

Medexus Pharmaceuticals Inc.

Condensed Interim Consolidated
Financial Statements
(unaudited)

**For the three-month period ended
June 30, 2023**
(expressed in thousands of United States dollars)

Medexus Pharmaceuticals Inc.

Interim Consolidated Statements of Financial Position (unaudited)

As at June 30, 2023 and March 31, 2023

(expressed in thousands of United States dollars)

	Note	June 30, 2023 \$	March 31, 2023 \$
Assets			
Current assets			
Cash and cash equivalents		15,782	13,069
Accounts receivable		25,946	22,381
Inventories		25,003	22,848
Prepays		10,458	12,376
Other current assets		2,314	2,295
		79,503	72,969
Property and equipment	3	875	899
Intangible assets	4	69,172	70,373
Goodwill	4	10,390	10,282
Deferred tax assets		6,934	6,806
		166,874	161,329
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		34,846	33,415
Income tax payable		1,541	1,183
Current portion of long-term debt	5	10,915	8,733
Convertible debentures – Host	6	36,568	33,973
Convertible debentures – Derivative	6	75	80
Balance of payable for business combinations	7	3,490	3,492
Other current liabilities		3,145	2,620
		90,580	83,496
Long-term debt	5	25,440	27,377
Balance of payable for business combination	7	28,127	28,008
		144,147	138,881
Shareholders' Equity			
Share capital		69,117	69,014
Contributed surplus		11,465	11,307
Cumulative translation adjustment		5,522	6,155
Deficit		(63,377)	(64,028)
		22,727	22,448
		166,874	161,329

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Medexus Pharmaceuticals Inc.

Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(unaudited)

Three-month periods ended June 30, 2023 and 2022

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

	Note	2023 \$	2022 \$
Revenue			
Products		31,555	23,046
Cost of sales			
Cost of sales of products		12,929	8,657
Amortization of product licences	4	1,388	1,445
		14,317	10,102
Gross profit		17,238	12,944
Selling and administrative expenses	10	11,899	12,125
Research and development expenses		441	661
Transaction-related fees & expenses		-	28
Depreciation and amortization	3	58	97
Operating income		4,840	33
Financing costs	11	4,255	3,149
Convertible debentures – Unrealized gain on fair value of derivative		(7)	(2,239)
Foreign exchange loss (gain)		(292)	675
Income (loss) before income taxes		884	(1,552)
Income tax expense (recovery)			
Current		357	11
Deferred		(124)	(165)
		233	(154)
Net income (loss)		651	(1,398)
Other comprehensive income (loss)			
Foreign currency adjustment on translation of foreign operations		(633)	866
Comprehensive income (loss)		18	(532)
Net income (loss) per share			
Basic		0.03	(0.07)
Diluted		0.03	(0.07)
Weighted average number of common shares outstanding		20,230,065	19,952,602

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Medexus Pharmaceuticals Inc.

Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)

Three-month periods ended June 30, 2023 and 2022

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

	Note	Share Capital		Contributed surplus \$	Cumulative translation adjustment \$	Deficit \$	Total shareholders' equity \$
		Common shares	Amount \$				
Balance – March 31, 2022		19,952,538	68,686	10,384	3,971	(65,249)	17,792
Net loss		-	-	-	-	(1,398)	(1,398)
Other comprehensive income		-	-	-	866	-	866
		-	-	-	866	(1,398)	(532)
Share-based compensation – Stock option plan	9	-	-	179	-	-	179
Share-based compensation – RSU plan	9	-	-	70	-	-	70
Share-based compensation – PSU plan	9	-	-	54	-	-	54
Issuance of shares for settling of RSUs	9	1,921	3	(3)	-	-	-
Balance – June 30, 2022		19,954,459	68,689	10,684	4,837	(66,647)	17,563
Balance – March 31, 2023		20,181,490	69,014	11,307	6,155	(64,028)	22,448
Net income		-	-	-	-	651	651
Other comprehensive loss		-	-	-	(633)	-	(633)
		-	-	-	(633)	651	18
Share-based compensation – Stock option plan		-	-	102	-	-	102
Share-based compensation – RSU plan	9	-	-	22	-	-	22
Share-based compensation – PSU plan	9	-	-	171	-	-	171
Issuance of shares for settling of RSUs	9	68,143	70	(70)	-	-	-
Issuance of shares for settling of PSUs	9	31,572	33	(67)	-	-	(34)
Balance – June 30, 2023		20,281,205	69,117	11,465	5,522	(63,377)	22,727

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Medexus Pharmaceuticals Inc.

Interim Consolidated Statements of Cash Flows

(unaudited)

Three-month periods ended June 30, 2023 and 2022

(expressed in thousands of United States dollars)

	Note	2023 \$	2022 \$
Operating activities			
Net income (loss)		651	(1,398)
Adjustments for			
Depreciation and amortization	3	58	97
Amortization of product licences	4	1,388	1,445
Share-based compensation expense	9	261	303
Interest expense	11	4,255	3,149
Convertible debentures – Unrealized gain on fair value of derivatives		(7)	(2,239)
Unrealized foreign exchange gain (loss)		(335)	675
Income tax expense (recovery)		233	(154)
		6,504	1,878
Changes in non-cash operating working capital items	14	(2,289)	(5,893)
Cash provide (used) by operating activities		4,215	(4,015)
Investing activities			
Purchase of property and equipment		(28)	(16)
Business acquisitions deferred payment	7	(569)	(149)
Cash used by investing activities		(597)	(165)
Financing activities			
Interest paid		(935)	(487)
Draw of Asset-Based Loan, net		-	2,072
Repayment of lease liabilities		(33)	(61)
Cash provided (used) by financing activities		(968)	1,524
Net change in cash and cash equivalents during the period		2,650	(2,656)
Impact of foreign exchange on cash and cash equivalents		63	(77)
Cash and cash equivalents – Beginning of period		13,069	10,018
Cash and cash equivalents – End of period		15,782	7,285

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Medexus Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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

1 Incorporation and nature of activities

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

2 Basis of presentation and summary of significant accounting policies

Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including International Accounting Standard (IAS) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). Certain information and disclosures have been omitted or condensed. The same accounting policies and methods of computation were followed in the preparation of these unaudited condensed interim consolidated financial statements as were followed in the preparation of the most recent annual audited consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should be read together with the Company’s audited consolidated financial statements and notes thereto for the fiscal year ended March 31, 2023.

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

These unaudited condensed interim consolidated financial statements were approved for issue by the Board of Directors of the Company on August 9, 2023.

Basis of consolidation

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies to obtain benefits from its activities. Subsidiaries are fully consolidated from the date control is obtained, and they are deconsolidated on the date control ceases. These consolidated financial statements include the Company’s subsidiaries. As at June 30, 2023, MI Acquisitions, Inc., Medexus Pharma, Inc. (previously Medac Pharma, Inc.), and Aptevo BioTherapeutics LLC, are the only wholly owned direct and indirect subsidiaries of the Company. MI Acquisitions, Inc. was created solely for the purpose of acquiring Medexus Pharma, Inc. and does not carry on active business other than the ownership of 100% of the outstanding shares of Medexus Pharma, Inc.

Medexus Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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

Estimates, judgments and assumptions

The preparation of the unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and reported amounts of revenues and expenses during the period. These estimates and assumptions are based on historical experience, expectations of the future, and other relevant factors and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Actual results may differ from these estimates.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of uncertainty are as those applied and described in the Company's audited annual consolidated financial statements for the year ended March 31, 2023.

Seasonality of interim operations

The operations of the Company can be seasonal based on the products offered by the Company, and the results of operations for any interim period are not necessarily indicative of operations for the full fiscal year or any future period.

3 Property and equipment

	Office furniture & Computer equipment \$	Right-of- use lease assets \$	Total \$
Net book value at March 31, 2023	403	496	899
Additions	28	-	28
Depreciation	(29)	(29)	(58)
Currency translation adjustment	6	-	6
Net book value at June 30, 2023	408	467	875
As at June 30, 2023			
Cost	1,115	699	1,814
Accumulated depreciation	(707)	(232)	(939)
Net book value	408	467	875
As at March 31, 2023			
Cost	1,073	700	1,773
Accumulated depreciation	(670)	(204)	(874)
Net book value	403	496	899

Medexus Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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

4 Intangible assets and goodwill

	Licences \$	Goodwill \$
Net book value at March 31, 2023	70,373	10,282
Amortization	(1,388)	-
Currency translation adjustment	187	108
	<hr/>	<hr/>
Net book value at June 30, 2023	69,172	10,390
	<hr/>	<hr/>
As at June 30, 2023		
Cost	92,580	10,390
Accumulated amortization	(23,408)	-
	<hr/>	<hr/>
Net book value	69,172	10,390
	<hr/>	<hr/>
As at March 31, 2023		
Cost	92,256	10,282
Accumulated amortization	(21,883)	-
	<hr/>	<hr/>
Net book value	70,373	10,282
	<hr/>	<hr/>

Intangible assets are reviewed for impairment when events or circumstances indicate that the carrying value of an asset may not be recoverable. The Company assessed the expected timing and outcome of the FDA review of treosulfan, and concluded no impairment within its intangible assets.

5 Long-term debt

As at	Note	June 30, 2023 \$	March 31, 2023 \$
Credit facility	(a)	38,500	38,500
Deferred debt transaction costs		(2,710)	(2,988)
Lease liabilities		565	598
		<hr/>	<hr/>
Long-term debt		36,355	36,110
		<hr/>	<hr/>
Current		10,915	8,733
Non-current		25,440	27,377
		<hr/>	<hr/>
Long-term debt		36,355	36,110
		<hr/>	<hr/>

Medexus Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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

(a) Credit facility

	Term Loan \$	Revolver \$	Total \$
As at June 30, 2023			
Outstanding	35,000	3,500	38,500
Remaining available	N/A	-	-
Total credit facility	35,000	3,500	38,500
As at March 31, 2023			
Outstanding	35,000	3,500	38,500
Remaining available	N/A	-	-
Total credit facility	35,000	3,500	38,500

BMO Credit Facility

On March 8, 2023, the Company entered into a definitive credit agreement (“BMO credit agreement”) with a syndicate of lenders agented by Bank of Montreal (“BMO”) in respect of a \$35,000 secured term loan having a term of 36 months, maturing on March 8, 2026 (the “Term Loan”), which includes an additional \$20,000 uncommitted accordion feature. The BMO credit agreement also includes a \$3,500 revolving loan maturing on March 8, 2026 (the “Revolver”).

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

Borrowings under the BMO credit agreement bear interest at an annual rate of adjusted term Secured Overnight Financing Rate (“SOFR”), plus a margin determined quarterly based on the Company’s consolidated leverage ratio. As at June 30, 2023, \$35,000 of the Term Loan and \$3,500 of the Revolver were outstanding with a weighted average interest rate of 9.02%.

The terms and conditions of the BMO credit agreement include certain customary representations, warranties and covenants, including requirements to stay below a maximum leverage ratio, and maintain a minimum fixed charge coverage ratio. As at June 30, 2023, the Company was in compliance with these financial covenants and all of the terms and conditions of its long-term debt agreements.

Medexus Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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

6 Convertible debentures

As at	June 30, 2023	March 31, 2023
	\$	\$
Convertible debentures issued in October 2018	36,708	34,224
Embedded derivative on convertible debentures	75	80
Deferred financing transaction costs	(140)	(251)
	36,643	34,053
Current	36,643	34,053
Non-current	-	-
	36,643	34,053

Convertible debentures issued in October 2018

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

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

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

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

As at	June 30, 2023	March 31, 2023
Risk-free interest rate	4.5%	3.8%
Volatility*	111.0%	91.8%
Expected life	0.25 yrs	0.5 yrs

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

Medexus Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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

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

As at	June 30, 2023 \$	March 31, 2023 \$
250 basis point increase to the assumed volatility rate Increase to fair value of the embedded derivative	22	26
250 basis point decrease to the assumed volatility rate Decrease to fair value of the embedded derivative	(11)	(15)

7 Balance of payable for business combination

	Note	Medac \$	Aptevo \$	Total \$
Net book value at March 31, 2023		18,725	12,775	31,500
Interest accretion	11	385	303	688
Payment		-	(569)	(569)
Foreign exchange gain		(418)	-	(418)
Currency translation adjustment		416	-	416
Balance of payable at June 30, 2023		19,108	12,509	31,617
Current				3,490
Non-Current				28,127
Balance of payable at June 30, 2023				31,617

Medac Pharma Inc.

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

Aptevo BioTherapeutics LLC

As part of the acquisition of Aptevo BioTherapeutics LLC on February 28, 2020, the Company is required to make certain deferred payments on net sales of IXINITY® in an amount equal to (i) 2% of net sales before June 30, 2022, and (ii) 5% of net sales thereafter until March 1, 2035. In addition, the purchase agreement requires the Company to make certain milestone payments upon IXINITY®'s receipt of regulatory approval in each of Canada, Germany, France, Spain, Italy and the United Kingdom, and upon IXINITY® achieving worldwide annual net sales of \$120,000; in each case only if achieved by March 1, 2035.

Medexus Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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

8 Share capital

Authorized and issued

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

9 Share-based compensation

Stock options

	Number of options	Weighted average exercise price C\$
For the three-month period ended June 30, 2023		
Outstanding, beginning of period	1,057,973	3.91
Forfeited	<u>(54,483)</u>	<u>(2.57)</u>
Outstanding, end of period	<u>1,003,490</u>	<u>3.98</u>
Exercisable, end of period	<u>508,127</u>	<u>4.82</u>

Restricted stock units (RSUs)

	Number of units	Weighted average exercise price C\$
For the three-month period ended June 30, 2023		
Outstanding, beginning of period	353,187	0.01
Exercised	<u>(68,279)</u>	<u>(0.01)</u>
Forfeited	<u>(25,356)</u>	<u>(0.01)</u>
Outstanding, end of period	<u>259,552</u>	<u>0.01</u>
Exercisable, end of period	<u>128,420</u>	<u>0.01</u>

Medexus Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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

Performance stock units (PSUs)

	Number of units	Weighted average exercise price C\$
For the three-month period ended June 30, 2023		
Outstanding, beginning of period	885,341	0.01
Exercised	(64,298)	(0.01)
Forfeited	(16,434)	(0.01)
	<hr/>	<hr/>
Outstanding, end of period	804,609	0.01
	<hr/>	<hr/>
Exercisable, end of period	222,983	0.01

For the three-month period ended June 30, 2023, the share-based compensation expense with respect to these options, RSUs and PSUs amounted to \$295 (2022 – \$303). These costs are included in selling and administrative expenses in the consolidated statement of loss and comprehensive loss (note 10).

10 Selling and administrative expenses

For the three-month periods ended June 30	Note	2023	2022
		\$	\$
Employee benefit expense	12	5,828	5,952
Sales and marketing expense		2,934	3,142
Regulatory and business development		1,508	1,429
General administrative		1,629	1,602
		<hr/>	<hr/>
		11,899	12,125

11 Financing costs

For the three-month periods ended June 30	2023	2022
	\$	\$
Interest on convertible debentures	469	488
Interest accretion on convertible debentures, net of amort. of deferred financing costs	1,836	1,510
Interest on long-term debt, net of amort. of deferred financing costs	1,252	541
Interest accretion on balance of payable for business combination	688	597
Interest on lease liabilities	10	13
	<hr/>	<hr/>
Interest expense	4,255	3,149

Medexus Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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

12 Employee benefit expense

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

For the three-month periods ended June 30	2023	2022
	\$	\$
Salaries and benefits	4,114	4,208
Share-based compensation	125	127
	<u>4,239</u>	<u>4,335</u>

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

For the three-month periods ended June 30	2023	2022
	\$	\$
Key management compensation		
Salaries and benefits	1,419	1,441
Share-based compensation	170	176
	<u>1,589</u>	<u>1,617</u>

13 Related party transactions

The Company views the following transactions with related parties as having occurred in the normal course of the company's operations.

- a) The Company 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 the Company's products in Canada. These fees totaled \$63 (2022 - \$76) for the three-month period ended June 30, 2023.
- b) Interest on convertible debentures which are owned or controlled, directly and indirectly, by two directors (2022 - three directors) of the Company totaled \$4 (2022 - \$73) for the three-month period ended June 30, 2023. All interest payments are made in accordance with the terms of the convertible debentures.

Medexus Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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

14 Consolidated statements of cash flows

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

For the three-month periods ended June 30	2023	2022
	\$	\$
Decrease (increase) in		
Accounts receivable	(3,469)	(405)
Inventories	(2,011)	(821)
Prepaid expenses	1,933	(1,267)
Other current assets	-	141
Increase (decrease) in		
Accounts payable and accrued liabilities	1,258	(3,541)
	<u>(2,289)</u>	<u>(5,893)</u>

15 Geographic information

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

As at	June 30, 2023	March 31, 2023
	\$	\$
United States	68,654	69,775
Canada	18,717	18,585

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

For the three-month periods ended June 30	2023	2022
	\$	\$
United States	21,113	15,811
Canada	10,442	7,235

16 Financial instruments

Fair value estimation

The Company measures the fair value of its financial assets and financial liabilities using a fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that

Medexus Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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

is significant to the fair value measurement. Three levels of inputs may be used to measure fair value. The different levels of the fair value hierarchy are defined as follows:

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

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

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

As at June 30, 2023 and March 31, 2023, other financial instruments measured at fair value in the consolidated statements of financial position were as follows:

	June 30, 2023		March 31, 2023	
	Fair value hierarchy	Fair value \$	Fair value hierarchy	Fair value \$
Financial liabilities				
Convertible debentures – Derivative	Level 2	75	Level 2	80
Balance of payable for business combinations	Level 3	31,617	Level 3	31,500

Liquidity Risk

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

Medac GmbH, in collaboration with the Company, is currently applying for the FDA's approval for treosulfan in the United States. Under the Company's February 2021 exclusive license agreement relating to treosulfan (the "U.S. Treosulfan Agreement"), upon an FDA approval of treosulfan, the Company would become obligated to pay a milestone amount to medac of between \$15,000 and \$45,000 depending on the terms of the FDA's approval. However, in light of the ongoing delay in the FDA's review of the treosulfan NDA, which at March 31, 2023 the Company expected to continue beyond the agreed FDA approval outside date, the U.S. Treosulfan Agreement provides that the amount of this milestone payment, together with future sales-based milestones, is 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.