

# **Medexus Pharmaceuticals Inc.**

Condensed Interim Consolidated  
Financial Statements  
(unaudited)

**For the three- and six-month periods ended  
September 30, 2024**  
(expressed in thousands of United States dollars)

# Medexus Pharmaceuticals Inc.

## Interim Consolidated Statements of Financial Position (unaudited)

**As at September 30, 2024 and March 31, 2024**

(expressed in thousands of United States dollars)

	Note	September 30, 2024 \$	March 31, 2024 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		6,973	5,255
Accounts receivable		13,050	24,030
Inventories		38,167	30,772
Prepays		5,620	10,138
Other current assets		388	2,301
		<b>64,198</b>	<b>72,496</b>
<b>Property and equipment</b>	3	<b>731</b>	<b>778</b>
<b>Intangible assets</b>	4	<b>61,328</b>	<b>64,141</b>
<b>Goodwill</b>	4	<b>10,295</b>	<b>10,276</b>
<b>Deferred tax assets</b>		<b>8,815</b>	<b>8,042</b>
		<b>145,367</b>	<b>155,733</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		37,117	43,232
Income tax payable		1,255	1,318
Current portion of long-term debt	5	17,759	15,743
Balance of payable for business combinations	6	4,642	3,233
Other current liabilities		2,674	2,703
		<b>63,447</b>	<b>66,229</b>
<b>Long-term debt</b>	5	<b>25,215</b>	<b>34,153</b>
<b>Balance of payable for business combination</b>	6	<b>23,964</b>	<b>25,028</b>
		<b>112,626</b>	<b>125,410</b>
<b>Shareholders' Equity</b>			
<b>Share capital</b>		<b>76,721</b>	<b>76,390</b>
<b>Contributed surplus</b>		<b>11,962</b>	<b>12,005</b>
<b>Cumulative translation adjustment</b>		<b>6,233</b>	<b>6,170</b>
<b>Deficit</b>		<b>(62,175)</b>	<b>(64,242)</b>
		<b>32,741</b>	<b>30,323</b>
		<b>145,367</b>	<b>155,733</b>

## Medexus Pharmaceuticals Inc.

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

**Three- and six-month periods ended September 30, 2024 and 2023**

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

Periods ended September 30	Note	Three Months		Six Months	
		2024 \$	2023 \$	2024 \$	2023 \$
<b>Revenue</b>					
Products		26,303	30,326	53,586	61,881
<b>Cost of sales</b>					
Cost of sales of products		10,658	12,657	21,755	25,586
Amortization of product licences	4	1,519	1,391	2,870	2,779
		<b>12,177</b>	<b>14,048</b>	<b>24,625</b>	<b>28,365</b>
<b>Gross profit</b>		<b>14,126</b>	<b>16,278</b>	<b>28,961</b>	<b>33,516</b>
Selling and administrative expenses	9	9,688	11,911	20,037	23,810
Research and development expenses		281	741	378	1,182
Termination benefits		-	-	356	-
Depreciation and amortization	3	57	72	116	130
Impairment of intangible assets	4	2,463	-	2,463	-
<b>Operating income</b>		<b>1,637</b>	<b>3,554</b>	<b>5,611</b>	<b>8,394</b>
Financing costs	10	2,163	4,229	4,194	8,484
Convertible debentures – Unrealized gain on fair value of derivative		-	(75)	-	(82)
Foreign exchange loss		55	373	98	81
<b>Income (loss) before income taxes</b>		<b>(581)</b>	<b>(973)</b>	<b>1,319</b>	<b>(89)</b>
<b>Income tax expense (recovery)</b>					
Current		7	1,085	25	1,442
Deferred		(698)	(965)	(773)	(1,089)
		<b>(691)</b>	<b>120</b>	<b>(748)</b>	<b>353</b>
<b>Net income (loss)</b>		<b>110</b>	<b>(1,093)</b>	<b>2,067</b>	<b>(442)</b>
<b>Other comprehensive income (loss)</b>					
Foreign currency income (loss) on translation of foreign operations		118	572	63	(61)
<b>Comprehensive income (loss)</b>		<b>228</b>	<b>(521)</b>	<b>2,130</b>	<b>(503)</b>
<b>Net income (loss) per share</b>					
Basic		0.00	(0.05)	0.08	(0.02)
Diluted		0.00	(0.05)	0.08	(0.02)
<b>Weighted average number of common shares outstanding</b>		<b>24,548,318</b>	<b>20,433,753</b>	<b>24,503,496</b>	<b>20,332,190</b>

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)

### Six-month periods ended September 30, 2024 and 2023

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

	Note	Share Capital			Cumulative translation adjustment	Deficit	Total shareholders' equity
		Common shares	Amount	Contributed surplus			
			\$	\$	\$	\$	\$
<b>Balance – March 31, 2023</b>		20,181,490	69,014	11,307	6,155	(64,028)	22,448
Net loss		-	-	-	-	(442)	(442)
Other comprehensive loss		-	-	-	(61)	-	(61)
		-	-	-	(61)	(442)	(503)
Issuance of shares for settling of warrants		132,299	101	(101)	-	-	-
Share-based compensation – Stock option plan	8	-	-	236	-	-	236
Share-based compensation – RSU plan	8	-	-	118	-	-	118
Share-based compensation – PSU plan	8	-	-	249	-	-	249
Issuance of shares for settling of RSUs	8	143,233	238	(343)	-	-	(105)
Issuance of shares for settling of PSUs	8	102,807	188	(553)	-	-	(365)
Bought deal offering - transaction fees		-	(337)	-	-	-	(337)
<b>Balance – September 30, 2023</b>		20,559,829	69,204	10,913	6,094	(64,470)	21,741
<b>Balance – March 31, 2024</b>		24,458,213	76,390	12,005	6,170	(64,242)	30,323
Net income		-	-	-	-	2,067	2,067
Other comprehensive income		-	-	-	63	-	63
		-	-	-	63	2,067	2,130
Share-based compensation – Stock option plan	8	-	-	41	-	-	41
Share-based compensation – RSU plan	8	-	-	338	-	-	338
Share-based compensation – PSU plan	8	-	-	276	-	-	276
Issuance of shares for settling of RSUs	8	76,191	133	(210)	-	-	(77)
Issuance of shares for settling of PSUs	8	118,089	198	(488)	-	-	(290)
<b>Balance – September 30, 2024</b>		24,652,493	76,721	11,962	6,233	(62,175)	32,741

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- and six-month periods ended September 30, 2024 and 2023

(expressed in thousands of United States dollars)

Periods ended September 30	Note	Three Months		Six Months	
		2024 \$	2023 \$	2024 \$	2023 \$
<b>Operating activities</b>					
Net income (loss)		110	(1,093)	2,067	(442)
Adjustments for					
Depreciation and amortization	3	57	72	116	130
Amortization of product licences	4	1,519	1,391	2,870	2,779
Impairment of intangible assets		2,463	-	2,463	-
Share-based compensation expense	8	(74)	(128)	288	133
Interest expense	10	2,163	4,229	4,194	8,484
Convertible debentures – Unrealized gain on fair value of derivative		-	(75)	-	(82)
Unrealized foreign exchange loss (gain)		(202)	361	(44)	26
Income tax expense (recovery)		(691)	120	(748)	353
		<b>5,345</b>	<b>4,877</b>	<b>11,206</b>	<b>11,381</b>
Changes in non-cash operating working capital items	13	1,546	2,777	3,930	488
Income taxes paid		(36)	(303)	(88)	(303)
Cash provided by operating activities		<b>6,855</b>	<b>7,351</b>	<b>15,048</b>	<b>11,566</b>
<b>Investing activities</b>					
Purchases of property and equipment		(37)	(16)	(69)	(44)
Purchases of intangible assets		(2,500)	-	(2,500)	-
Business acquisition deferred payment	6	(445)	(576)	(890)	(1,145)
Cash used by investing activities		<b>(2,982)</b>	<b>(592)</b>	<b>(3,459)</b>	<b>(1,189)</b>
<b>Financing activities</b>					
Interest paid		(1,253)	(1,080)	(2,389)	(2,015)
Repayment of long- and short-term debt	5	(3,312)	(438)	(6,625)	(438)
Prepayment of long- and short-term debt	5	(833)	-	(833)	-
Repayment of lease liabilities		(16)	(16)	(62)	(49)
Repurchase of convertible debentures		-	(1,428)	-	(1,428)
Cash used by financing activities		<b>(5,414)</b>	<b>(2,962)</b>	<b>(9,909)</b>	<b>(3,930)</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>(1,541)</b>	<b>3,797</b>	<b>1,680</b>	<b>6,447</b>
Impact of foreign exchange on cash and cash equivalents		60	(78)	38	(15)
<b>Cash and cash equivalents – Beginning of period</b>		<b>8,454</b>	<b>15,782</b>	<b>5,255</b>	<b>13,069</b>
<b>Cash and cash equivalents – End of period</b>		<b>6,973</b>	<b>19,501</b>	<b>6,973</b>	<b>19,501</b>

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 10 King Street East, Suite 600, Toronto, Ontario. The Company’s shares are traded on the Toronto Stock Exchange (TSX).

### **2 Basis of presentation and material accounting policies**

#### **Basis of presentation**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) applicable to the preparation of interim financial statements, including International Accounting Standard (IAS) 34, Interim Financial Reporting. 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, 2024.

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 November 7, 2024.

#### **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 September 30, 2024, 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)

### **Accounting standards and interpretations issued and their effects**

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

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024.

#### **IAS 1, Non-current Liabilities with Covenants**

On October 31, 2022, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early application is permitted and must be disclosed.

Effective April 1, 2024, the Company adopted these amendments, with no impact on the Condensed Interim Financial Statements.

### **New standards not yet adopted by the Company**

#### **IFRS 9 Financial Instruments and IFRS 7 Financial Instrument Disclosures**

In May 2024, the IASB published Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures). The amendments to IFRS 9 clarify de-recognition and classification of specific financial assets and liabilities respectively while the amendments to IFRS 7 clarify the disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and contractual terms that could change the timing or amount of contractual cash flows on the occurrence or non-occurrence of a contingent event. The amendments to IFRS 9 and IFRS 7 are effective for annual reporting beginning on or after January 1, 2026. Earlier application is permitted. The amended standard is not expected to have an impact on the consolidated financial statements.

#### **IFRS 18, Presentation and Disclosure**

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in the Financial Statements, which sets out the overall requirements for presentation and disclosures in the financial statements. The new standard will replace IAS 1, Presentation of Financial Statements, and aims to improve the reporting of financial performance while carrying forward many requirements from IAS 1 unchanged.

The new Accounting Standard introduces significant changes to the structure of a company's income statement and new principles for aggregation and disaggregation of information. The main impacts of the new Accounting Standard include:

# 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)

- Introduction of a newly defined "operating profit" subtotal and a requirement for all income and expenses to be allocated among three distinct categories based on the company's main business activities: Operating, Investing and Financing;
- Disclosure and reconciliation of management performance measures (e.g. non-GAAP financial measures) that are used in public communications to share management's views of an entity's performance, and which are derived from the statements of income and other comprehensive income;
- Additional new principles for aggregation and disaggregation of information; and
- Requirement for the cash flow statement to start with operating profit aligning the starting point with the newly defined subtotal in the statement of income; and
- Removal of the accounting policy choice for presentation of dividend and interest, standardizing the presentation of dividend and interest to improve comparability and transparency.

The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with earlier adoption permitted.

### **Estimates, judgments and assumptions**

The preparation of the unaudited condensed interim consolidated financial statements in accordance with IFRS Accounting Standards 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, 2024.

### **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.

# 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)

### 3 Property and equipment

	Office furniture & Computer equipment \$	Right-of- use lease assets \$	Total \$
Net book value at March 31, 2024	353	425	778
Additions	69	-	69
Depreciation	(38)	(78)	(116)
<b>Net book value at September 30, 2024</b>	<b>384</b>	<b>347</b>	<b>731</b>
<b>As at September 30, 2024</b>			
Cost	1,193	779	1,972
Accumulated depreciation	(809)	(432)	(1,241)
<b>Net book value</b>	<b>384</b>	<b>347</b>	<b>731</b>
<b>As at March 31, 2024</b>			
Cost	1,123	780	1,903
Accumulated depreciation	(770)	(355)	(1,125)
<b>Net book value</b>	<b>353</b>	<b>425</b>	<b>778</b>

### 4 Intangible assets and goodwill

	Licences \$	Goodwill \$
Net book value at March 31, 2024	64,141	10,276
Additions	2,500	-
Amortization	(2,870)	-
Impairment	(2,463)	-
Currency translation adjustment	20	19
<b>Net book value at September 30, 2024</b>	<b>61,328</b>	<b>10,295</b>
<b>As at September 30, 2024</b>		
Cost	89,303	10,295
Accumulated amortization	(27,975)	-
<b>Net book value</b>	<b>61,328</b>	<b>10,295</b>
<b>As at March 31, 2024</b>		
Cost	90,753	10,276
Accumulated amortization	(26,612)	-
<b>Net book value</b>	<b>64,141</b>	<b>10,276</b>

# 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)

Intangible assets are reviewed for impairment when events or circumstances indicate that the carrying value of an asset may not be recoverable.

### Impairment of intangible asset

During the quarter, management identified impairment indicators due to ongoing discussions for a mutually acceptable resolution to conclude the business relationship with NX Development Corp. (“NXDC”), the United States subsidiary of photonamic GmbH & Co. in respect of responsibility for the Company’s commercialization rights to Gleolan® (aminolevulinic acid hydrochloride) in the United States. Using the discounted cash flow model, the Company performed an analysis taking into consideration the following significant assumptions: revenue, future operating costs and discount rates. The revised forecast has resulted in an impairment loss in the amount of \$2,463, which primarily relates to a reduction in the carrying value of Gleolan, which the Company no longer expects to distribute in the United States after March 31, 2025.

## 5 Long-term debt

As at	September 30, 2024 \$	March 31, 2024 \$
Credit facility – Term Loan	40,692	48,150
Credit facility – Revolver	3,500	3,500
Deferred debt transaction costs	(1,696)	(2,294)
Lease liabilities	478	540
<b>Long-term debt</b>	<b>42,974</b>	<b>49,896</b>
Current	17,759	15,743
Non-current	25,215	34,153
<b>Long-term debt</b>	<b>42,974</b>	<b>49,896</b>

### *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”). The BMO credit agreement also includes a \$3,500 revolving loan maturing on March 8, 2026 (the “Revolver”).

On September 5, 2023, the Company entered into an amendment to the BMO credit agreement. The amendment provided for an \$18,000 increase in the Term Loan commitment under the accordion feature of the Term Loan facility, among other amendments. The Company drew down the full \$18,000 on October 4, 2023, and applied the full amount toward repayment of the Company’s then-outstanding 6% unsecured convertible debentures upon their maturity on October 16, 2023.

The Term Loan is subject to an amortization schedule set out in the BMO Credit Agreement, which is calculated with reference to the total aggregate principal amount borrowed, and will now amount to \$3,313 per calendar

# 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)

quarter through the remainder of the term, plus additional principal payments of \$833 paid in second financial quarter 2025 and \$2,000 to be paid in second financial quarter 2026.

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 September 30 2024, \$40,692 of the Term Loan and \$3,500 of the Revolver were outstanding with a weighted average interest rate of 7.82%.

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, and provides for a first-priority security interest in all the Company’s assets. In June 2024, the Company entered into an amendment to the BMO credit agreement that provided for a temporary adjustment to the fixed charge coverage ratio, among other amendments. As at September 30, 2024, the Company was in compliance with these financial covenants and all of the terms and conditions of its long-term debt agreements.

### 6 Balance of payable for business combination

	Note	Medac \$	Aptevo \$	Total \$
Net book value at March 31, 2024		18,639	9,622	28,261
Interest accretion	10	800	436	1,236
Payment		-	(890)	(890)
Foreign exchange gain		(82)	-	(82)
Currency translation adjustment		81	-	81
<b>Balance of payable at September 30, 2024</b>		<b>19,438</b>	<b>9,168</b>	<b>28,606</b>
Current				4,642
Non-Current				23,964
<b>Balance of payable at September 30, 2024</b>				<b>28,606</b>

#### Medac Pharma Inc.

As part of the acquisition of Medac Pharma Inc. on October 16, 2018, the Company is required to make annual earnout payments in an amount equal to 7.5% of the aggregate consolidated EBITDA of the Company, subject to certain agreed-upon adjustments and until such time as an aggregate of \$30,000 in annual payments have been made. To date the Company has made earnout payments totaling \$2,327.

#### 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 until June 30, 2022, and (ii) 5% of net sales thereafter until March 1, 2035. In addition, the purchase agreement requires the Company to make certain milestone payments upon IXINITY®’s receipt of regulatory approval in each of Canada, Germany,

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## Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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

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.

### 7 Share capital

#### Authorized and issued

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

### 8 Share-based compensation

#### Stock options

Periods ended September 30, 2024	Three Months		Six Months	
	Number of options	Weighted average exercise price C\$	Number of options	Weighted average exercise price C\$
Outstanding, beginning of period	772,513	3.93	816,232	3.92
Forfeited	(82,134)	(3.68)	(125,853)	(3.75)
Expired	(17,333)	(4.50)	(17,333)	(4.50)
Outstanding, end of period	<b>673,046</b>	<b>3.94</b>	<b>673,046</b>	<b>3.94</b>
Exercisable, end of period	<b>588,555</b>	<b>3.91</b>	<b>588,555</b>	<b>3.91</b>

#### Restricted stock units (RSUs)

Periods ended September 30, 2024	Three Months		Six Months	
	Number of units	Weighted average exercise price C\$	Number of units	Weighted average exercise price C\$
Outstanding, beginning of period	730,243	0.01	632,321	0.01
Granted	<b>234,636</b>	<b>0.01</b>	<b>365,169</b>	<b>0.01</b>
Exercised	(119,889)	(0.01)	(120,389)	(0.01)
Forfeited	(6,355)	(0.01)	(38,466)	(0.01)
Outstanding, end of period	<b>838,635</b>	<b>0.01</b>	<b>838,635</b>	<b>0.01</b>
Exercisable, end of period	<b>136,013</b>	<b>0.01</b>	<b>136,013</b>	<b>0.01</b>

# 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)	Three Months		Six Months	
	Number of units	Weighted average exercise price C\$	Number of units	Weighted average exercise price C\$
Periods ended September 30, 2024				
Outstanding, beginning of period	481,718	0.01	507,083	0.01
Exercised	(289,003)	(0.01)	(289,003)	(0.01)
Forfeited	(13,387)	(0.01)	(38,752)	(0.01)
Outstanding, end of period	<b>179,328</b>	<b>0.01</b>	<b>179,328</b>	<b>0.01</b>
Exercisable, end of period	-	-	-	-

For the three- and six-month periods ended September 30, 2024, the share-based compensation expense with respect to these options, RSUs and PSUs amounted to \$293 (2023 – \$308) and \$655 (2023 – \$603). These costs are included in selling and administrative expenses in the consolidated statement of loss and comprehensive loss (note 9).

### 9 Selling and administrative expenses

Periods ended September 30	Note	Three Months		Six Months	
		2024	2023	2024	2023
		\$	\$	\$	\$
Employee benefit expense	11	5,020	5,863	10,218	11,691
Sales and marketing expense		1,612	2,912	3,697	5,846
Regulatory and business development		1,731	1,625	3,376	3,133
General administrative		1,325	1,511	2,746	3,140
		<b>9,688</b>	<b>11,911</b>	<b>20,037</b>	<b>23,810</b>

### 10 Financing costs

Periods ended September 30	Three Months		Six Months	
	2024	2023	2024	2023
	\$	\$	\$	\$
Interest on convertible debentures	-	422	-	891
Interest accretion on convertible debentures, net of amort. of deferred financing costs	-	1,821	-	3,657
Interest on long-term debt, net of amort. of deferred financing costs	1,531	1,289	2,940	2,541
Interest accretion on balance of payable for business combination	623	685	1,236	1,373
Interest on lease liabilities	9	12	18	22
Interest expense	<b>2,163</b>	<b>4,229</b>	<b>4,194</b>	<b>8,484</b>

# 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)

### 11 Employee benefit expense

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

Periods ended September 30	Three Months		Six Months	
	2024 \$	2023 \$	2024 \$	2023 \$
Salaries and benefits	3,475	4,070	6,688	8,184
Share-based compensation	140	34	281	159
	<u>3,615</u>	<u>4,104</u>	<u>6,969</u>	<u>8,343</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 (through June 24, 2024), Chief Operating Officer (from and after June 24, 2024), General Counsel, Vice-Presidents, and Board of Directors.

Periods ended September 30	Three Months		Six Months	
	2024 \$	2023 \$	2024 \$	2023 \$
<b>Key management compensation</b>				
Salaries and benefits	1,252	1,485	2,875	2,904
Share-based compensation	153	274	374	444
	<u>1,405</u>	<u>1,759</u>	<u>3,249</u>	<u>3,348</u>

### 12 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 of the Company holds a 50% equity interest for customary storage, distribution, and other related services in respect of certain of the Company's products in Canada. These fees totaled \$74 (2023 - \$60) for the three-month period, and \$140 (2023 - \$123) for the six-month periods ended September 30, 2024.

# 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)

### 13 Consolidated statements of cash flows

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

Periods ended September 30	Three Months		Six Months	
	2024	2023	2024	2023
	\$	\$	\$	\$
Decrease (increase) in				
Accounts receivable	252	3,198	10,993	(271)
Inventories	(2,445)	(14)	(8,277)	(2,025)
Prepaid expenses	1,487	220	4,519	2,153
Other current assets	-	(14)	1,895	(14)
Increase (decrease) in				
Accounts payable and accrued liabilities	2,252	(613)	(5,200)	645
	<b>1,546</b>	<b>2,777</b>	<b>3,930</b>	<b>488</b>

### 14 Geographic information

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

As at	September 30, 2024	March 31, 2024
	\$	\$
United States	64,680	66,396
Canada	16,489	16,841

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

Periods ended September 30	Three Months		Six Months	
	2024	2023	2024	2023
	\$	\$	\$	\$
United States	15,364	21,764	31,034	42,877
Canada	10,939	8,562	22,552	19,004

### 15 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 September 30, 2024 and March 31, 2024, other financial instruments measured at fair value in the consolidated statements of financial position were as follows:

	<u>September 30, 2024</u>		<u>March 31, 2024</u>	
	<u>Fair value hierarchy</u>	<u>Fair value \$</u>	<u>Fair value hierarchy</u>	<u>Fair value \$</u>
<b>Financial liabilities</b>				
Balance of payable for business combinations	Level 3	<b>28,606</b>	Level 3	28,261

### 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.

On June 6, 2024, the Company was informed by medac, that the FDA had accepted for review medac's April 2024 resubmission of the New Drug Application, or NDA, for treosulfan. The Company expects that the FDA will complete its review of the treosulfan NDA and issue a decision by October 30, 2024. Under the terms of a September 2023 amendment to the Company's agreement relating to treosulfan in the United States (US Treosulfan Agreement), the Company and medac have a specified negotiation period, which was underway at September 30, 2024, to agree to a further amendment with respect to any adjustments to the value of unpaid regulatory and sales-based milestone payments that the parties may agree are appropriate in the prevailing circumstances. The Company will have no obligation to make any milestone payments before the effective date of any such further amendment to the US Treosulfan Agreement. The Company expects that the parties will arrive at a commercially reasonable outcome and that certain milestone and royalty payments will need to be made to medac from time to time under the US Treosulfan Agreement; however, the precise amount and timing of any such milestones are difficult to estimate, and the agreed negotiation period, which was underway at September 30, 2024, may expire in the event the parties do not arrive at a mutually acceptable outcome by December 2024.