDA. Termination benefits paid to departing personnel as part of these restructurings are considered

to be outside the normal course of business and are considered to be an adjustment to Adjusted EBITDA. See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

### Net income or loss and Adjusted Net Income or Loss

As a result of the factors described above, net income was $1.2 million for financial year 2023, an increase of $4.1 million compared to net loss of $2.9 million for financial year 2022.

Adjusted Net Loss was $1.3 million for financial year 2023, an increase of $22.7 million compared to Adjusted Net Loss of $24.0 million for financial year 2022.

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

### Adjusted EBITDA

Adjusted EBITDA was $16.1 million for financial year 2023 compared to $(3.9) million for financial year 2022. The $20.0 million increase was primarily attributable to the increases in net sales mentioned above, a reduction in research and development costs, and an increase in gross margin.

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

## SUMMARY OF QUARTERLY RESULTS

The following table sets out summary unaudited quarterly financial information for each of the eight financial quarters through and including the financial quarter ended March 31, 2023.

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

| Three-months ended | 31-Mar-23 | 31-Dec-22 | 30-Sept-22 | 30-Jun-22 | 31-Mar-22 | 31-Dec-21 | 30-Sept-21 | 30-Jun-21 |
|---|---|---|---|---|---|---|---|---|
| Total Revenue | 28,633 | 28,731 | 27,686 | 23,046 | 20,263 | 21,270 | 17,901 | 17,267 |
| Gross Profit | 15,017 | 15,933 | 16,144 | 12,944 | 10,114 | 11,501 | 9,388 | 6,924 |
| Selling and Administrative Expenses | 11,389 | 11,878 | 12,861 | 12,125 | 9,892 | 10,679 | 11,736 | 11,725 |
| Research and Development | 733 | 693 | 856 | 661 | 834 | 1,035 | 1,773 | 2,231 |
| Transaction Fees | 93 | – | 144 | 28 | 53 | 33 | – | – |
| Termination Benefits | – | 372 | 238 | – | – | – | 784 | – |
| Operating Income (Loss) | 2,734 | 2,900 | 1,947 | 33 | (2,504) | (339) | (4,991) | (7,162) |
| Net Income (Loss) | 6,856 | (1,507) | (2,730) | (1,552) | (5,287) | (1,150) | 10,145 | (6,587) |
| Net Income (Loss) per Common Share – Basic | 0.34 | (0.07) | (0.14) | (0.07) | (0.27) | (0.07) | 0.53 | (0.34) |
| Net Income (Loss) per Common Share – Diluted | 0.34 | (0.07) | (0.14) | (0.07) | (0.27) | (0.07) | 0.52 | (0.34) |
| Adjusted Net Income (Loss)* | 6,029 | (861) | (2,843) | (3,637) | (4,619) | (3,389) | (6,135) | (9,833) |
| Adjusted Net Loss per Common Share* - Basic and Diluted | 0.30 | (0.07) | (0.14) | (0.07) | (0.23) | (0.17) | (0.32) | (0.51) |
| Adjusted EBITDA* | 4,823 | 5,223 | 4,197 | 1,906 | 1,081 | 1,916 | (2,016) | (4,912) |
| Cash provided (used) by operations | 3,863 | (2,204) | 912 | (4,015) | 3,782 | (1,718) | 3,571 | (6,815) |
| Cash & cash equivalents, end of period | 13,069 | 9,273 | 9,647 | 7,285 | 10,018 | 9,571 | 8,137 | 10,199 |
| Assets | 161,329 | 146,320 | 142,308 | 136,399 | 139,225 | 138,131 | 137,210 | 142,970 |
| Long-term liabilities | 55,385 | 30,086 | 60,609 | 69,298 | 73,325 | 68,350 | 70,145 | 89,198 |
| Dividends | – | – | – | – | – | – | – | – |

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

Note regarding period-to-period variations

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

Medexus's research and development expense has varied in large part due to the timing of expenditures relating to the company's phase 4 clinical trial of IXINITY and its ongoing IXINITY manufacturing process improvement initiative.

Most pharmacy and wholesale customers of IXINITY have returned to normal buying patterns that are better aligned with patient unit demand following a period of lower net sales as those customers worked through inventory on hand. Medexus believes that this development will reduce inorganic fluctuations in quarterly sales.

Medexus acquired the exclusive right to commercialize Gleolan in the United States in March 2022 and successfully completed the full transition of US commercial responsibility to Medexus in August 2022. September 2022 was therefore the first full month, and the three-month period ended December 31, 2022 was the first full fiscal quarter, in which Medexus recognized 100% of Gleolan net sales in the company's total revenue.

## COMPANY STRATEGY AND OUTLOOK

### Business strategy

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

### Corporate organizational structure

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

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

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

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

### Industry trends

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

*Demographics*

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

*Commercial pricing pressures*

Pricing and access pressures in the commercial sector continue to be significant. Overall, there is increasing pressure on US providers to deliver healthcare at a lower cost and to ensure that those expenditures deliver demonstrated value in terms of health outcomes. Many employers have adopted high deductible health plans, which can increase out-of-pocket costs for medicines. This trend is likely to continue. Private third-party payers, such as health plans, increasingly

challenge pharmaceutical product pricing, which could result in lower prices, lower reimbursement rates, and a reduction in demand for Medexus's products. Pricing pressures also occur as a result of highly competitive insurance markets. Healthcare provider purchasers, directly or through group purchasing organizations, are seeking enhanced discounts or implementing more rigorous bidding or purchasing review processes.

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

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

*Medicare coverage*

Often, established branded pharmaceutical products, such as Rasuvo, that are subject to Medicare or Medicaid or fall under the Federal Supply Schedule may still be competitive in price to alternatives due to mandatory rebates and average manufacturer price calculation rules prescribed by US law. The Federal Supply Schedule is a list of contractors that have been awarded a contract by the US General Services Administration, an independent agency of the US government, and those contractors can be used by all US federal agencies. Medexus continues to evaluate the potential impact of the Inflation Reduction Act of 2022, which became effective in August 2022; however, based on the company's preliminary assessments, the near-term impact is expected to be limited.

*Product opportunities*

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

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

## Customers

Medexus has a limited number of direct customers, and the majority of Medexus's sales are to large national distributors, wholesalers, pharmacy chains and specialty pharmacies, healthcare institutions, and other large customers. For financial year 2023, three customers (all of which were large national wholesalers) each individually accounted for more than 10% of Medexus's total

revenue, together accounting for approximately 61% of Medexus's total revenue, and four customers, all of which similarly were large national wholesalers, each individually accounted for more than 10% of Medexus's trade accounts receivable, together accounting for approximately 80% of Medexus's trade accounts receivable. See "Risk Factors—Risks relating to the business—Dependence on a small number of customers" in the AIF.

### Manufacturing, supply, and distribution

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

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

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## LIQUIDITY AND CAPITAL RESOURCES

### Overview

Medexus continually and proactively monitors its liquidity position. Medexus seeks to manage the company's liquidity and capital resources to meet the demands of its operations in light of changes in business conditions and otherwise as appropriate in light of the underlying risk of the company's assets. Failure to generate sufficient cash flows from operations or from additional financing activities would have an adverse effect on Medexus's ability to fulfill its financial obligations and achieve its business objectives. See "Risk Factors and Risk Management—Need for additional financing" and "Risk Factors and Risk Management—Risks associated with debt financing."

Meaningful near-term liquidity considerations for the company include maintaining sufficient financial resources to –

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

Under the terms of Medexus's February 2021 exclusive license agreement relating to treosulfan (US Treosulfan Agreement), it was agreed that, upon an FDA approval of treosulfan, Medexus would become obligated to pay a milestone amount to medac of between $15.0 million and $45.0 million depending on the terms of the FDA's approval. Under the terms of a September 2021 amendment to the US Treosulfan Agreement, it was further agreed that this amount would include repayment of a $2.5 million credit received from medac in September 2021 in respect of previously paid milestone amounts. However, in light of the ongoing delay in the FDA's review of the treosulfan NDA, which has continued beyond the previously agreed outside date for FDA approval, the US 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. See "Risk Factors and Risk Management—Possible failure to realize benefits of the US Treosulfan Agreement".

See also note 23 to Medexus's consolidated financial statements for the periods ended March 31, 2023, which is available on Medexus's issuer profile on SEDAR at www.sedar.com, for additional information about liquidity and other risks that Medexus faces.

## Sources of liquidity

### *Overview*

As of March 31, 2023, Medexus had $13.1 million (March 31, 2022 – $11.2 million) of available liquidity as follows –

- cash and cash equivalents of $13.1 million (March 31, 2022 – $10.0 million); and
- available credit of $0.0 million (March 31, 2022 – $1.2 million) under the Revolving Facility (defined below).

Amounts outstanding under the Revolving Facility appear in the current portion of long-term debt in Medexus's consolidated statement of financial position because Medexus may repay (and reborrow) those amounts at any time.

In addition, Medexus's Convertible Debentures will mature on October 16, 2023. Accordingly, the total amount of the Convertible Debentures also appears in the current portion of long-term debt in Medexus's consolidated statement of financial position. Medexus may elect to satisfy any amounts payable in respect of the Convertible Debentures at maturity in cash or, subject to TSX and any other required approvals, Common Shares or a combination of cash and Common Shares. See "Disclosure of Outstanding Share Data—Description of securities—Convertible Debentures and 2018 Warrants".

### *BMO Credit Agreement*

In March 2023, Medexus entered into a new senior secured credit agreement (**BMO Credit Agreement**) agented by Bank of Montreal (**BMO**). The BMO Credit Agreement provides for up to $58.5 million in credit facilities (**New Facilities**) as provided below.

The BMO Credit Agreement provides for a $35 million term loan facility (**Term Facility**) and a $3.5 million revolving loan facility (**Revolving Facility**). The Term Facility benefits from an additional $20 million uncommitted accordion feature which will be available until March 2024. The availability of the uncommitted accordion feature of the Term Facility is subject to BMO's discretion and may not be available in full or at all. The New Facilities will mature in March 2026.

Borrowings under the new Term Facility bear interest at a rate of adjusted term SOFR plus a margin determined quarterly based on Medexus's consolidated leverage ratio. At March 31, 2023, the weighted average interest rate was 8.63%.

Borrowings under the Revolving Facility similarly bear interest at a base rate plus a grid-based tiered margin. The base rate is adjusted term SOFR or BMO's base rates for similar commercial loans, depending on the type of borrowing. The margin is determined in the same manner as the margin applicable to borrowings under the Term Facility. Medexus also pays customary tiered standby fee on available but undrawn amounts under the Revolving Facility.

The Term Facility 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 any remaining balance due at maturity of the BMO Credit Agreement.

The BMO Credit Agreement includes customary terms, including leverage and fixed charge coverage ratios, and provides for a first-priority security interest in all Medexus's assets.

## Cash flows

(Amounts in $ '000s)

| Financial year ended March 31, | 2023 | 2022 |
|---|---|---|
| Cash used by operating activities | (1,444) | (1,180) |
| Cash used by investing activities | (1,721) | (8,196) |
| Cash provided by financing activities | 6,405 | 663 |
| Increase (decrease) in cash position during the period | 3,240 | (8,713) |
| Impact of foreign exchange | (189) | 27 |
| Cash and cash equivalents, beginning of period | 10,018 | 18,704 |
| Cash and cash equivalents, end of period | 13,069 | 10,018 |

### *Operating activities*

Cash used by operating activities was $1.4 million for financial year 2023 compared to cash used by operating activities of $1.2 million for financial year 2022. Cash used by operating activities for financial year 2023 comprised a net loss, adjusted for non-cash expenditures, of $13.8 million (2022 – $5.9 million) and a change in working capital of $(15.3) million (2022 – $4.7 million).

During financial year 2023, Medexus's working capital balance has continued to change in connection with the company's growth, in particular an increase in accounts receivable. Medexus expects to see a positive change in the company's cash flow over the coming financial quarters. Medexus expects that cash provided by financing activities together with these future cash flows will allow the company to meet its working capital needs, and other obligations as they come due.

### *Investing activities*

Cash used by investing activities was $1.7 million for financial year 2023 compared to $8.2 million for financial year 2022. The $6.5 million decrease was primarily attributable to lower milestone payments to third-party licensors in financial year 2023.

*Financing activities*

Cash provided by financing activities was $6.4 million for financial year 2023 compared to $0.7 million for financial year 2022. The $5.7 million increase was primarily attributable to the net proceeds of the New Facilities.

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## OFF–BALANCE SHEET ARRANGEMENTS

Medexus had no off-balance sheet arrangements as of March 31, 2023.

## TRANSACTIONS WITH RELATED PARTIES

Below is a summary of transactions during financial year 2023 in which Medexus participated and in which any related party as determined under IFRS had a direct or indirect material interest. Medexus views the following transactions with related parties as having occurred in the normal course of the company's operations.

- Medexus pays warehouse and other fees to a company in which a named executive officer holds a 50% equity interest for customary storage, distribution, and other related services in respect of certain of Medexus's products in Canada. These fees totaled $60,000 for fourth financial quarter 2023 and $237,000 for financial year 2023, compared to $79,000 for fourth financial quarter 2022 and $257,000 for financial year 2022.
- Two individuals who served as members of the Board during financial year 2023 owned or controlled, directly or indirectly, Convertible Debentures at various times during financial year 2023. All interest payments on Convertible Debentures, including to these individuals, were made in accordance with the terms of the Convertible Debentures. Interest payments to these individuals totaled an aggregate of approximately $282,000 in cash during financial year 2023, compared to an aggregate of $148,000 in cash and 58,193 Common Shares during financial year 2022.

## FOURTH QUARTER

### Selected quarterly information

(Amounts in $ '000s)

| Quarter ended March 31, | 2023 | 2022 | 2021 |
|---|---|---|---|
| Revenue | 28,633 | 20,263 | 17,639 |
| Cost of goods sold | 13,616 | 10,149 | 8,826 |
| Gross profit | 15,017 | 10,114 | 8,813 |
| Selling and administrative expense | 11,389 | 9,892 | 10,252 |
| Research and development | 733 | 834 | 2,016 |
| Transaction fees | 93 | 53 | 634 |
| Termination benefits | – | – | 345 |
| Operating income (loss) | 2,734 | (2,504) | (4,566) |
| Net income (loss) | 6,856 | (5,287) | (10,490) |
| Adjusted Net Income (Loss)* | 6,029 | (4,619) | (5,158) |
| Adjusted EBITDA* | 4,823 | 1,081 | (1,599) |
| Cash provided by operating activities | 3,863 | 3,782 | 4,206 |
| Cash used by investing activities | (695) | (1,837) | (10,393) |
| Cash provided (used) by financing activities | 598 | (1,540) | 14,303 |

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

### Revenue

Medexus achieved total revenue of $28.6 million in fourth quarter 2023, an increase of $8.3 million, or 40.9%, compared to fourth quarter 2022. This increase is primarily attributable to an increase in net sales of IXINITY during the quarter as pharmacy and wholesale customers returned to buying patterns better aligned with patient unit demand. See "Discussion of Operations—Revenue". The increase is also partly attributable to continued strong performance

of Rasuvo, which is efficiently supported by a moderate allocation of sales personnel, and Rupall, which continues to maintain its position as one of the fastest-growing antihistamines in its market.

### Adjusted EBITDA

Medexus achieved Adjusted EBITDA of $4.8 million, an increase of $3.7 million compared to fourth quarter 2022. This increase is primarily attributable to increases in net sales of IXINITY and Rasuvo in fourth quarter 2023 and a decrease in research and development costs, partially offset by an increase in selling and administrative expense. See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

### Note regarding period-to-period variations

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

In addition, the timing of large orders can cause variability in Medexus's revenue quarter-to-quarter.

Medexus's total revenue in fourth financial quarter 2021 was moderately affected by the extreme changes to the selling environment brought about by the Covid-19 pandemic. The Covid-19 pandemic created significant disruptions in the selling environment beginning in late fourth financial quarter 2020 and continued to create moderate disruptions through early financial year 2023.

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

The following tables are derived from and should be read together with Medexus's consolidated statement of operations for the three- and 12-month periods ended March 31, 2023. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted Net Income (Loss) and Adjusted EBITDA and provides additional information related to Medexus's operating performance. See "Preliminary Notes—Non-GAAP measures".

(Amounts in $ '000s)

| | Quarter ended March 31, | | Financial year ended March 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net income (loss) | $6,856 | $(5,287) | $1,221 | $(2,879) |
| Add back: | | | | |
| Unrealized loss (gain) on fair value of derivatives | (827) | 668 | (2,533) | (21,097) |
| Adjusted Net Income (Loss) | **$6,029** | **$(4,619)** | **$(1,312)** | **$(23,976)** |

(Amounts in $ '000s)

| | Quarter ended March 31, | | Financial year ended March 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net income (loss) | $6,856 | $(5,287) | $1,221 | $(2,879) |
| Add back: | | | | |
| Depreciation and amortization (property, equipment, intangible assets) | 1,487 | 1,517 | 6,081 | 6,145 |
| Interest expense | 3,612 | 3,107 | 13,606 | 12,223 |
| Income tax expense (recovery) | (6,844) | 1,678 | (6,262) | (941) |
| EBITDA | 5,111 | 1,015 | 14,646 | 14,548 |
| Add back: | | | | |
| Share-based compensation | 509 | 265 | 1,579 | 2,300 |
| Transaction fees | 93 | 53 | 265 | 86 |
| Termination benefits | – | – | 610 | 784 |
| Foreign exchange loss (gain) | 44 | (214) | 1,689 | 154 |
| Unrealized loss (gain) on fair value of derivatives | (827) | 668 | (2,533) | (21,079) |
| Unrealized gain on fair value of business combination payables | (107) | (2,456) | (107) | (2,456) |
| Impairment loss | – | 1,750 | – | 1,750 |
| Adjusted EBITDA | **4,823** | **1,081** | **16,149** | **(3,931)** |

## CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS, AND ASSUMPTIONS

The preparation of Medexus's consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting principles and policies and the reported amounts of assets, liabilities, revenues, and expenses during the relevant periods covered by those financial statements. These estimates and assumptions are based on historical experience, expectations of the future, and other relevant factors. Medexus reviews its estimates and assumptions regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Actual results may differ from these estimates. A description of Medexus's significant accounting estimates, judgements, and assumptions is included in note 2 to Medexus's consolidated financial statements for the periods ended March 31, 2023.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

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

> Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
>
> Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
>
> Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

## DISCLOSURE OF OUTSTANDING SHARE DATA

### Summary

Medexus's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As at June 21, 2023, Medexus had 20,247,619 Common Shares and no preferred shares issued and outstanding.

In addition, as at June 21, 2023, the following number of Common Shares were issuable in accordance with the terms of convertible securities (including equity incentive compensation awards) issued by Medexus –

- 9,891,907 Common Shares issuable upon conversion of the Convertible Debentures, none of which are currently in the money;
- 2,233,918 Common Shares issuable upon exercise of the 2018 Warrants, none of which are currently in the money;
- 270,000 Common Shares issuable upon exercise of the MidCap Warrants, all of which are currently in the money;
- 1,130,609 Common Shares issuable upon settlement of RSUs and PSUs (each defined below), assuming vesting at 100%; and
- 1,003,490 Common Shares issuable upon exercise of Options (defined below), none of which are currently in the money.

### Description of securities

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

#### *Common Shares*

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

#### *Convertible Debentures and 2018 Warrants*

In October 2018, in connection with the acquisition of Medexus Inc. and medac Pharma, Inc. (now known as Medexus Pharma, Inc.), Medexus issued C$42 million aggregate principal amount of Convertible Debentures under a convertible debenture indenture with Computershare Trust Company of Canada as trustee. As of March 31, 2023, C$41.5 million aggregate principal amount remained issued and outstanding. The Convertible Debentures are senior to Medexus's equity securities, including the Common Shares, and subordinate to Medexus's senior debt, including the BMO Credit Agreement.

The Convertible Debentures mature on October 16, 2023. At maturity, Medexus will be obligated to repay 125% of the aggregate principal amount of the then issued and outstanding Convertible Debentures plus accrued and unpaid interest.

The Convertible Debentures bear interest at an annual rate equal to 6.00%. Interest on the issued and outstanding Convertible Debentures was historically payable semiannually in arrears on each March 31 and September 30. The final and, as of the date of this MD&A, only remaining interest payment will be payable at maturity.

Medexus may elect to satisfy any amounts payable in respect of the Convertible Debentures at maturity in cash or, subject to TSX and any other required approvals, Common Shares or a

combination of cash and Common Shares. The extent to which Medexus will be able to choose to settle the Convertible Debentures in cash at maturity will depend on availability of funds from Medexus's operations and from the $20 million uncommitted accordion feature of the Term Facility. Any settlement of the Convertible Debentures in Common Shares at maturity, in whole or in part, will be executed at a conversion price equal to the volume weighted average trading price of the Common Shares for a consecutive period of 20 trading days, in the case of principal and premium, and five trading days, in the case of interest, in each case ending on October 4, 2023, being the seventh consecutive trading day before the October 16, 2023 maturity date.

The terms of the Convertible Debentures also 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 (each whole warrant a **2018 Warrant**) exercisable at a price of C$9.45 per whole 2018 Warrant until October 16, 2023. The 2018 Warrants are issued under a common share purchase warrant indenture with Computershare Trust Company of Canada as warrant agent (**2018 Warrant Indenture**).

As of March 31, 2023, holders of Convertible Debentures had received 72,062 conversion units upon conversion of Convertible Debentures, comprising 72,062 Common Shares and 2018 Warrants to purchase an additional 36,030 Common Shares. As of March 31, 2023, Medexus has issued a further 2,233,918 2018 Warrants under the 2018 Warrant Indenture.

If all remaining Convertible Debentures were converted in full (without giving effect to accrued interest), then holders would receive 6,594,604 conversion units, comprising 6,594,604 Common Shares and 2018 Warrants to purchase an additional 3,297,303 Common Shares.

### *MidCap Warrants*

In February 2020, in connection with the now-repaid MidCap Term Loan Agreement, Medexus issued, to an affiliate of MidCap Financial Trust, 134,290 warrants to purchase one Common Share (**MidCap Warrants**) exercisable at a price of C$4.00 per MidCap Warrant. In September 2022, in connection with an amendment to the now-repaid MidCap Revolving Loan Agreement, Medexus issued, to an affiliate of MidCap Financial Trust, an additional 135,710 MidCap Warrants, exercisable at a price of C$1.02, and amended the existing MidCap Warrants to reduce the exercise price to C$1.02. Although no amounts remain outstanding under either the MidCap Revolving Loan Agreement or the MidCap Term Loan Agreement, the MidCap Warrants will remain exercisable through July 2023.

### *Securities issued under the Equity Plans*

Medexus 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.

*Share units*

Medexus issues share units to participants under the Equity Plans in the form of restricted share units (**RSUs**) or performance share units (**PSUs**).

- 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 Medexus 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 Medexus to deliver the value of one Common Share in accordance with the Equity Plans and the terms of the holder's award agreement.

*Options*

Medexus issues options to purchase Common Shares (**Options**) to participants under the Equity Plans. 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 Medexus 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.

## 2023 NCIB

In May 2023, the Toronto Stock Exchange accepted Medexus's notice of intention to make a normal course issuer bid for its Convertible Debentures. A copy of the notice of intention to make the 2023 NCIB as filed with the TSX is available to investors at no charge by contacting Medexus.

Under the 2023 NCIB, Medexus may purchase for cancellation up to C$4,132,100 principal amount of its Convertible Debentures. As of the date of this MD&A no Convertible Debentures have been repurchased under the 2023 NCIB.

The 2023 NCIB is expected to continue until the maturity date of the Convertible Debentures in October 2023, unless the 2023 NCIB is terminated earlier in accordance with its terms.

## RISK FACTORS AND RISK MANAGEMENT

Medexus is subject to a number of risks and uncertainties. A risk is the possibility that an event might happen in the future that could have a negative effect on the company's financial condition, financial performance, or business. The Board has overall responsibility for overseeing Medexus's evaluation and mitigation of these risks and periodically reviews Medexus's risk management practices.

This section describes certain of the risks and uncertainties relating to financial matters that Medexus faces. A comprehensive discussion of the principal risks and uncertainties that Medexus faces are described under the heading "Risk Factors" in Medexus's most recent AIF, which is available on Medexus's issuer profile on SEDAR at www.sedar.com. See also note 23 to Medexus's consolidated financial statements for the periods ended March 31, 2023, which is also available on Medexus's issuer profile on SEDAR at www.sedar.com, for additional information about Medexus's liquidity risk, credit risk, market risk, currency risk, interest rate risk, and capital risk management. However, those risks referenced in the preceding sentences are not the only risks facing Medexus, its business, and the pharmaceutical industry as a whole. Additional risks not currently known to Medexus, or that the company currently deems immaterial, may also adversely affect Medexus's operations.

### Need for additional financing

Medexus will, from time to time, require additional capital to secure new business opportunities and product registrations, as well as clinical development programs that Medexus may decide to pursue. Growth in costs and expenses, changes in product and geographic mix, and the impact of corporate strategic initiatives (including licensing and acquisition transactions, divestitures, restructurings, internal reorganizations, or unusual product-related events that could result from evolving business strategies or otherwise), as well as potential disruption of Medexus's ongoing business, could, in each case, adversely affect future results depending on Medexus's ability to realize the projected benefits of these cost management, product management, and other corporate strategic initiatives. In addition, Medexus had negative operating cash flow in certain quarters during the financial year ended March 31, 2023 and cannot guarantee that it will attain or maintain positive operating cash flow in future periods. To the extent that Medexus continues to generate negative operating cash flow in any future periods, Medexus would likely require additional capital to fund its activities.

However, there can be no assurance that Medexus will be able to raise the additional funding that it will need to carry out its business objectives and to complete acquisitions in a timely and satisfactory manner or at all. Medexus's success in these efforts will depend on prevailing capital market conditions, Medexus's business performance, and its ability to attract and retain investor interest in the company and its business plan. There can be no assurance that Medexus will be successful in securing the capital it requires as and when needed or at all. If Medexus raises additional equity capital by issuing Common Shares, existing holders of Common Shares could suffer dilution.

In addition, increases in interest rates, both domestically and internationally, negatively affect Medexus's cost of financing its operations and investments, whether by debt or equity. Adverse credit market conditions could limit Medexus's ability to raise future debt financing that the company needs to fund its operations, including to refinance its debt arrangements at that time.

Medexus's ability to maintain its current debt arrangements and its ability to issue or borrow long-term debt or raise other forms of debt or equity financing will be critical to Medexus's long-term prospects. Medexus's ability to conduct operations could be materially and adversely impacted if these or other adverse conditions affect the company's sources of capital.

### Risks associated with debt financing

Medexus has incurred significant debt liabilities. Medexus entered into the BMO Credit Agreement in March 2023. See "Liquidity and Capital Resources—Sources of liquidity—BMO Credit Agreement". Borrowings under the BMO Credit Agreement are secured by a first-priority security interest in all Medexus's assets. If Medexus defaults in payment under the BMO Credit Agreement, if payment is otherwise accelerated, or if the lenders under the BMO Credit Agreement otherwise exercise their available remedies, then Medexus would suffer a material adverse effect on its business, operations, prospects, financial condition, and financial performance.

Medexus has also issued the Convertible Debentures. See "Disclosure of Outstanding Share Data—Description of securities—Convertible Debentures and 2018 Warrants". Medexus may elect to satisfy any amounts payable in respect of the Convertible Debentures at maturity in cash or, subject to TSX and any other required approvals, Common Shares or a combination of cash and Common Shares. In certain circumstances set out in the indenture governing the Convertible Debentures, Medexus must satisfy those amounts in cash. Medexus's ability to settle the Convertible Debentures in whole or in part in cash at their maturity or otherwise will depend on availability of funds from Medexus's operations and from cash provided by financing activities, which may include the $20 million uncommitted accordion feature of the Term Facility.

Medexus's ability to satisfy its debt liabilities, including under the BMO Credit Agreement, and otherwise to make payments when due, largely depends on the company's ability to achieve significant revenues from commercializing its products. This is because there can be no assurance that Medexus will be able to secure additional financing to satisfy its liabilities under its debt arrangements, including the BMO Credit Agreement. In any such event, Medexus could be compelled to adopt alternative liquidity management strategies, including actions such as reducing or delaying expenditures or selling assets, any of which could harm the company's long-term prospects. There can be no assurance that Medexus will be able to repay the outstanding amount of any indebtedness at maturity. Medexus's inability to repay outstanding debt when due would have a material adverse effect on the company's business, operations, prospects, financial condition, and financial performance.

### Minimum payment obligations

Medexus is and may in future become subject to contractual arrangements that require Medexus to pay minimum annual amounts to the relevant counterparty regardless of actual performance. These arrangements can relate to purchase of raw materials (which could be more than are necessary to sustain annual production requirements), finished goods (which could be more than are necessary to meet actual demand for the relevant product), or payments under licensing arrangements (which could be more than sales of the relevant product would otherwise merit). For example, under Medexus's US Gleolan agreement, Medexus was obligated to make a minimum payment in respect of the financial year ended March 31, 2023 that exceeded the royalty

amount otherwise payable under that agreement. Although not so in the case of this minimum payment under the Gleolan agreement, these payments, without a corresponding revenue inflow, can have an adverse effect on Medexus's business, financial condition, and financial performance.

### Foreign exchange and market rate fluctuations

Currency exchange rate fluctuations can affect Medexus's results of operations to the extent that the company's revenues and expenses are in different currencies. Medexus's US revenues, representing a significant portion of gross revenues earned by Medexus, are in US dollars, and Medexus's presentation currency is US dollars. Medexus's exposure to the risk of changes in foreign exchange rates relates primarily to the company's operating activities when revenue or expenses are denominated in Canadian dollars, Euros, or other foreign currencies. For example, all revenues of Medexus's Canadian operations are denominated in Canadian dollars, and many of Medexus's payments to third-party suppliers are denominated in Euros. As a result, Medexus's competitiveness could be impacted by unfavorable fluctuations in currency exchange rates.

### 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 a compound instrument such as the Convertible Debentures 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. Medexus uses a derivative valuation model to estimate the fair value of the derivative at the inception date and again at subsequent reporting dates. The most significant assumption used in this model is the discount rate to fair value for the liability component of the Convertible Debentures. Several other assumptions affect the results of this calculation, including estimated share price volatility. If different assumptions are used, the values derived could be significantly different than those determined by Medexus, which could have a material impact on Medexus's financial statements.

### Inflation

Inflation may generally affect Medexus by increasing the cost of labor, commercial support, manufacturing, clinical trial, and other costs and expenses. In addition, drug pricing by pharmaceutical companies is also subject to legal, regulatory, and contractual constraints in the United States and Canada. However, as of March 31, 2023, inflation had not had a material effect on Medexus's business, financial condition, or results of operations.

### Possible failure to realize benefits of the US Treosulfan Agreement

Medexus continues to believe that the US Treosulfan Agreement will provide benefits to the company. However, achieving the benefits of the US Treosulfan Agreement will depend in part on Medexus being able to successfully commercialize treosulfan in the United States in line with current expectations, subject to negotiations with medac regarding the economic terms of the US Treosulfan Agreement as contemplated by that agreement. A variety of factors could also adversely affect the likelihood of the anticipated benefits of the US Treosulfan Agreement materializing or of occurring within the time periods anticipated by Medexus, including the

occurrence, timing, and outcome of (1) the FDA review process for treosulfan, (2) any related collection and submission of information to the FDA and the FDA's acceptance and review of that information, and (3) any related launch of the product in the United States and expectations regarding the product's prospects if approved by the FDA.

Further, as Medexus anticipates that certain milestone and royalty payments will need to be made to medac from time to time under the US Treosulfan Agreement, the precise amount and timing of which are difficult to estimate accurately and may change as contemplated by the US Treosulfan Agreement, Medexus's financial and operational assumptions with respect to the US Treosulfan Agreement may be inaccurate. There can be no assurance that Medexus will be able to effectively finance any such milestone payments under the US Treosulfan Agreement, as they may be amended, if and when they become due. Under the terms of the US Treosulfan Agreement, medac may terminate the US Treosulfan Agreement if, among other things, Medexus fails to pay certain milestone payments when due or cannot demonstrate its ability to pay the remaining milestone payments as and when required by the US Treosulfan Agreement.

In addition, in light of the ongoing delay in medac's response to the FDA's requests in respect of the treosulfan NDA, the FDA's review of the treosulfan NDA has now continued beyond the agreed outside date for FDA approval set out in the US Treosulfan Agreement. Accordingly, the US Treosulfan Agreement provides that the amount of the milestone payments payable by Medexus, including future sales-based milestones, are subject to renegotiation and adjustment 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. However, following an agreed negotiation period, Medexus or medac may elect to terminate the US Treosulfan Agreement in the event the parties cannot agree on adjustments that Medexus believes to be appropriate in the circumstances.

The consideration paid and payable by Medexus under the US Treosulfan Agreement, including the milestone payments, is nonrefundable except in very limited circumstances, in which case a portion of the regulatory milestone payments may be refunded. If the US Treosulfan Agreement were to be terminated, then Medexus would no longer have exclusive rights to commercialize treosulfan in the United States, which could have a material adverse effect on the company's business and prospects.

## CONTROLS AND PROCEDURES

### Disclosure controls and procedures

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

### Internal controls over financial reporting

Medexus's management are together responsible for establishing and maintaining internal controls over financial reporting as defined in NI 52-109 (**ICFR**). Medexus's management have together designed such a system of ICFR to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS. The control framework that Medexus's management used to design the company's ICFR is set out in Internal Control–Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission. There have been no changes in Medexus's ICFR during the 12 months ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, Medexus's ICFR.

### Limitations of controls and procedures

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

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

## ADDITIONAL INFORMATION

### SEDAR

Additional information about Medexus may be found on SEDAR at www.sedar.com.

See Medexus's consolidated financial statements as of and for the financial year ended March 31, 2023, together with the related independent auditor's report, for additional financial information about Medexus.

See Medexus's most recent annual information form for additional information about Medexus's business and operations.

Each of the above documents has been filed on SEDAR.

## Other information

Medexus seeks to achieve broad non-exclusionary distribution of information to the public and comply with its fair disclosure obligations. In addition to its filings on the company's SEDAR profile at www.sedar.com, Medexus announces material information to the public through a variety of means, including press releases, public conference calls, and webcasts. Medexus also maintains a corporate website at www.medexus.com (a uniform resource locator, or website address, provided as an inactive textual reference only) and social media accounts on LinkedIn and Twitter. Medexus uses these various means as channels of distribution of information about the company. Information Medexus provides through these channels may be deemed material. Investors should monitor Medexus's corporate website, including press releases posted to the website, and social media accounts in addition to Medexus's public filings, conference calls, and webcasts. However, information contained on or accessible through Medexus's corporate website or social media accounts is not a part of this MD&A and is not incorporated by reference into this MD&A or any of Medexus's public filings.