Management's Discussion & Analysis

For the three-month period ended June 30, 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 three-month period ended June 30, 2023. It was approved by Medexus's board of directors (**Board**) on August 9, 2023.

The unaudited condensed interim consolidated financial statements of Medexus for the three-month period ended June 30, 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 fiscal 2023 audited consolidated financial statements and most recently filed annual information form (**AIF**).

Throughout this MD&A, 12-month periods (ended March 31) are sometimes referred to as "financial years" or "fiscal years" and three-month periods within each financial year are sometimes referred to as sequentially-numbered "financial quarters" or "fiscal quarters" (with fourth financial quarters ended on March 31).

Unless the context otherwise requires, all financial information in this MD&A is presented on an IFRS basis and all amounts are presented in US 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, distributions, and other cash amounts in respect of Medexus's outstanding securities; Medexus's expectations regarding the business strategies of its competitors, pricing of products, and product opportunities; 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; 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; the occurrence, timing, and expected outcome of the related renegotiation of the US Treosulfan Agreement (defined below); the occurrence, timing, and expected outcome of any 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 the Company's most recent annual 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**) as contemplated by National Instrument 52-112, *Non-GAAP and Other Financial Measures Disclosure*. These non-GAAP measures may include "non-GAAP financial measures", such as Adjusted Net Income (Loss), EBITDA (or earnings before interest, taxes, depreciation, and amortization), Adjusted EBITDA, and Net Debt, "supplementary financial measures", such as Equity Market Capitalization and Enterprise Value, and "non-GAAP ratios" such as Adjusted Net Income (Loss) per Common Share and Enterprise Value to Adjusted EBITDA.

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.

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 Adjusted Net Income (Loss) and Adjusted EBITDA 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)". A reconciliation of Net Debt to the most directly comparable IFRS measure can be found under the heading "—Net Debt" below.

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.

Medexus may also present Adjusted Net Income (Loss) on a per share basis. Adjusted Net Income (Loss) per Medexus common share (**Common Shares**) is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of Common Shares outstanding during the applicable period.

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.

Net Debt

Medexus defines **Net Debt** as the sum of long-term debt (which includes the current and non-current portions of the facilities under the BMO Credit Agreement) plus the Convertible Debentures (host and derivative portions) less cash and cash equivalents, in each case as shown on Medexus's consolidated statements of financial position (or balance sheet) as of a given date.

Medexus believes that Net Debt, when used in conjunction with IFRS financial measures, provides useful supplemental information about Medexus's financial position, in particular about the Company's level of indebtedness as of a given date. Key limitations to using Net Debt include the fact that it is a schematic representation of the amount of outstanding indebtedness and cash and cash equivalents that would be available to repay that outstanding indebtedness and that it does not include all debt-like contractual obligations of the Company.

The following table is derived from and should be read together with Medexus's consolidated financial statements for the most recently completed financial period. This supplementary disclosure is intended to more fully explain disclosures related to Net Debt and provides additional information related to Medexus's financial position.

(Amounts in $ '000s)

As at:	June 30, 2023	March 31, 2023
Current portion of long-term debt	10,915	8,733
Convertible debentures – Host	36,568	33,973
Convertible debentures – Derivative	75	80
Long-term debt	25,440	27,377
	72,998	70,163
Less: Cash and cash equivalents	15,782	13,069
Net debt	**57,216**	**57,094**

Equity Market Capitalization

Medexus defines **Equity Market Capitalization** as the product of the closing price of a Medexus common share on the TSX, converted from Canadian dollars to US dollars at the then-current daily exchange rate published by the Bank of Canada, multiplied by the total number of Common Shares outstanding, in each case as of a given date.

Enterprise Value

Medexus defines **Enterprise Value** (or **EV**) as the sum of Net Debt plus Equity Market Capitalization. Medexus also may present the following ratios based on Enterprise Value –

- Enterprise Value to Revenue (or EV/Revenue), which is calculated by dividing Enterprise Value by the Company's revenue as shown on Medexus's consolidated statements of income (loss) and comprehensive income (loss) (or income statement) for a given period – typically a trailing period of 12 months, four fiscal quarters, or one fiscal year.
- Enterprise Value to Adjusted EBITDA (or EV/Adj. EBITDA), which is calculated by dividing Enterprise Value by Adjusted EBITDA for a given period – also typically a trailing period of 12 months, four fiscal quarters, or one fiscal year.

Management believes that Enterprise Value and related ratios, when used in conjunction with IFRS financial measures, are useful supplemental measures of Medexus's financial position and performance because they provide an indication of the Company's total value as of a given date, including as related to the performance of the Company's underlying business assets over time as reflected in revenue and Adjusted EBITDA.

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.

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.

SELECTED FINANCIAL INFORMATION

(Amounts in $ '000s)

Three-Month Periods Ended June 30	2023	2022	2021
Revenue	31,555	23,046	17,267
Cost of goods sold	12,929	8,657	8,894
Gross profit	17,238	12,944	6,924
Selling and administrative expense	11,899	12,125	11,725
Research and development	441	661	2,231
Transaction-related fees	–	28	–
Operating income (loss)	4,840	33	(7,162)
Net income (loss)	651	(1,398)	(6,587)
Adjusted Net Income (Loss)*	644	(3,637)	(9,833)
Adjusted EBITDA*	6,581	1,906	(4,912)
Basic net income (loss) per Common Share	0.03	(0.07)	(0.34)
Diluted net income (loss) per Common Share	0.03	(0.07)	(0.34)
Total assets	166,874	136,399	142,970
Total non-current liabilities	53,567	69,133	89,198
Cash provided (used) by operating activities	4,215	(4,015)	(6,815)
Cash used by investing activities	(597)	(165)	(5,887)
Cash provided (used) by financing activities	(968)	1,524	4,089

* 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.

The timing of orders, particularly large orders, can cause variability in Medexus's revenue quarter-to-quarter. Revenue for first financial quarter 2024 demonstrated some such variability, including because Medexus received and filled a number of orders of Rupall that were originally anticipated to be received in second financial quarter 2024.

Medexus's total revenue in financial year 2022 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.

HIGHLIGHTS FOR THREE-MONTH PERIOD ENDED JUNE 30, 2023

The following describes highlights in Medexus's financial and operating performance for the three-month period ended June 30, 2023.

Financial Highlights

- Medexus achieved record revenue of $31.6 million for the three-month period ended June 30, 2023, an increase of $8.6 million, or 37.4%, compared to $23.0 million for the three-month period ended June 30, 2022. The revenue increase was primarily attributable to continuing strong sales of IXINITY, continuing strong Rupall demand growth, including in part due to timing of orders, and Rasuvo performance, and the recognition of 100% of Gleolan net sales in total revenue.
- Medexus achieved record Adjusted EBITDA of $6.6 million for the three-month period ended June 30, 2023, an increase of $4.7 million compared to the three-month period ended June 30, 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 increase in revenue mentioned above and a small reduction in operating expenses.
- Available liquidity of $15.8 million (June 30, 2023) compared to $13.1 million (March 31, 2023). See "Liquidity and Capital Resources".
- Net income of $0.7 million for the three-month period ended June 30, 2023, an increase of $2.1 million compared to a net loss of $1.4 million for the three-month period ended June 30, 2022.
- Adjusted Net Income of $0.6 million for the three-month period ended June 30, 2023 compared to an Adjusted Net Loss of $3.6 million for the three-month period ended June 30, 2022, an improvement of $4.2 million. Adjusted Net Income (Loss) is adjusted for the non-cash unrealized gain of $0.0 million for the three-month period ended June 30, 2023 and $2.2 million for the three-month period ended June 30, 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 three-month period ended June 30, 2023, experiencing a slight decrease over the trailing 12-month period ended June 30, 2023 – reflecting the effects of lower observed average quantities of product consumed by newer patients, following the particularly strong quarter for new patient conversions in the three-month period ended March 31, 2023. (Source: customer-reported dispensing data.) Medexus's sales and marketing initiatives also benefited from resumption of in-person selling since mid–financial

year 2023. Medexus has also continued to invest moderately in its IXINITY manufacturing process improvement initiative, which has had a positive impact on batch yield and 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 three-month period ended June 30, 2023, with an estimated >80% unit share during the trailing 12-month period ended June 30, 2023, 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 06/30/2023 Data & Chargebacks, PAP). However, 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 three-month period ended June 30, 2023, which is reflected in the unit demand growth of 26% over the trailing 12-month period ended June 30, 2023. (Source: IQVIA CDH units – Drugstores and hospitals purchases, MAT June 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, as well as the timing of certain orders during the quarter. Medexus continues to evaluate appropriate business-planning options well in advance of Rupall's Health Canada market exclusivity expiration date of January 2025. This includes securing rights to commercialize new products that would be a strategic fit with Rupall, such as terbinafine hydrochloride nail lacquer (see "—Pipeline opportunities—Topical Terbinafine (Canada)").

Gleolan (US)
Medexus continued to execute the Company's post-transition commercial plan including new sales and marketing initiatives, including application of additional existing sales force resources to expand and deepen market coverage. Medexus is also engaging in active inventory management to optimize the product's working capital position over the coming quarters.

In May 2023, Medexus presented data at ISPOR 2023 demonstrating a 33% cost savings with Gleolan, compared to conventional white light surgery, in US patients with high-grade glioma. Based on the publication, which was sponsored by Medexus, although Gleolan is additive to the cost of surgery, its use results in lower cost per "imaging complete resection", and therefore is a more efficient use of resources in the surgical resection of high-grade glioma.

Metoject (Canada)
Unit demand increased by 12% in the trailing 12-month period ended June 30, 2023 in spite of direct generic competition. (Source: IQVIA – TSA database.) Product-level performance continues to experience disruption from the launch of a generic product in the Canadian methotrexate market in calendar year 2020. In the three-month period ended June 30, 2023, unit demand for Metoject benefited from unanticipated shortages of competing product inventory. Medexus continues to implement effective unit-level price reductions to defend and grow its strong market position.

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 continues to expect that it will take medac a period extending into first half calendar year 2024 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.

Amendment to US Treosulfan Agreement

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. Medexus continues to discuss with medac a further amendment to the US Treosulfan Agreement that would supersede the August 2022 amendment that Medexus and medac previously signed. However, following an agreed negotiation period, which is currently underway, Medexus or medac may elect to terminate the US Treosulfan Agreement in the event the parties cannot agree on adjustments that both parties believe to be appropriate in the circumstances.

Other developments

In May 2023, researchers at Toronto's Princess Margaret Hospital presented positive new data on treosulfan at MDS 2023. The retrospective analysis of patient outcomes found improved one-year overall survival for certain patients treated with treosulfan compared to patients who received conditioning with fludarabine, busulfan, and 200 cGy (or centigray) of total body irradiation, among other positive findings. (Source: Pasic et al, "O18 - Excellent transplant outcomes with fludarabine-treosulfan (FT) reduced-toxicity conditioning (RTC) in combination with dual T-cell depletion (TCD) in myeloablative conditioning (MAC)-ineligible patients with myelodysplastic syndrome (MDS)", Leukemia Research (May 2023).) The study further supports Medexus's

optimism regarding treosulfan's potential positive impact both in Canada, where Medexus has commercially launched treosulfan under the brand name Trecondyv, and in the United States.

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. Medexus has made progress on preparing the new drug submission seeking Health Canada approval of topical terbinafine nail lacquer to treat fungal nail infections, and continues to expect to submit later in calendar year 2023. 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.

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). In July 2023, Medexus repurchased C$1.7 million principal amount of Convertible Debentures under the 2023 NCIB. See "Disclosure of Outstanding Share Data—2023 NCIB".

DISCUSSION OF OPERATIONS

The following section discusses Medexus's results of operations for the three-month period ended June 30, 2023 compared to the three-month period ended June 30, 2022.

Revenue

(Amounts in millions)

Three-month periods ended June 30	2023	2022	Change	%
Revenue	$31.6	$23.0	$8.6	37.4%

The $8.6 million year-over-year increase in total revenue was primarily attributable to continuing strong sales of IXINITY, continuing strong Rupall demand growth and Rasuvo performance, and the inclusion of Gleolan net sales in total revenue.

The timing of orders, particularly large orders, can cause variability in Medexus's revenue quarter-to-quarter. Revenue for first financial quarter 2024 demonstrated some such variability, including because Medexus received and filled a number of orders of Rupall that were originally anticipated to be received in second financial quarter 2024.

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)

Three-month periods ended June 30	2023	2022	Change	%
Gross profit	$17.2	$12.9	$4.3	33.3%
Gross margin	54.4%	56.1%	(1.7) ppt	(3.0)%

The $4.3 million year-over-year increase in gross profit reflects the increases in revenue discussed above. The (1.7) ppt year-over-year decrease in gross margin primarily reflects changes in the relative contribution of product-level net sales, including the effect of Gleolan sales in the United States before September 2022. Specifically, in accordance with IFRS, Medexus recognized revenue from Gleolan sales in the United States as a royalty during the transition period contemplated by the Gleolan license agreement, before beginning to recognize net sales together with corresponding cost of goods sold upon completing the full transition of US commercial responsibility to Medexus in August 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 $1.4 million for the three-month period ended June 30, 2023 compared to $1.4 million for the three-month period ended June 30, 2022.

Selling and administrative expense

(Amounts in millions)

Three-month periods ended June 30	2023	2022	Change	%
Selling and administrative expense	$11.9	$12.1	$(0.2)	(1.7)%

The $0.2 million year-over-year decrease in selling and administrative expense was primarily attributable to targeted reductions in operating expenses, primarily 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, and intends to apply these existing sales force resources to expand and deepen Gleolan's market coverage.

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

(Amounts in millions)

Three-month periods ended June 30	2023	2022	Change	%
Employee benefits	$5.8	$6.0	$(0.2)	(3.3)%
Sales and marketing	$2.9	$3.1	$(0.2)	(6.5)%
Regulatory, business development	$1.5	$1.4	$0.1	7.1%
General and administrative	$1.6	$1.6	-	-

Research and development

(Amounts in millions)

Three-month periods ended June 30	2023	2022	Change	%
Research and development	$0.4	$0.7	$(0.3)	(42.9)%

The $0.3 million year-over-year decrease in research and development expense was primarily attributable to reductions in investments in the Company's now-completed phase 4 clinical trial of IXINITY. 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

As a result of the factors described above, operating income was $4.8 million for the three-month period ended June 30, 2023, an increase of $4.8 million compared to operating income of $0.0 million for the three-month period ended June 30, 2022.

Net income (loss) and Adjusted Net Income (Loss)

As a result of the factors described above, net income was $0.7 million for the three-month period ended June 30, 2023, an increase of $2.1 million compared to net loss of $(1.4) million for the three-month period ended June 30, 2022.

Adjusted Net Income was $0.6 million for the three-month period ended June 30, 2023, an increase of $4.2 million compared to Adjusted Net Loss of $(3.6) million for the three-month period ended June 30, 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 $6.6 million for the three-month period ended June 30, 2023 compared to $1.9 million for the three-month period ended June 30, 2022. The $4.7 million increase was primarily attributable to the increase in revenue and reduction in operating expenses discussed above.

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 June 30, 2023.

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

Three-months ended	30-Jun-23	31-Mar-23	31-Dec-22	30-Sept-22	30-Jun-22	31-Mar-22	31-Dec-21	30-Sept-21
Total Revenue	31,555	28,633	28,731	27,686	23,046	20,263	21,270	17,901
Gross Profit	17,238	15,017	15,933	16,144	12,944	10,114	11,501	9,388
Selling and Administrative Expenses	11,899	11,389	11,878	12,861	12,125	9,892	10,679	11,736
Research and Development	441	733	693	856	661	834	1,035	1,773
Transaction-Related Fees	–	93	–	144	28	53	33	–
Termination Benefits	–	–	372	238	–	–	–	784
Operating Income (Loss)	4,840	2,734	2,900	1,947	33	(2,504)	(339)	(4,991)
Net Income (Loss)	651	6,856	(1,507)	(2,730)	(1,398)	(5,287)	(1,150)	10,145
Net Income (Loss) per Common Share – Basic	0.03	0.34	(0.07)	(0.14)	(0.07)	(0.27)	(0.07)	0.53
Net Income (Loss) per Common Share – Diluted	0.03	0.34	(0.07)	(0.14)	(0.07)	(0.27)	(0.07)	0.52
Adjusted Net Income (Loss)*	644	6,029	(861)	(2,843)	(3,637)	(4,619)	(3,389)	(6,135)
Adjusted Net Income (Loss) per Common Share* - Basic	0.03	0.30	(0.07)	(0.14)	(0.07)	(0.23)	(0.17)	(0.32)
Adjusted Net Income (Loss) per Common Share* - Diluted	0.03	0.29	(0.07)	(0.14)	(0.07)	(0.23)	(0.17)	(0.32)
Adjusted EBITDA*	6,581	4,823	5,223	4,197	1,906	1,081	1,916	(2,016)
Cash provided (used) by operations	4,215	3,863	(2,204)	912	(4,015)	3,782	(1,718)	3,571
Cash & cash equivalents, end of period	15,782	13,069	9,273	9,647	7,285	10,018	9,571	8,137
Assets	166,874	161,329	146,320	142,308	136,399	139,225	138,131	137,210
Long-term liabilities	53,567	55,385	30,086	60,609	69,298	73,325	68,350	70,145

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

The timing of orders, particularly large orders, can cause variability in Medexus's revenue quarter-to-quarter. Revenue for first financial quarter 2024 demonstrated some such variability, including because Medexus received and filled a number of orders of Rupall that were originally anticipated to be received in second financial quarter 2024. In addition, pharmacy and wholesale customers of IXINITY exhibit varying buying patterns relative to patient unit demand, which may lead those customers to build up and subsequently work through inventory on hand and which can result in inorganic fluctuations in quarterly sales of IXINITY.

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

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 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.

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.

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, are subject to renegotiation and adjustment. Medexus continues to discuss with medac a further amendment to the US Treosulfan Agreement that would supersede the August 2022 amendment that Medexus and medac previously signed. However, following an agreed negotiation period, which is currently underway, Medexus or medac may elect to terminate the US Treosulfan Agreement in the event the parties cannot agree on adjustments that both parties believe to be appropriate in the circumstances.

See also note 23 to Medexus's consolidated financial statements for the year ended March 31, 2023, which is available on Medexus's issuer profile on SEDAR+ at www.sedarplus.ca (as

successor to www.sedar.com), for additional information about liquidity and other risks that Medexus faces.

Sources of liquidity

Overview

As of June 30, 2023, Medexus had $15.8 million (March 31, 2023 – $13.1 million) of available liquidity as follows –

- cash and cash equivalents of $15.8 million (March 31, 2023 – $13.1 million); and
- available credit of $0.0 million (March 31, 2023 – $0.0 million) under the Revolving Loan Agreement (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, 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 June 30, 2023, the weighted average interest rate was 9.02%.

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)

Three-month periods ended June 30	2023	2022
Cash provided (used) by operating activities	4,215	(4,015)
Cash used by investing activities	(597)	(165)
Cash provided (used) by financing activities	(968)	1,524
Increase (decrease) in cash position during the period	2,650	(2,656)
Impact of foreign exchange	63	(77)
Cash and cash equivalents, beginning of period	13,069	10,018
Cash and cash equivalents, end of period	15,782	7,285

Operating activities

Cash provided by operating activities was $4.2 million for the three-month period ended June 30, 2023 compared to $(4.0) million cash used by operating activities for the three-month period ended June 30, 2022. Cash used by operating activities for the three-month period ended June 30, 2023 comprised a net income, adjusted for non-cash expenditures, of $6.5 million (2022 – $1.9 million) and a change in working capital of $(2.3) million (2022 – $(5.9) million).

Medexus's working capital balance has continued to change in connection with the Company's growth, in particular an increase in accounts receivable. Medexus continues to expect 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 continue to allow the Company to meet its working capital needs, and other obligations as they come due.

Investing activities

Cash used by investing activities was $0.6 million for the three-month period ended June 30, 2023 compared to $0.2 million for the three-month period ended June 30, 2022. The $0.4 million year-

over-year increase was primarily attributable to royalty payment obligations assumed in connection with the February 2020 acquisition of Aptevo BioTherapeutics LLC.

Financing activities

Cash used by financing activities was $1.0 million for the three-month period ended June 30, 2023 compared to $1.5 million cash provided by financing activities for the three-month period ended June 30, 2022. The $2.5 million year-over-year decrease was primarily attributable to receipt of net proceeds under Medexus's revolving loan facilities in the three-month period ended June 30, 2022.

OFF–BALANCE SHEET ARRANGEMENTS

Medexus had no off-balance sheet arrangements as of June 30, 2023.

TRANSACTIONS WITH RELATED PARTIES

Below is a summary of transactions during the three-month period ended June 30, 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 $63,000 for the three-month period ended June 30, 2023 compared to $76,000 for the three-month period ended June 30, 2022.
- Two individuals who served as members of the Board during the three-month period ended June 30, 2023 (2022 – three) owned or controlled, directly or indirectly, Convertible Debentures at various times. 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 $4,000 in cash during the three-month period ended June 30, 2023, compared to an aggregate of $73,000 in cash during the three-month period ended June 30, 2022.

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

The following tables are derived from and should be read together with Medexus's consolidated statement of operations for the three-month period ended June 30, 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)

For the three-month period ended June 30	2023	2022
Net income (loss)	651	(1,398)
Add back:		
Unrealized gain on fair value of derivatives	(7)	(2,239)
Adjusted Net Income (Loss)	644	(3,637)

(Amounts in $ '000s)

For the three-month period ended June 30	2023	2022
Net income (loss)	651	(1,398)
Add back:		
Depreciation and amortization (property, equipment, intangible assets)	1,446	1,542
Interest expense	4,255	3,149
Income tax expense (recovery)	233	(154)
EBITDA	6,585	3,139
Add back:		
Share-based compensation	295	303
Transaction fees	–	28
Foreign exchange loss (gain)	(292)	675
Unrealized gain on fair value of derivatives	(7)	(2,239)
Adjusted EBITDA	**6,581**	**1,906**

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS, AND ASSUMPTIONS

The preparation of Medexus's condensed interim 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 year 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 August 9, 2023, Medexus had 20,413,504 Common Shares and no preferred shares issued and outstanding.

In addition, as at August 9, 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 –

- 9,478,574 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;
- 1,058,599 Common Shares issuable upon settlement of RSUs and PSUs (each defined below), assuming vesting at 100%; and
- 961,959 Common Shares issuable upon exercise of Options (defined below), 334,944 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 June 30, 2023, C$41.5 million aggregate principal amount remained issued and outstanding, which, subsequent to quarter end, was reduced to C$39.8 million following Medexus's repurchase of C$1.7 million principal amount of Convertible Debentures under the 2023 NCIB. See "—2023 NCIB". 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, Common Shares, or a combination of cash and Common Shares. 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. 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 June 30, 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 June 30, 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.

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, Medexus had repurchased C$1.7 million principal amount of its Convertible Debentures 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.

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.sedarplus.ca (as successor to www.sedar.com). See also note 23 to Medexus's consolidated financial statements for the year ended March 31, 2023, which are also available on Medexus's issuer profile on SEDAR+ at www.sedarplus.ca (as successor to www.sedar.com), for additional information about Medexus's liquidity risk, credit risk, market risk, currency risk, interest rate risk, and capital risk management.

Management believes that the risks and uncertainties referenced in the preceding sentences have not materially changed. However, those risks are not the only risks facing Medexus, its business, and the pharmaceutical industry as a whole. Additional risks not currently known to Medexus, or that the Company currently deems immaterial, may also adversely affect Medexus's operations.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

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

Internal controls over financial reporting

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