January 8, 2024

Zacks Small-Cap Research

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Steven Ralston, CFA
312-265-9426
sralston@zacks.com

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

Medicus Pharma Ltd. (V.MDCX – TSX.V)

V.MDCX: Zacks SCR Initiates Coverage of Medicus Pharma Limited

Utilizing a financial model based on DCF methodology that uses a 10% discount rate and a terminal P/S multiple of 2.76 (based on comparable Specialty Drug Manufacturers), the indicated value of MDCX is **$6.04 per share**.

Financials & stock prices in $CDN unless noted otherwise.

Current Price (01/05/24)	$2.00
Valuation	**$6.04**

OUTLOOK

Medicus Pharma Ltd. (TSXV:MDCX) is focused on acquiring or partnering with life-science companies that are developing **novel therapeutics for unmet healthcare needs** that are already **in the clinical trial stage**. Management plans to further advance and fast-track these specific therapies through FDA clinical trials toward commercialization.

The company's first acquisition was **SkinJect**, which has a novel, patented transdermal patch for the treatment of basal cell carcinoma (BCC). A Phase I trial was completed in 2021, and last week, the protocol for a Phase II study was submitted to the FDA for approval.

SUMMARY DATA

52-Week High	**$3.05**
52-Week Low	**$0.31**
One-Year Return (%)	**N/A**
Beta	**N/M**
Average Daily Volume (shrs.)	**1,858**
Shares Outstanding (million)	**16.15**
Market Capitalization ($mil.)	**$32.30**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2024 Estimate	**N/M**
P/E using 2025 Estimate	**N/M**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Biotechnology-Drug**

ZACKS ESTIMATES

Revenue
(in millions of $CDN)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2022	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2023	0.0 A	0.0 A	0.0 A	0.0 E	0.0 E
2024	0.0 E	0.0 E	0.0 E	0.0 E	0.0 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	N/M A	N/M A	N/M A	N/M A	N/M A
2022	-$0.14 A	-$0.12 A	-$0.10 A	-$0.12 A	-$0.48 A
2023	-$0.15 A	-$0.14 A	-$0.73 A	-$0.20 E	-$1.22 E
2024	-$0.18 E	-$0.18 E	-$0.27 E	-$0.25 E	-$0.88 E

Quarterly EPS may not equal annual EPS due to rounding or dilution.

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KEY POINTS

- **Medicus Pharma Ltd.** (TSXV:MDCX) is a **holding company specializing in the acquisition** life-science / biotechnology companies that are advancing novel therapies through clinical trials toward commercialization.

- Medicus Pharma completed its **first acquisition**, **SkinJect**, **Inc**., in September 2023. The SkinJect **Dissolvable Microneedle Array drug delivery system** for basal cell carcinoma (BCC) is in the process of finalizing the protocol, which has been recently been submitted to the FDA for review prior to enrolling patients for **a Phase II clinical study**.

    - Management **amending the Phase II protocol** with expectations that a request to waive a Phase 3 study will be granted.

- The company was **listed on the TSX Venture Exchange**, and **began trading on October 11, 2023**.

- Medicus Pharma presents the opportunity to participate in the development of relatively advanced novel therapies that already have completed a clinical trial.

OVERVIEW

Medicus Pharma Ltd. (TSXV:MDCX) is a **holding company in the healthcare sector** focused on acquiring or partnering with life-science / biotechnology companies, and then advancing specific therapies through FDA-approved clinical trials toward commercialization. Prospective target companies are being identified by the Directors and management through a collaborative process that **seeks out <u>novel</u> pharmaceutical compounds, treatments and/or delivery systems** that already have progressed to the clinical stage.

Management is agnostic to the particular healthcare field that the therapeutic medical treatment addresses, but rather concentrates on the level of innovation and the degree to which the therapy has been de-risked through the clinical study process. The company accelerates the advancement of these prospective therapies through higher level clinical trials. On an ongoing basis, the Directors and management actively explore for additional candidates in order to expand the company's therapy development pipeline.



SkinJect

The first company under the Medicus Pharma holding company umbrella is **SkinJect**, which holds an exclusive license to a **patented drug delivery system** (a patch with dissolvable microneedle arrays capable of delivering **chemotherapeutic agents**) that is being advanced **for the treatment** of cancers. Currently, the microneedle arrays (MNAs) are infused with **doxorubicin**, and these arrays will noninvasively deliver the agent in the vicinity of the basal cell layer. The initial target of the clinical studies is the most common form of skin cancer, **basal cell carcinoma**.

SkinJect, now a wholly-owned subsidiary of Medicus Pharma, was acquired through a Business Combination (via a reverse takeover transaction) that closed on September 29, 2023. A concurrent private placement of subscription receipts provided Medicus Pharma with approximately US$5.1 million in gross proceeds, which is principally earmarked for R&D, professional fees and corporate expenses.

In October 2018, Investigational New Drug (**IND**) application **122448** was submitted to the FDA, which approved a Phase I study of the SkinJect patch for the treatment of basal cell carcinoma through a Study May Proceed letter issued in November 2018. A 13-patient **Phase I safety and tolerability study was completed in May 2021**, which demonstrated that the SkinJect patch is safe and well-tolerated.

The company received an initial FDA approval to perform a **Phase II clinical trial for basal cell carcinoma** (BCC) in September 2021. This upcoming clinical study is structured as a randomized, controlled, double blind, multi-center study, of which the purpose is to further test the safety and assess the efficacy the SkinJect microneedle array patch on basal cell carcinoma patients. The recent submission of the protocol (SKNJCT-003) proposes a sample size of up to 60 patients, which is subject to further alignment after receipt of any comments from the FDA. As with most submissions, the company and the FDA have had discussions on the planned study, and management is receptive to adopting any suggestions that might facilitate an accelerated approval process. After the FDA approves a protocol for the Phase II trial, management anticipates recruiting the initial patient, probably during the first quarter of 2024.

Medicus Pharma Listed on the TSX Venture Exchange

Medicus Pharma Ltd. was listed on the TSX Venture Exchange, and began trading on October 11, 2023. The final non-offering prospectus was filed on SEDAR on October 11, 2023.

The listing on the TSX-V represents a significant milestone for the company by adding liquidity, financing opportunities and investor awareness of management's mission to advance innovative medical therapies through the FDA approval process.

SKINJECT

Founded in 2013, SkinJect Inc. was formed as a developmental-stage biotechnology life sciences company focused on commercializing a novel drug delivery therapy for skin cancer utilizing a microneedle patch developed by Dr. Louis D. Falo at the University of Pittsburgh and Professor O. Burak Ozdoganlar at Carnegie Mellon University, both of which serve as advisors to Medicus Pharma. The technology for the SkinJect microneedle patch was formally licensed from the University of Pittsburgh in August 2016.

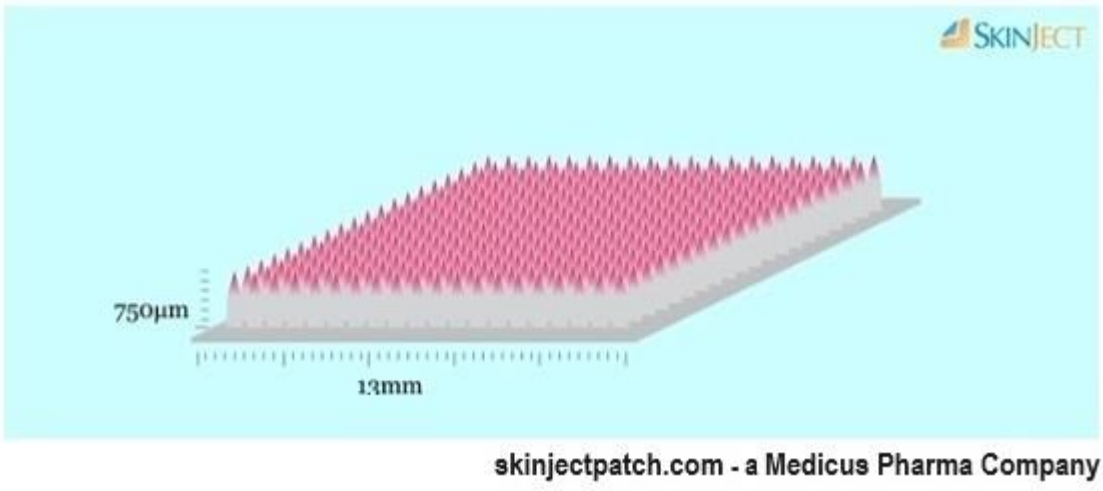
Medicus Pharma Ltd. (fka Interactive Capital Partners Corp.) entered into a letter of intent with SkinJect, Inc., effective April 17, 2023, for a reverse takeover transaction

Medicus Pharma Ltd. acquired SkinJect, Inc. **on September 29**, **2023** through a Business Combination via a reverse takeover transaction. The process was initiated through the signing of a Letter of Intent with SkinJect (effective April 17, 2023). Concurrent with the Business Combination, Medicus completed a private placement of subscription receipts that raised approximately US$5.1 million. SkinJect is now a wholly-owned subsidiary of Medicus Pharma.

The SkinJect Microneedle Patch

The SkinJect microneedle patch is a promising novel approach for treating non-melanoma skin cancers. The **initial treatment target** of the SkinJect drug delivery system is **basal cell carcinoma (BCC)** with squamous cell carcinoma (SCC) anticipated to be the subsequent target.

The SkinJect patch is approximately 15mm x 15mm in size and consists of 13mm x 13 mm array of 400 dissolvable microneedles, each of which is approximately 750 microns (aka 0.75mm) in length. The microneedles are composed of buffered carboxymethyl cellulose, in which is deposited a cargo load of a chemotherapeutic agent, doxorubicin hydrochloride.



When applied to the skin, the microneedles are designed to penetrate the skin down to the interstitial fluid lying between the basal cell layer & the dermis and thereafter, to dissolve within 30 minutes, transdermally delivering a defined quantity of doxorubicin to the BCC lesion. The doxorubicin induces apoptosis (a programmed cell death) by causing an immune system reaction.

Both the healthcare-grade buffered carboxymethyl **cellulose** that forms the microneedles **and doxorubicin** (the chemotherapy cargo) are **approved by the FDA for human use**.

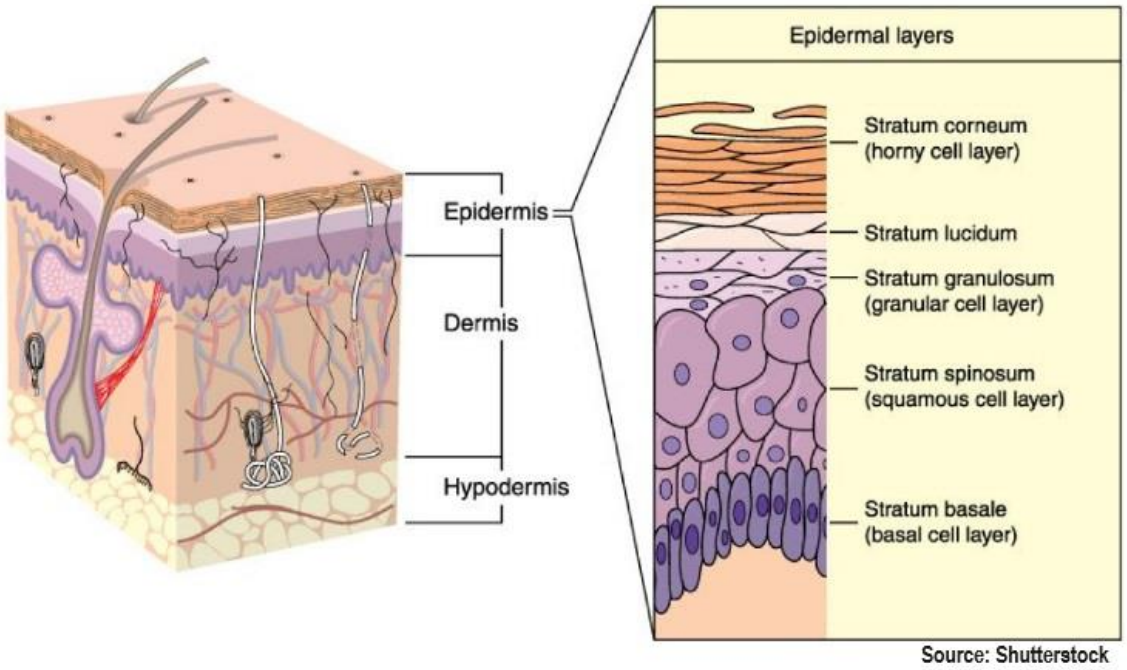
Brief Primer on Skin Cancer

Human skin is composed the three main layers: epidermis, dermis and hypodermis, the latter also being known as subcutis or subcutaneous tissue. The epidermis, the uppermost layer, is comprised of several strata.

Basal cell carcinoma (BCC) originates from the **basal cell layer** (*stratum basale*), which is situated in the lowest area of the epidermis. BCC tends to grow to up to the surface of the skin causing bumps and/or lesions. BCC can also invade the upper area of the dermis transversing boundary between the epidermis and the dermis, known as the Dermo-Epidermal Junction (DEJ) or basement

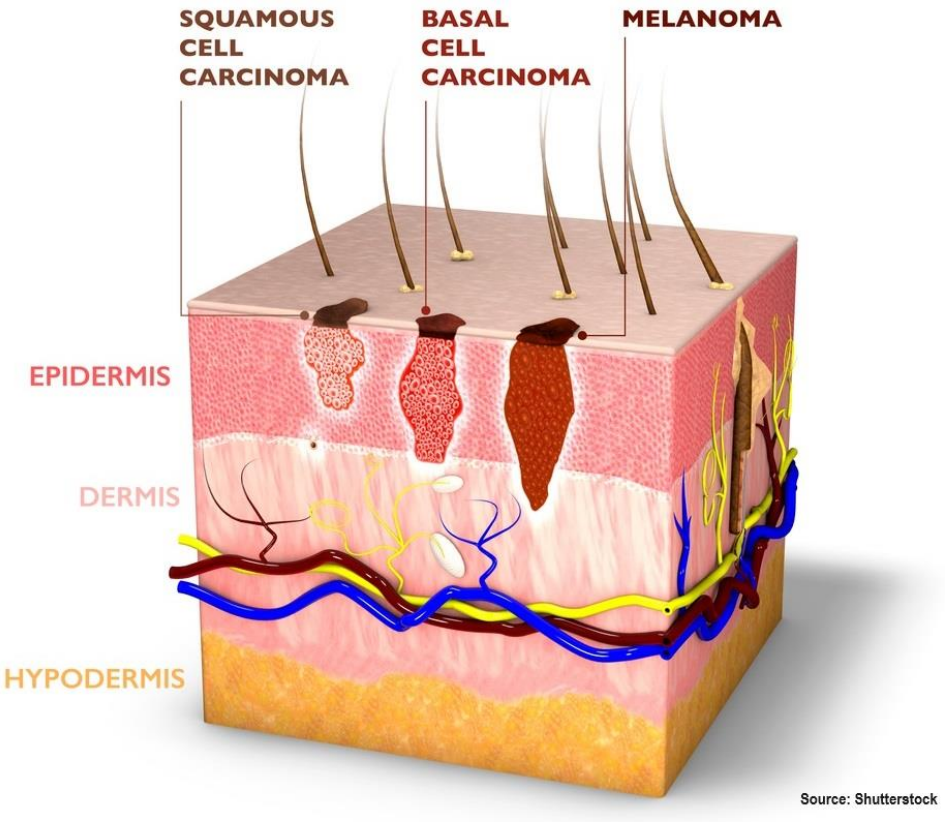
membrane. **Interstitial fluid** resides in this area. It is critical that the dissolvable microneedle arrays be inserted in such a way that the microneedles make contact with the interstitial fluid.

Squamous cell carcinoma (SCC) originates from within the **squamous cell layer** (*stratum spinosum*). When squamous cells grow in an uncontrolled manner, they can develop into SCC.



Source: Shutterstock

Typically, BCC and SCC are not life-threatening. However, if left untreated, these skin cancers can grow locally, becoming wider on the surface and deeper into the epidermis. In rare aggressive cases, basal cell carcinoma can metastasize to other areas of the body and become life-threatening.



Source: Shutterstock

Basal cell carcinoma is the most common form of skin cancer, and SCC is the second most common. Exposure to ultraviolet light, especially from the sun, is the highest risk factor for the development of these two types of skin cancer.

SkinJect - Method of Action

Doxorubicin (the cancer chemotherapeutic agent used to destroy cancerous basal cells) has a very potent cytotoxic effect on cells since it induces local cell apoptosis. Though doxorubicin is FDA-approved for human use, systematic exposure when administered by injection (intramuscularly or subcutaneously) entails risks due to the life-threatening toxic side effects of cell necrosis, particularly as related to cardiotoxicity, thrombocytopenia, myelosuppression and nephrotoxicity.

However, when **delivered by dissolvable microneedle arrays in small amounts transdermally**, the result is a **release of doxorubicin into a specific targeted area** (the lower part of epidermis and upper area of the dermis). Consequently, a higher local concentration is **delivered within a micro-environment** in the vicinity of the basal cell layer affected by BCC. This delivery process **improves both the effectiveness** of the chemotherapeutic agent **and the safety profile** (by minimizing and/or avoiding systemic exposure to the cytotoxic agent).

A variety of designs of microneedle arrays have been developed in order to provide a method of delivering therapeutic compounds transdermally; the categories include solid, hollow, coated, hydrogel-forming and dissolving microneedles. Transdermal drug delivery with microneedle arrays can evade some issues related to topical, oral and systemic delivery methods, such as topical creams, pills/tablets/capsules and hypodermic needles, respectively.

Dissolving microneedles appear to provide higher therapeutic agent loading than other methods by delivering higher local concentrations of the required drugs for treatment to the target area within the skin layers, thereby enhancing the level of absorption in the target area and reducing systemic side effects, including potential drug interactions.

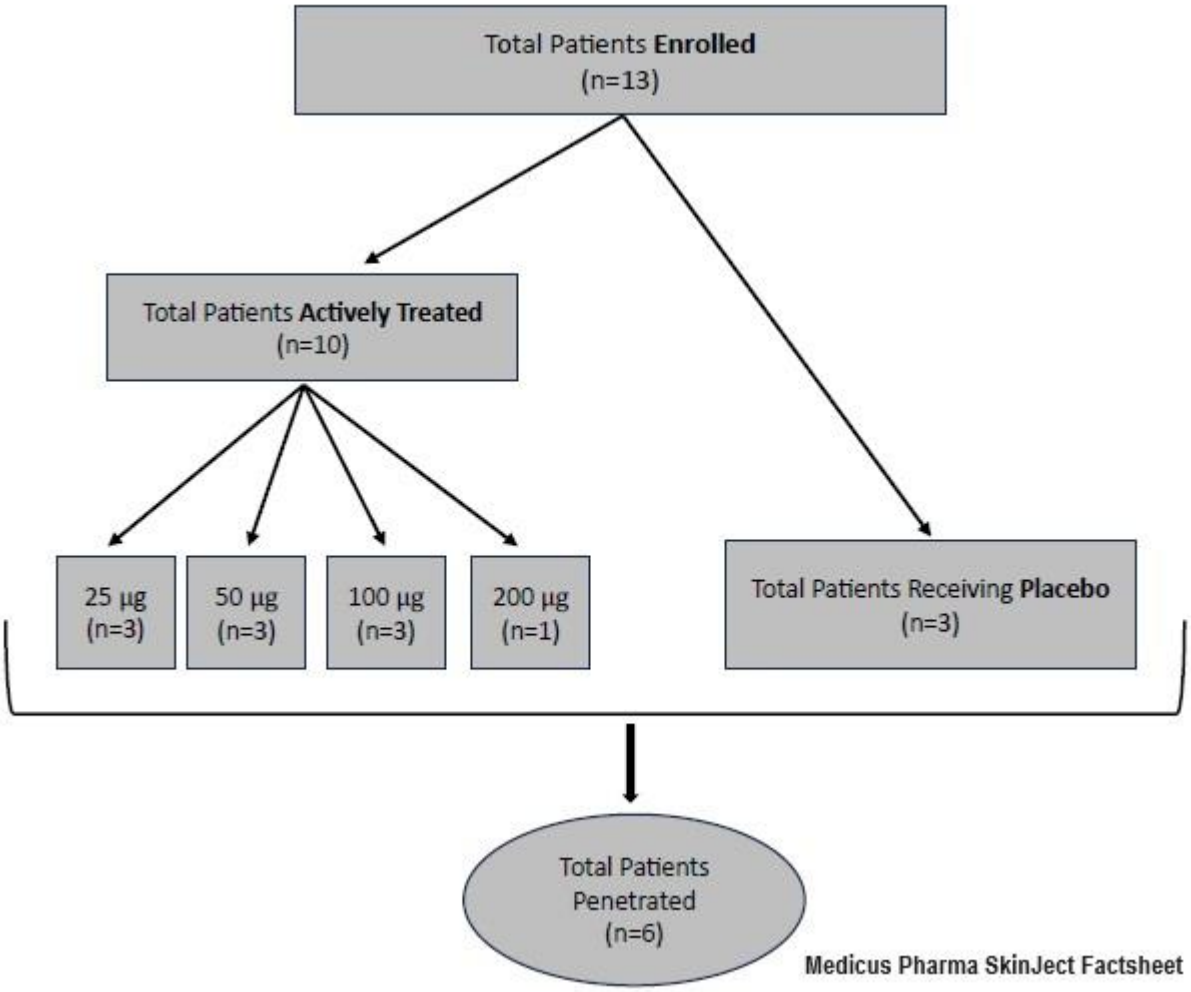
Phase I Trial of SkinJect Patch

A Phase I clinical trial entitled ***An Open-Label Dose Escalation Trial to Evaluate Dose Limiting Toxicity, Maximum Tolerated Dose, Safety, and Tolerability of Microneedle Arrays containing Doxorubicin in Participants with Basal Cell Carcinoma*** was governed by the **SKNJCT-001 protocol.**

The Phase I clinical study was a **dose escalation trial** of tip-loaded, 15mm x 15 mm microneedle arrays that delivered doxorubicin (D-MNA) to the basal cell layer with the tips penetrating the interstitial fluid that resides in the area of the Dermo-Epidermal Junction. The Part I trial followed a 3+3 dose escalation design with each dose cohort composed of three (3) participants. The three (3) dose cohorts (25 µg, 50 µg, 100 µg of doxorubicin hydrochloride), along with a placebo group (n=3) and a single patient dosed with 200 µg, were studied in order to determine the highest safe and tolerable dose (**Dose Limiting Toxicity** aka DLT) and to define a **Maximum Tolerated Dose (**MTD). Other factors that could affect the rate and extent of array dissolution were evaluated including the anatomic location of the patch, the age of the patient, duration of exposure to the skin and the method of application of the MNA to the skin.

The Phase I study's protocol included a screening visit, three weekly treatment visits over a two-week interval and an end of treatment visit, along with three follow-up visits. The microneedle arrays were pressed into the skin at the site of a lesion, secured to the skin with a bandage and removed after 30 minutes.

There were 13 patients enrolled into the Phase I clinical study; but, only **six (6) patients were properly penetrated** (their ages ranged from 55 to 83). The application of the microneedle array on the other seven (7) patients did not adequately penetrate the skin, and therefore, only mild dissolution was achieved. Consequently, there was an insufficient delivery of doxorubicin to the target tissue in those seven (7) patients.



The Phase I results suggest that the SkinJect patch is **safe** and **well tolerated** across dose levels between 25 µg and 200 µg due to the following results:

- All patients that completed the study did not have any drug-related serious adverse events.
- Concerning the assessment of Dose-Limiting Toxicity (DLT), the primary study endpoint, no patient reached the protocol's DLT at any treatment assessment.

In addition, in testament to the efficacy of the SkinJect patch, histopathologic assessments showed that all six subjects which were properly penetrated exhibited no residual BCC after the last follow-up visit that occurred four weeks after the treatments.

The study was conducted at the Center for Clinical and Cosmetic Research in Aventura, Florida and concluded in May 2021. The costs associated with the execution of the Phase I study was approximately US$1.7 million.

Continuation of Phase I Trial of SkinJect Patch

Given that only six of the 13 patients enrolled in the initial Phase I trial were properly penetrated by the application of the microneedle array, a follow-on study on healthy, older volunteers was designed to ensure that the application of the array consistently resulted in:

1) the adequate penetration of the skin, such that the MNA is in contact with subject's dermal interstitial fluid during the entire period of time that the microneedle array is applied
2) the dissolution of the microneedles results in the delivery of the cargo in a consistent and satisfactory manner

The follow-on study was entitled ***A Trial to Evaluate the Performance of Placebo Microneedle Arrays in Healthy Human Volunteers*** was carried out under the existing 122448 IND. The trial was governed by the **SKNJCT-002 protocol**, which was submitted to the FDA in June 2021 and subsequently approved.

SKNJCT-002 (Part 1) Protocol

Study Title	Study design	Dosing regimen	Study population	FVFP†	Planned enrolment	Expected Subject exposure
A Trial to Evaluate the Performance of Placebo Microneedle Arrays in Healthy Human Volunteers	Placebo microneedle training phase in healthy subjects.	Part I: 5 placebo arrays, one each applied to 5 anatomic locations	Part I: Men and women aged 50-70	Part I: 24 September 2021	Part I: Up to 12 subjects (6 subj/site)	5 arrays applied once to up to 12‡ subjects.

†FVFP = first visit first patient
‡Enrollment paused at 8 placebo subjects

Medicus Pharma (Interactive Capital) Prospectus dated Sept. 18, 2023 page 63

The study's protocol included inserting P-MNAs (**Placebo**-Micro-Needle Arrays) **on five (5) anatomic locations** of 12 **healthy older volunteers** (six at the Florida site and six at the New York City site). The procedure of **inserting** the microneedle arrays into the skin **and taping** the MNA in place was to be **observed in real time** with a Dino-Lite Digital Microscope being utilized to determine the degree and extent of dissolution of the microneedles during the procedure.

Subject enrollment began in late September 2021 at the first site in Florida with the FVFP (first visit first patient) on September 24th. Clinical work at the Florida site concluded in early March 2022. Then, in September 2022, enrollment began at a second site located in New York City. After treating the 7th subject, the study was paused in that same month, when it was decided to identify the cause of the **inconsistent outcomes** and suboptimal success rate for the proper penetration and dissolution of the microneedles.

Ultimately, the cause for the variability of outcomes was identified. It was concluded that, in all probability, the erratic outcomes from the application of the microneedles could be resolved by providing **robust training for site personnel** on the techniques necessary for the proper application of MNAs. The training requires 1) that the **principal investigators** master the art of applying MNAs to **older subjects** and then 2) that their alternative agents (designates) also be properly trained to accomplish the same, specifically

- That each microneedle array is **pressed firmly, but quickly, into the skin** such that the microneedles adequately penetrate the epidermis to an extent that the tips come in contact with dermal interstitial fluid and
- That the MNA patch be **secured to the skin with a bandage** such that constant contact with dermal interstitial fluid is ensured for the duration of the 30 minute treatment

The Upcoming Phase II Clinical Trial of SkinJect Patch

In its effort to **fast track the clinical development program** for the **SkinJect D-MNA patch**, Medicus Pharma submitted a clinical protocol (**SKNJCT-003**) to the FDA for a Phase II clinical trial on its non-invasive treatment of nodular BCC of the skin. The proposed protocol is a randomized, double-blinded, placebo-controlled clinical study. **Up to 60 patients with nodular BCC** of the skin will be enrolled, and the efficacy of two dose levels (**100µg** and **200µg** of doxorubicin hydrochloride) will be evaluated compared to the placebo control group. The participants will be randomly and equally placed in one of three groups: the placebo-controlled group, a low-dose group (100µg) and a high-dose group (200µg). The SKNJCT-003 protocol follows the FDA guidelines for fast-tracking the approval process. The FDA is expected to comment on protocol, potentially revising and/or amending the proposed protocol and/or IND. This Phase II study was initially approved by the FDA in September 2021 and was originally entitled ***Proof of Concept Testing of Efficacy and Safety of Doxorubicin Microneedle Arrays in Subjects with Basal Cell Cancer***.

BASAL CELL CARCINOMA (BCC) MARKET

The Patient Market

Basal cell carcinoma is the most common type of skin cancer. A paper published by the National Institutes of Health in October 2017 entitled *Skin Cancer Epidemics in the Elderly as An Emerging Issue in Geriatric Oncology* stated that **BCC accounts for approximately 70% of all skin cancer** cases with SCC accounting for approximately another 20%.[i] The American Cancer Society cited an estimate that eight (8) out of ten (10) skin cancers were diagnosed as BCCs in the U.S during 2012,[ii] which is the most recent statistics available other than from paid services. It is clear that **basal cell carcinoma is the most diagnosed form of non-melanoma skin cancers in the U.S**.

Looking at the BCC market alone, every year an estimated **3.6 million cases** of BCC are diagnosed in the U.S., according to the Skin Cancer Foundation.[iii] To some extent, this is confirmed by the National Council on Skin Cancer Prevention, which states that 5.4 million new cases of BCC and SCC are diagnosed in the U.S. annually.[iv]

The actual number of cases is unknown because cases of BCC and SCC are not required to be reported to cancer registries. We speculate that this lack of reporting may stem from the combination of the size of the market and the low metastatic potential attributed to these epitheliomas due to the low death rate of these characteristically non-malignant forms of skin cancer. A study in 2012 confirms that the registration of all cases of nonmelanoma skin cancer (NMSC) "is likely not correct because NMSC is considered a negligible health problem with low risks of mortality and morbidity."[v]

However, given the statistics gathered by major public and private organizations, along with prognostications from other than from paid services, we estimate the **between 3.6 and 3.8 million new cases of basal cell carcinoma are diagnosed in the U.S. annually**. According to the Skin Cancer Foundation, one in five Americans will be diagnosed with skin cancer by the age of 70.[vi]

SKINJECT PATENTS

The **SkinJect Microneedle patch** is protected by several patents in the U.S. All are assigned to the University of Pittsburgh and Carnegie Mellon University with the inventors of the drug delivery technology being Dr. Louis D. Falo, Jr., Geza Erdos, PhD Professor O. Burak Ozdoganlar.

U.S. Patent US2014/8834423 B2 entitled ***Dissolvable Microneedle Arrays for Transdermal Insertion***. The patent was granted and published on September 16, 2014.

U.S. Patent US2016/0136407 A1 entitled ***Microneedle Arrays for Cancer Therapy Applications***. The patent was published on May 19, 2016 and issued on November 6, 2016.

U.S. Patent US2018/9944019 B2 entitled ***Tip-Loaded Microneedle Arrays for Transdermal Insertion***. The patent was granted and published on April 17, /2018

U.S. Patent US2023/11744927 B2 entitled ***Dissolvable Microneedle Arrays for Transdermal Insertion to Human Skin***. The patent was issued on September 5, 2023. This patent is related to patent US2014/8834423 B2 cited above.

On August 9, 2016, the University of Pittsburgh exclusively licensed the microneedle patch technology to SkinJect, Inc.**,** which is now a wholly-owned subsidiary of Medicus Pharma Ltd.

SKINJECT LICENSE AGREEMENT

On April 29, 2016, SkinJect secured **exclusive, worldwide development and commercial rights** of the **patented dissolvable microneedle arrays for transdermal insertion** (including the technology and also current & future intellectual property rights) through a **license agreement** concerning relevant patents from the University of Pittsburgh and the Carnegie Mellon University. All the patents and patents pending are categorized under two internal University Reference Numbers 02006 and 02688 that encompass four (4) patents in the U.S., along with patents in Canada, Mexico, Australia, India, China, Brazil, Hong Kong, the European Union, Israel, Japan and Singapore.

The **applicable anti-cancer drug agents** include, but are **not limited to, doxorubicin**. On the other hand, the targets of the treatment encompass all cancers and pre-cancerous lesions, but specifically **exclude in-transit melanoma**.

SkinJect (and its parent company) has the **right to enter into sublicensing agreement** with prior written approval by the University of Pittsburgh.

The University of Pittsburgh and the Carnegie Mellon University reserved the nonexclusive (royalty-free) right to exercise patent rights for non-commercial education and research purposes

RECENT NEWS

On January 3, 2024, Medicus Pharma announced that the company had **submitted** its **Phase II IND clinical protocol to the U.S. FDA** for the non-invasive treatment of BCC of the skin. The proposed protocol (**SKNJCT-003**) is a randomized, double-blinded, placebo-controlled clinical study. Up to 60 patients with nodular BCC of the skin will be enrolled, and the efficacy of two dose levels (100µg and 200µg of doxorubicin hydrochloride) will be evaluated compared to the placebo control group. The participants will be randomly and equally placed in one of three groups: the placebo-controlled group, a low-dose group (100µg) and a high-dose group (200µg).

On September 29, 2023, the **Business Combination** between Medicus Pharma (f/k/a Interactive Capital Partners Corp.) and SkinJect, Inc. **closed**. A **concurrent private placement** of subscription receipts provided approximately **US$5.1 million in gross proceeds**, which is principally earmarked for R&D, professional fees and corporate expenses.

On October 11, 2023, Medicus Pharma Ltd. **commenced trading on the TSX Venture Exchange** (TSXV) under the ticker MDCX).

On October 12, 2023, Medicus Pharma Ltd. incorporated a subsidiary, Medicus Pharma Inc., in the state of Delaware.

VALUATION

The Therapeutic Treatment Market

There are various **therapeutic treatments** depending on the diagnosis of one of the 26 different BCC subtypes. The potential treatments can be broadly categorized into two types: **surgical** (Mohs surgery, Electrodessication & Curettage aka EDC and standard surgical excision) and **non-surgical treatments** (e.g. topical chemotherapeutic agents, photodynamic therapy, cryotherapy, laser therapy, radiation and systemic medications). Surgery accounts for approximately 51% of the global BCC treatment market in terms of value.[vii]

Though invasive and painful, Mohs micrographic surgery (MMS) is the gold standard for treating BCC. Due to the specificity of tissue removal, MMS affords the lowest recurrence rate of the many treatment modalities for BCC at 1% in comparison to 7.5% for cryotherapy, 7.7%, 7.7% for EDC, 8.7% for radiation therapy and 10.1% for surgical excision.[viii]

The cost of Mohs surgery depends the BCC's location on the body and the complexity involved, particularly if deeper tissues need to be accessed and/or if a skin graft is required. In general, the price range is between US$1,000 and US$5,000.According to a study conducted in 2022, the average cost of Mohs surgery is US$1,400 and with reconstruction US$3,534.[ix] The target market of SkinJect includes the Mohs surgery Management estimates that the insurance reimbursement in United States is between US$1,500 to US$2,000, which is consistent with the US$1,400 above, which was a negotiated rate for a Veterans hospital, and certainly will be in the range given the inflation rate in the healthcare industry, along with the projected time required to receive FDA approval. Management projects that the SkinJect treatment should cost below $1,000, probably in the US$500-to-$600 range. **If approved, the SkinJect patch would be a very price competitive alternative procedure for the treatment for non-complex nodular BCC** when compared with Mohs micrographic surgery. Also, the SkinJect patch would be, to some extent, competitive with non-surgical treatments, including topical creams in the management of nodular basal cell carcinoma.

We constructed a Discounted Cash Flow model, generally using the average of published estimates from governmental, industry and private research firms. The number of BCC cases in the U.S. is expected to be around 3.67 million in 2024 and increasing at an 8.6% CAGR over the next seven years. Approximately 70% of those cases will be nodular in nature. Furthermore, it is assumed that 20% of the roughly 850,000 Mohs surgeries performed annually are complex and not appropriate for a D-MNA insertion. The price of SkinJect patch is assumed to start at $500 and increase at the healthcare rate of inflation of 8%. We assume an initial small rate of acceptance of the patch in 2026 with interest ramping up to 1.5% market share in 2030, which would equate to US$30 million in revenues, still being less than 10% of the value of the imiquimod topical cream market.

Utilizing a financial model based on DCF methodology, which forecasts out to 2031 and uses a 10% discount rate (based on CAPM), and a terminal P/S multiple of 2.76 (based on Specialty Drug Manufacturers that focus on developing and commercializing novel therapeutics for unmet healthcare needs), the indicated value of MDCX is **CDN$6.04 per share**.

Medicus Pharma Ltd

DCF Model

	2024	2025	2026	2027	2028
Revenues	0	0	202,844	671,250	4,113,406
Cash costs	424,224	445,435	467,707	491,092	515,647
R&D costs	300,000	321,000	343,470	367,513	393,239
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%
Free Cash Flow after R&D costs	(724,224)	(766,435)	(608,333)	(187,355)	3,204,521

Discount Rate	**10.0%**			
NPV	**35,376,212**			
Terminal Value	**118,590,586**			
Cash From Option Exercises	**0**			
Cash From Warrant Exercise	**0**			
Probability	**60.0%**		**Total NPV**	**97,488,024**
Total Sum of Parts	**92,380,079**		**Share Price**	**$6.04**
Debt	**0**	**3Q:2023**		
Cash	**5,107,945**	**3Q:2023**		
Current Shares	**16,153,465**			
Option & Warrant Shares	**-**			
Diluted Shares	**16,153,465**	**3Q:2023**		

Large Capitalization Industry Comparables	**Ticker**	**P/E Current FY**	**Mkt Cap ($billion)**	**TTM Price/ Book**	**TTM Price/ Sales**	**TTM EV/ EBITDA**
Industry Mean		**12.30**	**2.67**	**6.32**	**2.76**	**14.34**
Industry Median		10.60	1.59	3.52	2.57	13.51
Alkermes plc	ALKS	16.29	4.77	3.52	3.04	13.51
Lantheus Holdings, Inc.	LNTH	10.60	4.42	6.32	3.76	25.87
Pacira BioSciences, Inc.	PCRX	9.80	1.59	1.91	2.37	16.01
Supernus Pharmaceuticals, Inc.	SUPN	20.16	1.50	1.64	2.57	10.74
Collegium Pharmaceutical, Inc.	COLL	4.64	1.05	5.89	2.06	5.59

Our valuation is based on the company's potential in in the U.S. market The global market is substantially larger, with some of the major markets being Germany, France, Italy, Spain, the U.K., Japan and China. Management believes the global market size for annual treatment of BCC is more than $20 billion.

RISKS

- As with almost all evolving life-science / biotechnology companies advancing specific therapies toward commercialization, Medicus Pharma is an early-stage enterprise that has yet to generate cash flow from operations to fund management's initiatives, particularly R&D activities and clinical trials. However, the company has been able to fund its operations and initiatives to date.

- As with many life science / biotech companies, Medicus is advancing a novel healthcare technology with associated regulatory risks and the uncertainty of market acceptance

- In order to commercialize the SkinJect patch, Medicus may need to establish production facilities, sales & marketing teams and other operational and distribution support capabilities, all of which entail execution risks. However, part of management's business strategy includes the possibility of aligning with a strategic collaborating partner that helps the company advance the development process that would defray or transfer these execution risks to another entity. Concerning M&A, if a compelling offer arises, then Board would respond in a manner that is in the best interest of the shareholders.

- The company's success is highly dependent on the management team, particularly CEO Dr. Raza Bokhari, the driving force behind the creation of the company and its strategy. The loss of Dr. Bokhari could have material adverse effect on Medicus Pharma.

- With the company's stock having been recently listed on the TSX Venture Exchange in October 2023, trading volume has been light, which represents a low level of liquidity.

BALANCE SHEETS

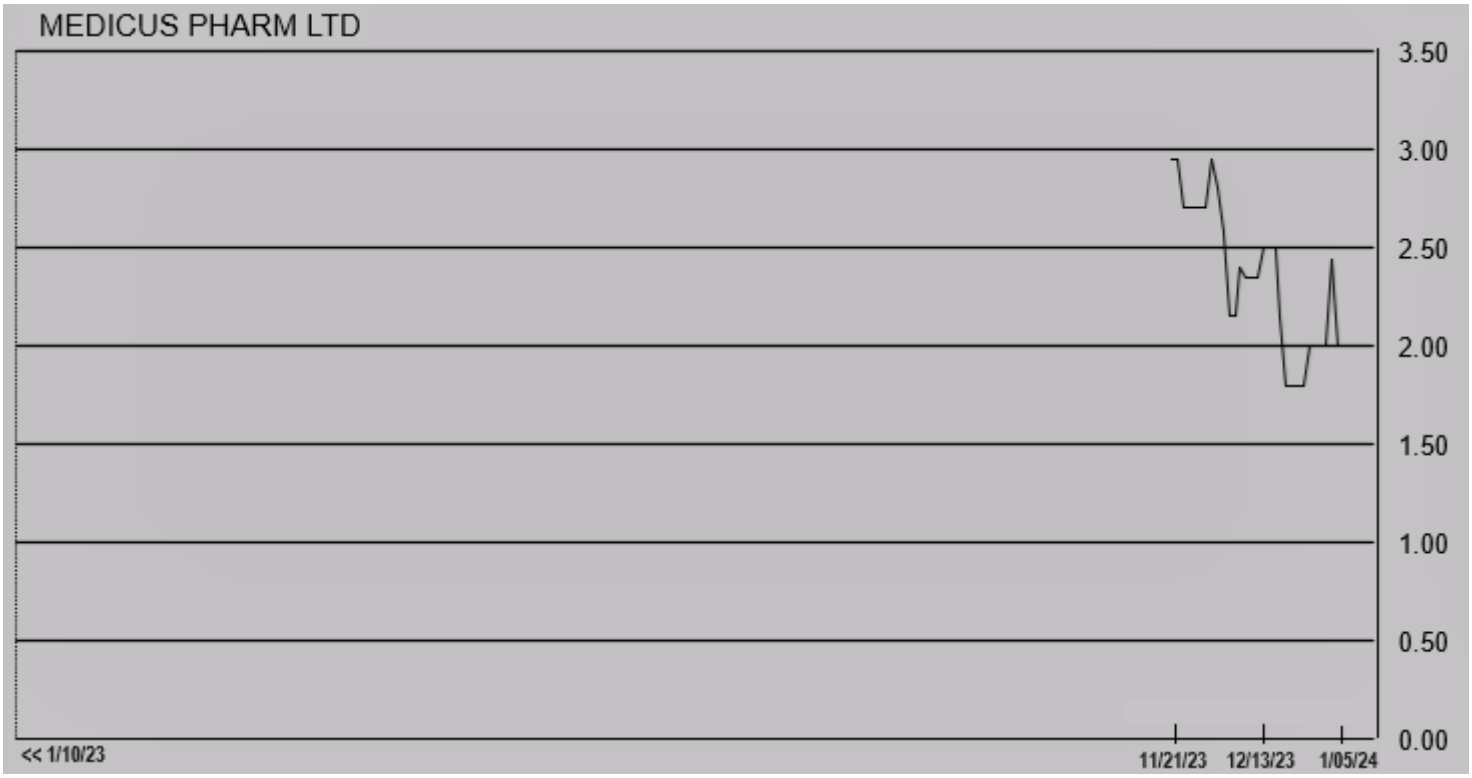
Medicus Pharma Ltd. (Canadian Dollars)	SkinJect Inc. 2022	Interactive Capital 2022	Medicus Pharma 3Q 2023
Period ending	12/31/2022	12/31/2022	9/30/2023
ASSETS			
Cash and cash equivalents	267,652	729	5,107,945
Prepaid expenses	15,000	-	219
Other current assets	-	-	-
Total Current Assets	**282,652**	**729**	**5,108,164**
Property, plant and equipment	-	-	-
Intangible assets	-	-	-
TOTAL ASSETS	**282,652**	**729**	**5,108,164**
Accounts payable	99,794	431,601	1,601,179
Accrued liabilities	-	-	-
Note payable	150,000	8,500	-
Convertible promissory notes	1,381,499	-	-
Derivative liability	774,074	-	-
Preferred share liability	10,075,317	-	-
Total Current Liabilities	**12,480,684**	**440,101**	**1,601,179**
Long-term debt	-	-	-
Grant repayable	-	-	-
Non-Current Liabilities	**0**	**0**	**0**
TOTAL LIABILITIES	**12,480,684**	**440,101**	**1,601,179**
SHAREHOLDERS' EQUITY			
Common Stock	194,538	989,942	19,835,839
Contributed surplus		78,941	
Accumulated deficit	(12,392,570)	(1,508,255)	(16,328,854)
Total Stockholders' Equity	**(12,198,032)**	**(439,372)**	**3,506,985**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**282,652**	**729**	**5,108,164**
Shares outstanding	6,434,000	7,249,999	16,153,465

INCOME STATEMENTS

Medicus Pharma Ltd.

Income Statement (SkinJect in $US, except share data) (Interactive Capital & Medicus Pharma in $CDN, except share data) Period ending	SkinJect Inc. Six months ending 6/30/2023	Interactive Capital Six months ending 6/30/2023	Medicus Pharma Nine months ending 9/30/2023	Medicus Pharma 3Q 2023 ending 9/30/2023
Total Revenues	**0**	**0**	**0**	**0**
Expenses				
General and administrative	539,539	59,999	725,957	186,418
Research and development	118,688	-	159,083	40,395
Professional fees	-	23,987	-	-
Filing and transfer agent fees	-	6,532	-	-
Total Operating Expenses	**658,227**	**90,518**	**885,040**	**226,813**
Gain (Loss) Before Other Expenses	**(658,227)**	**(90,518)**	**(885,040)**	**(226,813)**
Interest expense	314,365	-	500,579	186,214
Gain (loss) on settlement of debts	-	(6,365)	-	-
Listing expense			2,550,665	2,550,665
Other expenses	-	-	-	-
Total Other Expenses	**314,365**	**(6,365)**	**3,051,244**	**2,736,879**
Net Gain (Loss)	**(972,592)**	**(84,153)**	**(3,936,284)**	**(2,963,692)**
Basic and diluted loss per share	**(0.15)**	**(0.01)**	**(1.02)**	**(0.73)**
Wgted. Avg. Shares Out. - diluted	6,434,000	7,249,999	3,860,523	4,039,011

HISTORICAL STOCK PRICE



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