

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-32295

FENNEC PHARMACEUTICALS INC.
(Exact Name of Registrant as Specified in Its Charter)

British Columbia, Canada
(State or Other Jurisdiction of
Incorporation or Organization)

20-0442384
(I.R.S. Employer
Identification No.)

PO Box 13628, 68 TW Alexander Drive
Research Triangle Park, NC
(Address of Principal Executive Offices)

27709
(Zip Code)

(919) 636-4530

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Shares, no par value	FENC	Nasdaq Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing sales price of the registrant's Common Shares as reported on the Nasdaq Capital Market on June 30, 2024 (the last business day of the registrant's most recently completed second fiscal quarter) was \$82,178,541 based upon a total of 13,449,843 shares held as of June 30, 2024 by persons believed to be non-affiliates of the registrant (for purposes of this calculation, all of the registrant's officers, directors and 10% owners known to the registrant are deemed to be affiliates of the registrant).

As of March 24, 2025, there were 27,594,008 shares of the registrant's Common Shares outstanding.

**FENNEC PHARMACEUTICALS INC.
2024 FORM 10-K ANNUAL REPORT
TABLE OF CONTENTS**

<u>PART I</u>		25
Item 1.	Business	25
Item 1A.	Risk Factors	66
Item 1B.	Unresolved Staff Comments	66
Item 1C.	Cybersecurity	67
Item 2.	Properties	68
Item 3.	Legal Proceedings	68
Item 4.	Mine Safety Disclosures	69
<u>PART II</u>		76
Item 5.	Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer’s Purchases of Equity Securities	76
Item 6.	Reserved	76
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	84
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	84
Item 8.	Financial Statements and Supplementary Data	85
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	85
Item 9A.	Controls and Procedures	85
Item 9B.	Other Information	86
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	86
<u>PART III</u>		86
Item 10.	Directors, Executive Officers and Corporate Governance	86
Item 11.	Executive Compensation	86
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	87
Item 13.	Certain Relationships and Related Transactions and Director Independence	87
Item 14.	Principal Accounting Fees and Services	87
<u>PART IV</u>		88
Item 15.	Exhibits and Financial Statement Schedules	88
Item 16.	Form 10-K Summary	90
<u>SIGNATURES</u>		91

PART I

You are urged to read this Annual Report on Form 10-K (“Annual Report”) in its entirety. “We,” “our,” “ours,” “us,” “Fennec,” or the “Company,” when used herein, refers to Fennec Pharmaceuticals Inc., a British Columbia corporation, and its wholly-owned subsidiary, Fennec Pharmaceuticals, Inc., a Delaware corporation.

Forward-Looking Statements

This Annual Report contains “forward-looking statements”, as that term is defined in the Private Securities Litigation Reform Act of 1995. These include statements regarding our expectations, beliefs, plans or objectives for future operations and anticipated results of operations. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, “believes”, “anticipates”, “proposes”, “plans”, “expects”, “intends”, “may”, and other similar expressions are intended to identify forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or other achievements to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the section entitled “Item 1A – Risk Factors” and those discussed in the section entitled “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Caution Concerning Forward-Looking Statements.”

Risk Factors Summary

The following is a summary of the principal risks that could adversely affect our business, operations, and financial results. A more thorough discussion of these and other risks follows this summary.

Risks Related to Our Business

- We have a history of significant losses and have generated limited revenue from the sale of products since our inception.
- We may be required to conduct additional clinical trials for PEDMARK[®], which would be costly and time-consuming to complete.
- We may require additional financing to obtain additional regulatory approvals for and commercialize PEDMARK[®], and a failure to obtain this capital when needed on acceptable terms, or at all, could force us to delay, limit, reduce, or terminate further product development, other operations, or commercialization efforts.
- We may be the target of securities litigation, which may be costly and time-consuming to defend.

We have only recently transitioned from a development stage biopharmaceutical company to a commercial stage biopharmaceutical company, which may make it difficult for you to evaluate the success of our business to date and to assess our future viability.

- Our business involves environmental risks and potential exposure to environmental liabilities.

Risks Related to Marketing Approval of Our Product Candidate

- PEDMARK[®] has received marketing approval from the FDA and from the European Commission, but not from any additional foreign authorities. These approval processes are costly, time-consuming, and inherently unpredictable, and it is possible that our applications for marketing approval will be denied.

Risks Related to Commercialization of Our Product Candidate

- Our success depends on our ability to successfully commercialize PEDMARK[®]. We are a single product company with only limited commercial experience, which makes it difficult to evaluate our current business, predict our future prospects and forecast our financial performance and growth.
- If we are unable to successfully commercialize PEDMARK[®], our business, results of operations and financial condition may be materially adversely affected.
- Our business is subject to substantial competition.
- Our business may require additional capital.
- The obligations incident to being a public company place significant demands on our management.
- We are highly dependent on our small number of key personnel and advisors.
- A pandemic or epidemic (including were there to be a resurgence of the COVID-19 pandemic) and the worldwide attempts to contain it could harm our business and results of operations and financial condition and we could be adversely impacted by it.
- We face a risk of product liability claims and may not be able to obtain adequate insurance.
- Business or economic disruptions or global health concerns could seriously harm our development efforts and increase our costs and expenses.
- Although we have received regulatory approvals for PEDMARK[®], it still remains subject to continued regulatory review and could be subject to labeling and other restrictions.
- Sales of PEDMARK[®] will depend on reimbursement by payers and these payers are subject to pressures to contain costs. In addition, coverage and reimbursement for PEDMARK[®] may be limited or unavailable in certain market segments.
- PEDMARK[®] targets diseases with small patient populations and we may not be effective at identifying patients.
- We may not be able to gain or maintain market acceptance of PEDMARK[®] among the medical community, patients, or payers.
- If we fail to comply with applicable healthcare laws and regulations, we may be subject to investigations and civil or criminal penalties and could lose any regulatory approvals that we obtain for PEDMARK[®].
- Changes in healthcare laws and regulations, as well as changes in healthcare policy, could adversely affect our business.

Risks Related to Third Parties

- We rely on third parties to supply raw materials, to conduct clinical trials, and to manufacture PEDMARK[®]. If these third parties fail to satisfactorily perform for us, or if they fail to comply with applicable legal and regulatory requirements, it could have a material adverse effect on our business.

Risks Related to Government Regulation

- The regulatory approval process is lengthy, and we may not be able to obtain all of the regulatory approvals required to manufacture and commercialize PEDMARK[®] in all areas in which we are licensed to supply it.

- We may face significant delays in our clinical studies and trials due to an inability to recruit patients for our clinical studies and trials or to retain patients in the clinical studies and trials we may perform.
- If our third-party suppliers or contract manufacturers do not maintain appropriate standards of manufacturing in accordance with cGMP and other manufacturing regulations, our development and commercialization activities could suffer significant interruptions or delays.
- PEDMARK[®] is subject to ongoing regulatory review. If we fail to comply with continuing United States and applicable foreign regulations, we could lose approvals for PEDMARK[®], and our business would be severely harmed.
- Enacted and future legislation or judicial action may increase the difficulty and cost for us to commercialize PEDMARK[®] or any other drug candidates we may acquire or license and affect the prices we may obtain.
- If we fail to obtain or subsequently maintain orphan drug exclusivity or regulatory exclusivity for PEDMARK[®] and any other orphan drug candidates we may acquire or license, our competitors may sell products to treat the same conditions at greatly reduced prices, and our revenues would be significantly adversely affected.
- Changes to the Orphan Drug Act or successful legal challenges to the FDA's interpretation of the Orphan Drug Act may affect our ability to obtain or subsequently maintain orphan drug exclusivity or may affect the scope orphan drug exclusivity for our product.
- Our operations and relationships with healthcare providers, healthcare organizations, customers and third-party payors are subject to applicable anti-bribery, anti-kickback, fraud and abuse, transparency and other healthcare laws and regulations, which could expose us to, among other things, enforcement actions, criminal sanctions, civil penalties, contractual damages, reputational harm, administrative burdens and diminished profits and future earnings.

Risks Related to Our Intellectual Property

- We are dependent on our relationships and license agreements, and we rely upon the patent rights granted to us pursuant to the license agreements.
- Our success will depend significantly on our ability to operate without infringing the patents and other proprietary rights of third parties.
- We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights.
- If we cannot obtain new patents, maintain our existing patents, and protect our trade secrets and other intellectual property, our business and competitive position may be harmed.
- Patent protection for PEDMARK[®] may expire before we are able to fully realize its commercial value.
- We are currently and may in the future be the target of patent litigation, which may be costly and time-consuming to defend.
- Changes in United States patent law could diminish the value of patents in general, thereby impairing our ability to protect PEDMARK[®].
- If we are found to be infringing third-party patents, we may be forced to pay damages and/or obtain a license. If we cannot obtain a license, we may be prevented from the manufacture and sale of PEDMARK[®].
- It is possible that we could lose market exclusivity for PEDMARK[®] earlier than expected.

Risks Related to Our Industry

- Drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.
- The biotechnology and pharmaceutical industry, and in particular the field of cancer therapeutics where we are focused, is highly competitive. We face significant competition from other pharmaceutical, biopharmaceutical, and biotechnology companies, many of which have significantly greater financial, technical, and human resources than we do and may be better equipped to develop, manufacture, and market products.

Risks Related to Information Technology

- If our information technology systems or data, or those of third parties upon which we rely, are or were compromised, we could experience adverse consequences resulting from such compromise, including but not limited to regulatory investigations or actions; litigation; fines and penalties; disruptions of our business operations; reputational harm; loss of revenue or profits; and other adverse consequences.
- Increasing use of social media could give rise to liability, breaches of data security, or reputational damage.

There are also general risk factors relating to us that you should consider that relate to our business and to our common stock.

Our current plans and objectives are based on assumptions relating to the continued commercialization of PEDMARK[®]. Although we believe that our assumptions are reasonable, any of our assumptions could prove inaccurate. In light of the significant uncertainties inherent in the forward-looking statements we have made herein, which reflect our views only as of the date of this report, you should not place undue reliance upon such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1. Business

Overview

Fennec Pharmaceuticals Inc., a corporation existing under the laws of British Columbia, was originally formed under the name Adherex Technologies Inc. and subsequently changed its name on September 3, 2014. Fennec is a commercial stage specialty pharmaceutical company with one FDA approved and European Commission approved product, PEDMARK[®] in the U.S. and PEDMARQSI[®], which is the branded name for PEDMARK[®] outside of the U.S. (collectively, “PEDMARK”), developed to reduce the risk of ototoxicity associated with cisplatin in pediatric patients one month of age and older with localized, non-metastatic solid tumors. The Company has four wholly owned subsidiaries: Oxiquant, Inc. and Fennec Pharmaceuticals, Inc., both Delaware corporations, Cadherin Biomedical Inc., a Canadian corporation, and Fennec Pharmaceuticals (EU) Limited, an Ireland company (“Fennec Limited”). With the exception of Fennec Pharmaceuticals, Inc. and Fennec Limited, all subsidiaries are inactive. On September 20, 2022, we received approval from the FDA for PEDMARK[®] (sodium thiosulfate injection). This approval makes PEDMARK[®] the first and only treatment approved by the FDA in this area of significant unmet medical need. On October 17, 2022, we announced commercial availability of PEDMARK[®] in the United States. Further, PEDMARQSI[®] received European Commission Marketing Authorization in June 2023 and received U.K. approval in October 2023.

In March 2024, we announced that we entered into an agreement with Norgine Pharma UK Limited (“Norgine”), a leading European specialist pharmaceutical company. This is an exclusive licensing agreement under which Norgine will commercialize PEDMARQSI[®] in Europe, Australia and New Zealand. PEDMARQSI[®] is the first and only approved therapy in the EU and U.K. for the prevention of ototoxicity (hearing loss) induced by cisplatin chemotherapy in patients 1 month to < 18 years of age with localized, non-metastatic solid tumors.

Under the terms of the Norgine licensing agreement, Fennec received approximately \$43 million in upfront consideration and may receive up to approximately \$230 million in additional commercial and regulatory milestone payments and double-digit tiered royalties (up to the mid-twenties) on net sales of PEDMARQSI[®] in the licensed territories. Norgine

will be responsible for all commercialization activities in the licensed territories and will hold all marketing authorizations in the licensed territories.

In the United States, we sell our product through an experienced field force including Regional Pediatric Oncology Specialists and medical science liaisons who are helping to educate the medical communities and patients about cisplatin induced ototoxicity and our programs supporting patient access to PEDMARK®.

Further, we have established Fennec HEARS®, a comprehensive single source program designed to connect PEDMARK® patients to both patient financial and product access support. The program offers assistance and resources, regardless of insurance type, that can address co-pays or lack of coverage when certain eligibility requirements are met. Fennec HEARS® also provides access to care coordinators that can answer insurance questions about coverage for PEDMARK® and provide tips and resources for managing treatment.

We received Orphan Drug Exclusivity for PEDMARK® in January 2023, which provides seven years of market exclusivity from its FDA approval on September 20, 2022, until September 20, 2029. We currently have six patents listed for PEDMARK® in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations ("FDA Orange Book"). In September 2022, the United States Patent and Trademark Office ("USPTO") issued Patent No. 11,291,728 (the "US '728 Patent"), in December 2022, the USPTO issued Patent No. 11,510,984 ("US '984 Patent") and in April 2023, the USPTO issued Patent No. 11,671,793 ("US '793 Patent") that covers PEDMARK® pharmaceutical formulation. Further, additional issued patents included US 11,964,018 Patent (the "US '018 Patent") and US 11,992,530 Patent (the "US '530 Patent") and US 11,998,604 Patent (the "US '604 Patent") covering methods of using our PEDMARK® product to reduce ototoxicity in a patient receiving a platinum based chemotherapeutic for the treatment of a cancer. The US '728, US '984, US '793, US '018, US '530 and US '604 Patents will expire in 2039. We are also pursuing additional patent applications in both the U.S. and internationally for PEDMARK®.

There can be no assurance that we do not or will not infringe on patents held by third parties or that third parties in the future will not claim that we have infringed on their patents. In the event that our product or technologies infringe or violate the patent or other proprietary rights of third parties, there is a possibility we may be prevented from pursuing product development, manufacturing or commercialization of our product until the underlying patent dispute is resolved. For example, there may be patents or patent applications held by others that contain claims that our product or operations might be determined to infringe or that may be broader than we believe them to be. Given the complexities and uncertainties of patent laws, there can be no assurance as to the impact that future patent claims against us may have on our business, financial condition, results of operations, or prospects.

PEDMARK® Product Overview

PEDMARK® has been studied by co-operative groups in two Phase 3 clinical studies of survival and reduction of ototoxicity, COG ACCL0431 and SIOPEL 6. Both studies have been completed. The COG ACCL0431 protocol enrolled childhood cancer patients typically treated with intensive cisplatin therapy for localized and disseminated disease, including newly diagnosed hepatoblastoma, germ cell tumor, osteosarcoma, neuroblastoma, medulloblastoma, and other solid tumors. SIOPEL 6 enrolled only hepatoblastoma patients with localized tumors.

In the United States, PEDMARK® is the first and only therapy approved to mitigate the risk of ototoxicity associated with cisplatin in pediatric patients aged one month and older with localized, non-metastatic solid tumors. Further, the National Comprehensive Cancer Network (NCCN) recommended the use of PEDMARK® to reduce the risk of cisplatin-induced ototoxicity in patients with localized, non-metastatic solid tumors (category 2A) for Adolescent and Young Adult (AYA) Oncology. As of January 2025, all medical compendia have incorporated Fennec's clinical updates, and AHFS, the largest online platform for pharmacists, has updated its content to reflect and differentiate PEDMARK® in accordance with its labeling.

PEDMARK® is the first and only FDA- and EMA-approved agent designed to reduce the risk of cisplatin-induced hearing loss (CIO) in children with localized solid tumors. The strategic imperatives driving the execution of PEDMARK®'s strategy include increasing awareness of unmet patient needs and emphasizing the importance of preventing CIO among oncologists. A key goal is to establish PEDMARK® as the standard of care (SOC) for all CIO prevention. Additionally, efforts focus on expanding adoption beyond oncologists by ensuring healthcare providers (HCPs) gain confidence in and have positive experiences with PEDMARK®. Ensuring seamless access for advocacy groups, payers, and providers is also

a priority, along with activating patients and caregivers through disease education to drive demand for PEDMARK®. Key activities supporting these objectives include an expanded sales team with a strong track record in both academic and community settings, partnerships with group purchasing organizations, and specialty pharmacy offerings such as home infusions, white bag delivery, and direct billing. Furthermore, digital materials, a digital speaker bureau to engage pediatric oncologists, audiologists, nurses, and pharmacists, along with a patient access services hub and ongoing support from advocacy groups, are all integral components of the strategy.

In the U.S. and Europe, it is estimated that more than 10,000 pediatric may receive platinum-based chemotherapy on an annual basis. The incidence of ototoxicity depends upon the dose and duration of chemotherapy, and many of these children require lifelong hearing aids. PEDMARK® is the first and only therapy approved to mitigate the risk of ototoxicity associated with cisplatin, a form of platinum based chemotherapy, in pediatric patients aged one month and older with localized, non-metastatic solid tumors. Beyond the use of PEDMARK, only expensive, technically difficult, and sub-optimal cochlear (inner ear) implants have been shown to provide some benefit. Infants and young children that suffer ototoxicity at critical stages of development lack speech language development and literacy, and older children and adolescents lack social-emotional development and educational achievement.

The U.S. pediatric oncology landscape includes approximately 200 targeted pediatric hospital centers, such as those within the Children's Oncology Group (COG), National Cancer Institute (NCI), and National Comprehensive Cancer Network (NCCN) institutions. Around 80% of pediatric cancer patients receive treatment at these key centers.

The Adolescent and Young Adult (AYA) oncology patient is defined as an individual between the ages of 15 and 39 at the time of initial cancer diagnosis. In the U.S., Fennec estimates that approximately 20,000 cisplatin chemotherapy patients are treated annually with the primary tumor types of thyroid cancer, breast cancer, germ cell cancer and testicular cancer.

The U.S. Adolescent and Young Adult (AYA) oncology landscape is shaped by a combination of academic and community centers across the nation. Academic institutions play a critical role in establishing the treatment framework, with 72 NCI-designated academic centers treating approximately 20% of AYA oncology patients. In contrast, around 80% of patients are treated at 3,750 community centers throughout the country.

Cisplatin Induced Ototoxicity (“CIO”)

Cisplatin and other platinum compounds are essential chemotherapeutic agents for the treatment of many pediatric and adult malignancies. Unfortunately, platinum-based therapies can cause ototoxicity, or hearing loss, which is permanent, irreversible, and particularly harmful to the survivors of pediatric cancer.

The incidence of ototoxicity depends upon the dose and duration of chemotherapy, and many of these patients require lifelong hearing aids or cochlear implants, which can be helpful for some, but do not reverse the hearing loss and can be costly over time. Infants and young children that are affected by ototoxicity at critical stages of development lack speech and language development and literacy, and older children and adolescents often lack social-emotional development and educational achievement.

It is estimated that greater than 50% of pediatric patients may suffer permanent hearing loss as a result of CIO and approximately 40-80% of adult patients may suffer permanent hearing loss as a result of CIO.

European Commission Marketing Authorization

PEDMARQSI® (PEDMARK® brand name in Europe) received European Commission Marketing Authorization in June 2023 and received U.K. approval in October 2023.

As previously noted, in March 2024, we entered into an agreement with Norgine, a leading European specialist pharmaceutical company. This is an exclusive licensing agreement under which Norgine will commercialize PEDMARQSI® in Europe, Australia and New Zealand. PEDMARQSI® is the first and only approved therapy in the EU

and U.K. for the prevention of ototoxicity (hearing loss) induced by cisplatin chemotherapy in patients 1 month to < 18 years of age with localized, non-metastatic solid tumors.

Under the terms of the licensing agreement, Fenec received approximately \$43 million in upfront consideration and may receive up to approximately \$230 million in additional commercial and regulatory milestone payments and double-digit tiered royalties on net sales of PEDMARQSI[®] in the licensed territories up to the mid-twenties. Norgine will be responsible for all commercialization activities in the licensed territories and will hold all marketing authorizations in the licensed territories.

Most recently, in December 2024, PEDMARQSI received positive final draft guidance from the National Institute for Health and Care Excellence (NICE). Further, in February 2025, Norgine announced the launch of PEDMARQSI in Germany.

Third-Party Reimbursement

Sales of drug products depend in significant part on the availability of coverage and adequate reimbursement by third party payors, such as state and federal governments, including Medicare and Medicaid, managed care providers, private commercial insurance plans and pharmacy benefit management (PBM) plans. Decisions regarding the extent of coverage and the amount of reimbursement to be provided for PEDMARK[®] are expected to be made on a plan-by-plan, and in some cases, on a patient-by-patient basis. Particularly given the small size of the pediatric cancer population, our experience has been that securing coverage and appropriate reimbursement from third-party payors requires targeted education and highly skilled insurance navigation experts that have experience with rare and orphan disease launches and medical exception processes at insurance companies to provide patient coverage for important orphan disease therapies. To that end, we have engaged a dedicated team of reimbursement experts as well as a patient service center staffed with experienced personnel focused on ensuring that clinically-qualified patients have access to our product.

There can be no assurance, however, as to whether payors will continue to cover our product, and if so, at what level of reimbursement. In that regard, we have advised payors that we will provide free medication to support titration and confirm patient therapeutic benefit. Further, when necessary, we may provide patients with access to therapy at no charge while those patients are awaiting coverage decisions.

Intellectual Property

Patent Coverage

Patents are important to developing and protecting our competitive position. Our general policy is to seek patent protection in the United States, Europe, U.K., China, Japan, Canada and other jurisdictions as appropriate for our compounds and methods. U.S. patents, as well as most foreign patents, are generally effective for 20 years from the date the earliest (priority) application was filed. The duration of foreign patents may vary in accordance with local law.

Our current patent portfolio reflects our strategy to expand and diversify our intellectual property to obtain protection for our PEDMARK[®] product.

We currently have six patents listed for PEDMARK[®] in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations ("FDA Orange Book"). In September 2022, the United States Patent and Trademark Office ("USPTO") issued Patent No. 11,291,728 (the "US '728 Patent"), in December 2022, the USPTO issued Patent No. 11,510,984 ("US '984 Patent") and in April 2023, the USPTO issued Patent No. 11,671,793 ("US '793 Patent") that covers PEDMARK[®] pharmaceutical formulation. Further, additional issued patents included US 11,964,018 Patent (the "US '018 Patent") and US 11,992,530 Patent (the "US '530 Patent") and US 11,998,604 Patent (the "US '604 Patent") covering methods of using our PEDMARK[®] product to reduce ototoxicity in a patient receiving a platinum based chemotherapeutic for the treatment of a cancer. The US '728, US '984, US '793, US '018, US '530 and US '604 Patents will expire in 2039. We are also pursuing additional patent applications in both the U.S. and internationally for PEDMARK[®]. Additional applications from these patents are pending in Australia, Brazil, Canada, China, the European Patent Office (EPO), Hong Kong, Israel, Japan, South Korea, Mexico, Malaysia, New Zealand, Russia, Singapore, and Thailand. Applications from these patent families, where granted, valid, and enforceable, will expire in July 2039, exclusive of any patent term adjustment or extension.

We have exclusively in-licensed from Oregon Health & Science University (“OHSU”) one patent family directed to the use of sodium thiosulfate to reduce the occurrence of ototoxicity. This family includes the granted US ‘190 Patent and two pending US patent application. The US ‘190 Patent had been listed in the FDA Orange Book. On April 18, 2023, the PTAB invalidated the only claim of the ‘190 Patent. The final written decision became effective June 20, 2023. In light of PTAB’s final written decision on the invalidity of the ‘190 Patent, we requested that the FDA remove the ‘190 Patent from the Orange Book. Two United States patent applications claiming priority through the ‘190 Patent remain pending at the United States Patent and Trademark Office (“USPTO”).

On November 5, 2024, the European Patent Office notified Fennec of its intent to grant European Patent Application No 19830950.2, which covers the pharmaceutical formulation of PEDMARQSI® (EU Brand name for PEDMARK®). This patent, when granted, will expire in July 2039, unless held invalid or unenforceable by a court of final jurisdiction.

Our success is significantly dependent on our ability to obtain and maintain patent protection for PEDMARK®, both in the United States and abroad. Our patent position and proprietary rights are subject to various risks and uncertainties. Please read the “Risk Factors” in Item 1A of this Annual Report for information about certain risks and uncertainties that may affect our patent position and proprietary rights.

We also rely upon unpatented confidential information to remain competitive. We protect such information principally through confidentiality agreements with our employees, consultants, outside scientific collaborators, and other advisers. In the case of our employees, these agreements also provide, in compliance with relevant law, that inventions and other intellectual property conceived by such employees during their employment shall be our exclusive property.

Fennec’s Sodium Thiosulfate Patents and FDA Orange Book Listings

On April 5, 2022, the USPTO issued U.S. Patent No. 11,291,728 (the “US ‘728 Patent”) that covers the PEDMARK® pharmaceutical formulation. On November 9, 2022, the USPTO issued U.S. Patent No. 11,510,984 (the “US ‘984 Patent”) that also covers the PEDMARK® pharmaceutical formulation. On April 4, 2023, the USPTO issued U.S. Patent No. 11,617,793 (the “US ‘793 Patent”) that covers the PEDMARK® pharmaceutical formulation. The USPTO has also issued U.S. Patent No. 11,964,018 (the “US ‘018 Patent”) (issued April 23, 2024), U.S. Patent No. 11,992,530 (the “US ‘530 Patent”) (issued May 28, 2024), and U.S. Patent No. 11,998,604 (the “US ‘604 Patent”) (issued June 4, 2024), which cover the use of PEDMARK® pharmaceutical formulations for reducing ototoxicity in a pediatric patient receiving cisplatin for the treatment of a localized cancer. Each of these patents has been listed in the United States Food and Drug Administration’s Approved Drug Products with Therapeutic Equivalence Evaluations (“Orange Book”). These patents when granted will expire in July 2039, exclusive of patent term adjustment and/or extension, unless held invalid or unenforceable by a court of final jurisdiction.

We own five additional pending US patent applications directed to additional sodium thiosulfate pharmaceutical formulations and methods of treatment using such formulations. These patents, if granted, will expire in July 2039, exclusive of patent term adjustment and/or extension, unless held invalid or unenforceable by a court of final jurisdiction.

On October 29, 2021, Hope Medical Enterprises, Inc. (“Hope”) filed a Petition for inter partes review (IPR2022-00125) to invalidate our wholly owned U.S. Patent No. 10,792,363 (the “US ‘363 Patent”), which relates to an anhydrous form of STS and its method of manufacture, which is the active pharmaceutical ingredient in the PEDMARK® product. The US ‘363 Patent was issued October 6, 2020. During the US ‘363 Patent IPR, we disclaimed the patent claims directed to the anhydrous morphic form of STS and continued with claims directed to its method of manufacture. The validity of these method of manufacturing claims was affirmed by the PTAB in a Written Decision in favor of Fennec in September 2023.

We have exclusively licensed from Oregon Health and Sciences University U.S. Patent No. 10,596,190 (the “US ‘190 Patent”). On April 18, 2023, the PTAB invalidated the only claim of the US ‘190 Patent. The final written decision became effective June 20, 2023. The US ‘190 Patent was previously listed in Orange Book. In light of PTAB’s final written decision on the invalidity of the US ‘190 Patent, we requested that the FDA remove the US ‘190 Patent from the Orange Book. Two United States patent applications claiming priority through the US ‘190 Patent remain pending at the USPTO, and if granted, will be eligible for listing in the Orange Book.

We plan to vigorously defend our intellectual property rights to PEDMARK[®] if challenged. An invalidation of our patents covering PEDMARK[®] could have a material adverse effect on our ability to protect our rights in PEDMARK[®] beyond periods of marketing exclusivity for PEDMARK[®] in the United States under Orphan Drug Designation.

Orphan Drug Exclusivity and European Union Pediatric-Use marketing Exclusivity

We were granted Orphan Drug Exclusivity (“ODE”) in January 2023 for the use of PEDMARK[®] in the indication to reduce the risk of ototoxicity, or hearing loss, associated with cisplatin use in pediatric patients one month of age and older with localized, non-metastatic solid tumors. The ODE designation is effective as of September 20, 2022, and provides us with seven years of market exclusivity in the PEDMARK[®] indication pursuant to Section 527 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. § 360cc).

Following the approval of PEDMARQSI[®] (EU Brand name for PEDMARK[®]) in Europe on May 26, 2023, we were granted PUMA in the European Union pursuant to Regulation (EC) No. 1901/2006 and Regulation (EC) No. 1902/2006, which provides for 10 years of exclusivity (8 years of data exclusivity + 2 years of market exclusivity). This exclusivity is effective until May 26, 2033.

CIPLA ANDA Litigation

On December 1, 2022, we received a letter dated November 30, 2022, notifying us that CIPLA Ltd. and CIPLA USA (“CIPLA”) submitted to the FDA an ANDA (ANDA No. 218028) for a generic version of PEDMARK[®] (sodium thiosulfate solution) that contained Paragraph IV Certifications on two of our patents covering PEDMARK[®]: the OHSU licensed ‘190 Patent, expiration date January 2038; and our US 11,291,728 Patent (the “’728 Patent”), expiration date July 2039. On January 6, 2023, we received a letter dated January 5, 2023, notifying us that CIPLA submitted to the FDA a Paragraph IV Certification on our newly issued US 11,510,984 Patent (the “’984 Patent”). These patents are listed in FDA’s list of Approved Drug Products with Therapeutic Equivalence Evaluations, commonly referred to as the Orange Book, for PEDMARK[®]. The certifications allege these patents are invalid or will not be infringed by the manufacture, use, or sale of CIPLA’s sodium thiosulfate solution.

Under the Food, Drug, and Cosmetic Act, as amended by the Drug Price Competition and Patent Term Restoration Act of 1984, as amended, after receipt of a valid Paragraph IV notice, the Company may bring a patent infringement suit in a federal district court against CIPLA within 45 days from the receipt of the Notice Letter and if such a suit is commenced within the 45-day period, the Company is entitled to a 30 month stay on the FDA’s ability to give final approval to any proposed products that reference PEDMARK. In addition to the 30-month stay, because we have received Orphan Drug Exclusivity, the FDA may not approve CIPLA’s ANDA for at least 7 years from PEDMARK’s FDA approval date of September 20, 2022, which is September 20, 2029.

On January 10, 2023, we filed suit against the CIPLA entities in the United States District Court for the District of New Jersey (Case No. 2:23-cv-00123), for infringement of the US ‘190 Patent, the US ‘728 Patent, and the US ‘984 Patent. On April 20, 2023, we filed an Amended Complaint to assert infringement of the ‘728 Patent and the ‘984 Patent. On April 4, 2023, we were granted US 11,617,793 Patent (the “US ‘793 Patent”) covering the formulation of the PEDMARK product, which was listed in the Orange Book on or around April 17, 2023, and has an expiration date of July 2039. On May 11, 2023, we received written notice of CIPLA’s Paragraph IV Certification as to the US ‘793 Patent, which was dated May 10, 2023, along with an enclosed statement of alleged factual and legal bases for stating that the US ‘793 Patent is invalid, unenforceable, and/or will not be infringed by CIPLA’s ANDA Product. On July 27, 2023, we filed a Second Amended Complaint to assert the US ‘793 Patent. CIPLA filed an Answer to the Second Amended Complaint on August 31, 2023.

On April 23, 2024, we were granted US 11,964,018 Patent (the “’018 Patent) covering a method of using our PEDMARK product to reduce ototoxicity in a patient receiving a platinum based chemotherapeutic for the treatment of a cancer, which was listed in the Orange Book on or around May 8, 2024, and has an expiration date of July 2039. On May 28, 2024, we were granted US 11,992,530 Patent (the “’530 Patent”) covering a method of using our PEDMARK product to reduce ototoxicity in a patient receiving a platinum based chemotherapeutic for the treatment of a cancer, which was listed in the Orange Book on or around June 20, 2024, and has an expiration date of July 2039. On June 4, 2024, we were granted US 11,998,604 Patent (the “’604 Patent”) covering a method of using our PEDMARK product to reduce ototoxicity in a patient receiving a platinum based chemotherapeutic for the treatment of a cancer, which was listed in the Orange Book on or around June 24, 2024, and has an expiration date of July 2039.

On June 13, 2024, we filed a Motion for Leave to File a Third Amended Complaint to focus the ANDA litigation against CIPLA on the US '018 Patent and the US '793 Patent only. The non-asserted patents remain listed in the Orange Book. On July 22, 2024, CIPLA filed a response indicating that they do not oppose our Motion for Leave to File a Third Amended Complaint. On July 30, 2024, the court granted us leave to file the Third Amended Complaint, which we filed on September 16, 2024.

In coordination with the Third Amended Complaint, we entered into a covenant not to sue CIPLA on the US '363 Patent, '728 Patent, US '984 Patent, US '530 Patent, and US '604 Patent, subject to the limitation that such shall not apply to the extent CIPLA alters the product or formulation described in its FDA ANDA application. The suit is ongoing.

Our success is significantly dependent on our ability to obtain and maintain patent protection for PEDMARK[®], both in the United States and abroad. Our patent position and proprietary rights are subject to various risks and uncertainties. Please read the "Risk Factors" in Item 1A of this Annual Report for information about certain risks and uncertainties that may affect our patent position and proprietary rights.

We also rely upon unpatented confidential information to remain competitive. We protect such information principally through confidentiality agreements with our employees, consultants, outside scientific collaborators, and other advisers. In the case of our employees, these agreements also provide, in compliance with relevant law, that inventions and other intellectual property conceived by such employees during their employment shall be our exclusive property.

Manufacturing and Supply

We are licensed as a virtual drug manufacturer, which means that we have no in-house manufacturing capacity and we are obligated to rely on contract manufacturers and packagers. We have no plans to build or acquire the manufacturing capability needed to manufacture PEDMARK[®], and we expect that PEDMARK[®] will be prepared by contractors with suitable capabilities for these tasks and that we will enter into appropriate supply agreements with these contractors at appropriate times in the development and commercialization of our product. Because we will use contractors to manufacture and supply our product, we will be reliant on such contractors. Further, the contractors selected would have to be inspected by the FDA and found to be in substantial compliance with federal regulations in order for an application for one of our drug candidates to be approved, and there can be no assurance that the contractors we select would pass such an inspection.

We have entered into agreements with a supplier of the active pharmaceutical ingredient (API) contained in PEDMARK[®] for future requirements and we have contracted with a third-party contract manufacturer to manufacture PEDMARK[®] vials for us.

Any significant change that we make for PEDMARK[®] must be approved by the FDA in a supplemental new drug application ("sNDA"). If the manufacturing plan and data are insufficient, any sNDA we submit will not be approved. Before an sNDA can be approved, our manufacturers must also demonstrate compliance with the FDA's cGMPs regulations and policies. Further, even if we receive approval of any sNDAs for PEDMARK[®], if our manufacturers do not follow cGMPs in the manufacture of our product, it may delay product launches or shipments and adversely affect our business.

Since we contract with third parties to manufacture our product, our contract manufacturers are required to comply with all applicable environmental laws and regulations that affect the manufacturing process. As a result, we do not believe that we will have any significant direct exposure to environmental issues.

Corporate Relationships

License Agreement with Oregon Health & Science University

On February 20, 2013, we entered into an exclusive license agreement with OHSU for exclusive worldwide license rights to intellectual property directed to thiol-based compounds, including PEDMARK[®], and their use in oncology (the "OHSU Agreement"). OHSU will receive certain milestone payments, royalty on net sales for licensed products and a royalty on any consideration received from sublicensing of the licensed technology.

On May 18, 2015, we negotiated an amendment (“Amendment 1”) to the OHSU Agreement, which expands our exclusive license to include the use of N-acetylcysteine as a standalone therapy and/or in combination with sodium thiosulfate for the prevention of ototoxicity induced by chemotherapeutic agents to treat cancers. Further, Amendment 1 adjusts select milestone payments in the OHSU Agreement including but not limited to the royalty rate on net sales for licensed products, royalty rate from sublicensing of the licensed technology and the fee payable upon the regulatory approval of a licensed product.

The term of the OHSU Agreement, as amended by Amendment 1, expires on the date of the last to expire claim(s) covered in the patents licensed to us or 8 years, whichever is later. In the event a licensed product obtains regulatory approval and is covered by the Orphan Drug Designation, the parties will in good faith amend the term of the agreement. The OHSU Agreement is terminable by either us or OHSU in the event of a material breach of the agreement by the other party after 45 days prior written notice. We also have the right to terminate the OHSU Agreement at any time upon 60 days prior written notice and payment of all fees due to OHSU under the OHSU Agreement.

Competition

The biotechnology and pharmaceutical industries are extremely competitive. Our potential competitors are many in number and include major and mid-sized pharmaceutical and biotechnology companies. Many of our potential competitors have significantly more financial, technical and other resources than we do, which may give them a competitive advantage. In addition, they may have substantially more experience in effecting strategic combinations, in-licensing technology, developing drugs, obtaining regulatory approvals and manufacturing and marketing products. We cannot give any assurances that we can compete effectively with these other biotechnology and pharmaceutical companies. Now that PEDMARK[®] has regulatory approval for sale, it will compete on the basis of drug efficacy, safety, patient convenience, reliability, ease of manufacture, price, marketing, distribution, and patent protection, among other variables. Our competitors may develop technologies or drugs that are more effective, safer or more affordable than PEDMARK[®].

We are not aware of any commercially available agents that reduce the incidence of hearing loss associated with the use of platinum-based anti-cancer agents, which is the purpose of PEDMARK[®]. However, there are several potential competitive agents with activity in preclinical or limited clinical settings. These include: D-methionine, an amino acid that has been shown to protect against hearing loss in experimental settings but was demonstrated to be inferior to PEDMARK[®] in comparative studies; SPI-3005, an oral agent primarily being developed by Sound Pharmaceuticals for noise and age-related hearing loss but in early Phase II trials for chemotherapy related hearing loss, which mimics glutathione peroxidase and induces the intracellular induction of glutathione; N-acetylcysteine and amifostine, which have shown effectiveness (but less than PEDMARK[®]) in experimental systems; and Vitamin E, salicylate and tiopronin, which have all demonstrated moderate activity in rat models to protect against cisplatin-induced ototoxicity, but no clinical trials have been completed, and DB-020, a clinical stage candidate completed a Phase Ib trial by Decibel Therapeutics with future development unclear. Cochlear implants, which are small electronic devices that are surgically placed in the inner ear to assist with certain types of deafness, are utilized to offer some relief for hearing loss associated with the use of platinum-based anti-cancer agents, but are often suboptimal.

Finally, we are aware that sodium thiosulfate has been available from compounding pharmacies for many years and may remain available, even though we have obtained FDA approval of PEDMARK[®]. Compounded sodium thiosulfate is likely to be substantially less expensive than PEDMARK[®]. The Food and Drug Administration Modernization Act of 1997 included a new section, which clarified the status of pharmacy compounding under Federal law. Under Section 503A, drug products that are lawfully compounded by a pharmacist or physician for an individual patient may be entitled to exemptions from three key provisions of the FDCA: (1) the adulteration provision of section 501(a)(2)(B) (concerning FDA’s cGMP regulations); (2) the misbranding provision of section 502(f)(1) (concerning the labeling of drugs with adequate directions for use); and (3) the new drug provision of section 505 (concerning the approval of drugs under new drug or abbreviated new drug applications).

To qualify for these statutory exemptions, a compounded drug product must satisfy several legal requirements. One of these requirements restricts the universe of bulk drug substances that a compounder may use. Specifically, every bulk drug substance used in compounding: (1) must comply with an applicable and current USP or NF drug monograph, if one exists, as well as the current USP chapters on pharmacy compounding; (2) if such a monograph does not exist, the bulk drug substance must be a component of an FDA-approved drug; or (3) if a monograph does not exist and the bulk drug substance is not a component of an FDA-approved drug, it must appear on a list of bulk drug substances that may be used in compounding (i.e., the “Section 503A bulk substances list 1”). While the advertising provisions in Section 503A were

ruled unconstitutional in part in the United States by the Supreme Court in 2002, the FDA, since 2013, has aggressively regulated and exercised oversight over the practice of pharmacy compounding following the compounding incident at the New England Compounding Center in Massachusetts that sickened hundreds and killed over 60 individuals.

In 2013, Congress removed the unconstitutional advertising provisions in Section 503A when it passed the Drug Quality and Security Act of 2013 (DQSA), Title I (The Compounding Quality Act). The DQSA also created “outsourcing facilities” under Section 503B of the Federal Food, Drug, and Cosmetic Act, which are drug compounders that voluntarily register with FDA and may produce compounded formulations for office use (at least one of which must be sterile), but must comply with FDA’s cGMP regulations and other requirements set forth in Section 503B. Section 503B outsourcing facilities may also only compound from bulk substances if the product is on FDA’s drug shortage list, or the substance is on FDA’s Section 503B list of bulk substances that may be used in compounding (i.e., the Section 503B bulk substances list 1”).

While the FDA has been aggressively enforcing Section 503A since its re-enactment, compounders may still compound “near copies” (but not “essentially copies”) of approved drug products, under Section 503A, so long as the prescriber makes a change to the compounded formulation that produces for that patient a significant difference between the commercially available drug and the compounded version. Compounders may also copy commercially available products if they do not do so in “regular or inordinate amounts.” In January 2018, FDA published a Final Guidance document titled, “Compounded Drug Products That Are Essentially Copies of a Commercially Available Drug Product Under Section 503A of the Federal Food, Drug, and Cosmetic Act.” This Final Guidance sets forth FDA’s enforcement policy concerning those compounders that make essentially copies of commercially available drug products. FDA has defined the term “regular or inordinate” in the Final Guidance to mean: “a drug product that is essentially a copy of a commercially available drug product is compounded regularly or in inordinate amounts if it is compounded more frequently than needed to address unanticipated, emergency circumstances, or in more than the small quantities needed to address unanticipated, emergency circumstances.” FDA has further stated it will not take enforcement action, considering all the facts and circumstances, against a compounder that compounds less than four “essentially copies” of a commercially available drug product in a calendar month.

In general, our ability to compete depends in large part upon:

- our ability to maintain regulatory approvals for PEDMARK® in the U.S., EU and other global markets;
- our ability to obtain regulatory approvals for PEDMARK® in target markets outside of the U.S., EU and other global markets;
- the demonstrated efficacy, safety and reliability of our drug candidate;
- the timing and scope of regulatory approvals;
- product acceptance by physicians and other health care providers;
- the willingness of payors to reimburse for our product;
- protection of our proprietary rights and the level of generic competition;
- our ability to supply commercial quantities of our product to the market;
- our ability to obtain reimbursement from private and/or public insurance entities for product use in approved indications;
- our ability to recruit and retain skilled employees; and
- the availability of capital resources to fund our development and commercialization activities, including the availability of funding from the federal government.

Government Regulation

The production and manufacture of our product and our research and development activities are subject to significant regulation for safety, efficacy and quality by various governmental authorities around the world. Before new pharmaceutical products may be sold in the U.S. and other countries, clinical trials of the product must be conducted, and the results submitted to appropriate regulatory agencies for approval. Clinical trial programs must establish efficacy, determine an appropriate dose and regimen, and define the conditions for safe use. This is a high-risk process that requires stepwise clinical studies in which the candidate product must successfully meet predetermined endpoints. In the U.S., the results of the preclinical and clinical testing of a product are then submitted to the FDA in the form of a Biologics License Application or a NDA. In response to these submissions, the FDA may grant marketing approval, request additional information or deny the application if it determines the application does not provide an adequate basis for approval. Similar submissions are required by authorities in other jurisdictions who independently assess the product and may reach the same or different conclusions.

The receipt of regulatory approval often takes a number of years, involves the expenditure of substantial resources and depends on a number of factors, including the severity of the disease in question, the availability of alternative treatments and the risks and benefits demonstrated in clinical trials. On occasion, regulatory authorities may require larger or additional studies, leading to unanticipated delay or expense. Even after initial approval from the FDA or other regulatory agencies has been obtained, further clinical trials may be required to provide additional data on safety and effectiveness. Additional trials are required to gain clearance for the use of a product as a treatment for indications other than those initially approved. Furthermore, the FDA and other regulatory agencies require companies to disclose clinical trial results. Failure to disclose such results within applicable time periods could result in penalties, including civil monetary penalties.

In Canada, these activities are subject to regulation by Health Canada's Therapeutic Products Directorate ("TPD") and the rules and regulations promulgated under the Food and Drug Act. In the United States, drugs and biological products are subject to regulation by the FDA. The FDA requires licensing of manufacturing and contract research facilities, carefully controlled research and testing of products and governmental review and approval of results prior to marketing therapeutic products. Additionally, the FDA requires adherence to current Good Laboratory Practices ("cGLP") as well as current Good Clinical Practices ("cGCP") during clinical testing and cGMP and adherence to labeling and supply controls. The systems of new drug approvals in Canada and the United States are substantially similar and are generally considered to be among the most rigorous in the world.

Generally, the steps required for drug approval in Canada and the United States, specifically in cancer related therapies, include:

- *Preclinical Studies:* Preclinical studies, also known as non-clinical studies, primarily involve evaluations of pharmacology, toxic effects, pharmacokinetics and metabolism of a drug in animals to provide evidence of the relative safety and bioavailability of the drug prior to its administration to humans in clinical studies. A typical program of preclinical studies takes 18 to 24 months to complete. The results of the preclinical studies as well as information related to the chemistry and comprehensive descriptions of proposed human clinical studies are then submitted as part of the Investigational New Drug Application ("IND") to the FDA, a Clinical Trial Application to the TPD, or similar submission to other foreign regulatory bodies. This is necessary in Canada, the United States and most other countries prior to undertaking clinical studies. Additional preclinical studies are conducted during clinical development to further characterize the toxic effects of a drug prior to submitting a marketing application.
- *Phase 1 Clinical Trials:* Most Phase 1 clinical trials take approximately one year to complete and are usually conducted on a small number of healthy human subjects to evaluate the drug's safety, tolerability and pharmacokinetics. In some cases, such as cancer indications, Phase 1 clinical trials are conducted in patients rather than healthy volunteers.
- *Phase 2 Clinical Trials:* Phase 2 clinical trials typically take one to two years to complete and are generally carried out on a relatively small number of patients, generally between 15 and 50, in a specific setting of targeted disease or medical condition, in order to provide an estimate of the drug's effectiveness in that specific setting. This phase also provides additional safety data and serves to identify possible common short-term side effects and risks in a somewhat larger group of patients. Phase 2 testing frequently relates to a specific disease, such as breast or lung

cancer. Some contemporary methods of developing drugs, particularly molecularly targeted therapies, do not require broad testing in specific diseases, and instead permit testing in subsets of patients expressing the particular marker. In some cases, such as cancer indications, the company sponsoring the new drug may submit a marketing application to seek accelerated approval of the drug based on evidence of the drug's effect on a "surrogate endpoint" from Phase II clinical trials. A surrogate endpoint is a laboratory finding or physical sign that may not be a direct measurement of how a patient feels, functions or survives, but is still considered likely to predict therapeutic benefit for the patient. If accelerated approval is received, the company sponsoring the new drug must continue testing to demonstrate that the drug indeed provides therapeutic benefit to the patient.

- *Phase 3 Clinical Trials:* Phase 3 clinical trials typically take two to four years to complete and involve tests on a much larger population of patients suffering from the targeted condition or disease. These studies involve conducting controlled testing and/or uncontrolled testing in an expanded patient population, numbering several hundred to several thousand patients, at separate test sites, known as multi-center trials, to establish clinical safety and effectiveness. These trials also generate information from which the overall benefit-risk relationship relating to the drug can be determined and provide a basis for drug labeling. Phase 3 trials are generally the most time consuming and expensive part of a clinical trial program. In some instances, governmental authorities, such as the FDA, will allow a single Phase 3 clinical trial to serve as a pivotal efficacy trial to support a marketing application.
- *Marketing Application:* Upon completion of Phase 3 clinical trials, the pharmaceutical company sponsoring the new drug assembles all the chemistry, preclinical and clinical data and submits it to the TPD or the FDA as part of a New Drug Submission in Canada or a NDA in the United States. The marketing application is then reviewed by the applicable regulatory body for approval to market the product. The review process generally takes twelve to eighteen months.

Any clinical trials that we conduct may not be successfully completed, either in a satisfactory time period or at all. The typical time periods described above may vary substantially and may be materially longer. In addition, the FDA and its counterparts in other countries have considerable discretion to discontinue trials if they become aware of any significant safety issues or convincing evidence that a therapy is not effective for the indication being tested. It is possible the FDA and its counterparts in other countries may not (i) allow clinical trials to proceed at any time after receiving an IND, (ii) allow further clinical development phases after authorizing a previous phase, or (iii) approve marketing of a drug after the completion of clinical trials.

While European, U.S. and Canadian regulatory systems require that medical products be safe, effective, and manufactured according to high quality standards, the drug approval process in Europe differs from that in the U.S. and Canada and may require us to perform additional preclinical or clinical testing regardless of whether FDA or TPD approval has been obtained. The amount of time required to obtain necessary approvals may be longer or shorter than that required for FDA or TPD approval. European Union Regulations and Directives generally classify health care products either as medicinal products, medical devices or in vitro diagnostics. For medicinal products, marketing approval may be sought using either the centralized procedure of the European Agency for the Evaluation of Medicinal Products ("EMA"), or the decentralized, mutual recognition process. The centralized procedure, which is mandatory for some biotechnology derived products, results in an approval recommendation from the EMA to all member states, while the European Union mutual recognition process involves country by country approval.

Other Regulatory Requirements

Drugs manufactured or distributed pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, annual establishment registration, product listing, user fees, compliance with requirements regarding cGMP, recordkeeping, periodic reporting, product sampling and distribution, advertising and promotion, and adverse drug experience monitoring and reporting with the product. After approval, most changes to the approved product labeling, such as adding new indications, are subject to prior FDA review and approval. Also, any post-approval changes in the drug substance, drug product, production process, quality controls, equipment, or facilities that have a substantial potential to have an adverse effect on the identity, strength, quality, purity, or potency of the drug product are subject to FDA review and approval. Any such changes that have a moderate potential to have an adverse effect on the identity, strength, quality, purity, or potency of the drug product may not be implemented until 30 days after the FDA receives a supplement for the change. All manufacturing facilities, as well as records required to be maintained under FDA

regulations, are subject to inspection or audit by the FDA. In addition, manufacturers generally are required to pay annual user fees for approved products and a user fee for the submission of each new or supplemental application.

The FDA may impose a number of post-approval requirements as a condition of approval of an NDA. For example, the FDA may require post-approval testing, including Phase 4 clinical trials, and surveillance to further assess and monitor the product's safety and effectiveness after commercialization. The Food and Drug Administration Amendments Act of 2007 gave the FDA the authority to require a REMS from drug manufacturers to manage a known or potential serious risk associated with the drug and to ensure that the benefits of a drug outweigh its risks. Examples of a REMS include, but are not limited to, a Medication Guide, a patient package insert to help mitigate a serious risk of the drug, and a communication plan to healthcare providers to support the implementation of an element of the REMS.

In addition, drug manufacturers and other entities involved in the manufacture and distribution of approved drugs are required to register their establishments with the FDA and register or obtain permits or licenses in states where they do business, and are subject to periodic unannounced inspections by the FDA and state regulatory authorities with jurisdiction over their activities to determine compliance with regulatory requirements. A drug manufacturer is responsible for ensuring that its third-party contractors operate in compliance with applicable laws and regulations including the cGMP regulation. The failure of a drug manufacturer or any of its third-party contractors to comply with federal or state laws or regulations may subject the drug manufacturer to possible legal or regulatory action, such as an untitled letter, warning letter, recall, suspension of manufacturing or distribution or both, suspension of state permit or license, seizure of product, import detention, injunctive action, and civil and criminal penalties.

Changes to the manufacturing process are strictly regulated and often require prior FDA approval before being implemented. FDA regulations also require a drug manufacturer to conduct investigations and implement appropriate corrective actions to address any deviations from cGMP requirements and impose reporting and documentation requirements upon the manufacturer and any third-party contractors (including contract manufacturers and laboratories) involved in the manufacture of a drug product. Accordingly, manufacturers must continue to expend significant time, money and effort to maintain and ensure ongoing cGMP compliance and to confirm and ensure ongoing cGMP compliance of their third-party contractors.

Once an approval is granted, the FDA may withdraw the approval if, among other things, there is information that the drug is unsafe for use under the approved conditions of use; new information or evidence that, evaluated together with evidence available to the FDA at the time of approval, shows that the drug is not shown to be safe for use under the approved conditions of use; new information that, evaluated together with the evidence available to the FDA at the time of approval, shows there is a lack of substantial evidence of effectiveness; the approved application contains an untrue statement of material fact; or that the required patient information was not submitted within 30 days after receiving notice from the FDA of the failure to submit such information. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety and risk information; imposition of a post-market study requirement to assess new safety risks; or implementation of a REMS that may include distribution or other restrictions.

The FDA closely regulates drug advertising and promotional activities, including promotion of an unapproved drug, direct-to-consumer advertising, dissemination of scientific information about a drug not on the approved labeling, off-label promotion, communications with payors and formulary committees, industry-sponsored scientific and educational activities, and promotional activities involving the internet and social media. A company's product claims must be true and not misleading, provide fair balance, provide adequate risk information, and be consistent with the product labeling approved by the FDA. Failure to comply with these requirements can lead to legal or regulatory actions including, among other things, warning letters, corrective advertising, injunction, violation and related penalties under the False Claims Act and can result in reputational and economic harm.

Physicians may prescribe FDA-approved drugs for uses that are not described in the product's labeling and that differ from those uses tested by the manufacturer. Such off-label uses occur across medical specialties. Physicians may believe that such off-label uses are the best treatment for many patients in varied circumstances. The FDA does not regulate the behavior of physicians in their choice of treatments for their individual patients. The FDA does, however, regulate manufacturers' communications about their drug products and interprets the Federal Food, Drug, and Cosmetic Act ("FFDCA") to prohibit pharmaceutical companies from promoting their FDA-approved drug products for uses that are not

specified in the FDA-approved labeling. Companies that market drugs for off-label uses have been subject to warning letters, related costly litigation, criminal prosecution, and civil liability under the FDCA and the False Claims Act.

In addition, the distribution of prescription pharmaceutical products is subject to the Prescription Drug Marketing Act (“PDMA”), as amended by the Drug Supply Chain Security Act, which regulates the distribution of drug and drug samples at the federal level, and sets minimum standards for the registration and regulation of wholesale drug distributors by the states.

Good Clinical Practices

The FDA and other regulatory agencies promulgate regulations and standards, commonly referred to as current Good Clinical Practices, for designing, conducting, monitoring, auditing and reporting the results of clinical trials to ensure that the data and results are accurate and that the trial participants are adequately protected. The FDA and other regulatory agencies enforce cGCP through periodic inspections of trial sponsors, principal investigators and trial sites. If our study sites fail to comply with applicable cGCP, the clinical data generated in our clinical trials may be deemed unreliable and relevant regulatory agencies may require us to perform additional clinical trials before approving our marketing applications.

Good Manufacturing Practices

The FDA and other regulatory agencies regulate and inspect equipment, facilities and processes used in the manufacture of pharmaceutical and biological products prior to approving a product. If, after receiving approval from regulatory agencies, a company makes a material change in manufacturing equipment, location or process, additional regulatory review and approval may be required. All facilities and manufacturing techniques that may be used for the manufacture of our product must comply with applicable regulations governing the production of pharmaceutical products known as Good Manufacturing Practices.

Orphan Drug Act

Under the Orphan Drug Act of 1983, the FDA may grant orphan drug designation to drugs intended to treat a “rare disease or condition,” which generally is a disease or condition that affects fewer than 200,000 individuals in the U.S. If a product which has an orphan drug designation subsequently receives the first FDA approval for that drug for the indication for which it has such designation, the product is entitled to orphan exclusivity, i.e., the FDA may not approve any other application submitted by a different applicant to market the same drug for the same indication for a period of seven years following marketing approval, except in certain very limited circumstances, such as if the later product is shown to be clinically superior to the approved product with orphan drug exclusivity. Legislation similar to the Orphan Drug Act has been enacted in other countries, including within the European Union.

Pediatric Marketing Use Authorization

The PUMA approval is typically granted by the European Commission, based on a review by the European Medicines Agency, and is intended exclusively for pediatric (patients under 18 years of age) use. Such PUMA approval is ultimately valid in all countries within the European Economic Area (which excludes the United Kingdom as of February 1, 2020).

The PUMA was introduced by the EU Pediatric Regulation for medicines that are:

- Normally contain an already authorized active ingredient;
- Are no longer covered by a supplementary protection certificate (“SPC”) or a patent that qualifies for a SPC; and
- Are to be exclusively developed for use in children.

The PUMA process was established to make it more efficient for pharmaceutical companies to invest in the development of drugs for children. PUMA drugs receive eight years of data protection plus two years of marketing protection and the

applications are, in part, exempt from fees. The regulatory protection does not prevent off-label use of other drugs with the same active substance and indication for adults, nor pharmacy compounding.

Other Laws

Our present and future business has been and will continue to be subject to various other laws and regulations. Various laws, regulations and recommendations relating to safe working conditions, laboratory practices, the experimental use of animals, and the purchase, storage, movement, import and export and use and disposal of hazardous or potentially hazardous substances, including radioactive compounds and infectious disease agents, used in connection with our research work are or may be applicable to our activities. Certain agreements entered into by us involving exclusive license rights may be subject to national or supranational antitrust regulatory control, the effect of which cannot be predicted. The extent of government regulation, which might result from future legislation or administrative action, cannot accurately be predicted.

Orange Book Listing

In seeking approval for a drug through a New Drug Application (“NDA”), applicants are required to list with the FDA each patent with claims covering the applicant’s product or approved methods of using the product. Upon approval of a drug, each of the patents listed in the application for the drug are then published in the FDA Orange Book. Drugs listed in the FDA Orange Book can, in turn, be cited by potential generic competitors in support of approval of an ANDA. An ANDA provides for marketing of a drug product that has the same active ingredients in the same strengths and dosage form as the listed drug and has been shown to be bioequivalent to the listed drug. Other than the requirement for bioequivalence testing, ANDA applicants are not required to conduct, or submit results of, pre-clinical or clinical tests to prove the safety or effectiveness of their drug product. Drugs approved in this way are commonly referred to as “generic equivalents” to the listed drug and can often be substituted by pharmacists under prescriptions written for the original listed drug.

The ANDA applicant is required to certify to the FDA concerning any patents listed for the approved product in the FDA Orange Book. Specifically, the applicant must certify that: (i) the required patent information has not been filed; (ii) the listed patent has expired; (iii) the listed patent has not expired but will expire on a particular date and approval is sought after patent expiration; or (iv) the listed patent is invalid or will not be infringed by the new product. The ANDA applicant may also elect to submit a section viii statement certifying that its proposed ANDA label does not contain (or carves out) any language regarding the patented method-of-use rather than certify to a listed method-of-use patent. If the applicant does not challenge the listed patents, the ANDA application will not be approved until all the listed patents claiming the referenced product have expired.

A certification that the new product will not infringe the already approved product’s listed patents, or that such patents are invalid, is called a Paragraph IV certification. If the ANDA applicant has provided a Paragraph IV certification to the FDA, the applicant must also send notice of the Paragraph IV certification to the NDA and patent holders once the ANDA has been accepted for filing by the FDA. The NDA and patent holders may then initiate a patent infringement lawsuit in response to the notice of the Paragraph IV certification. The filing of a patent infringement lawsuit within 45 days of the receipt of a Paragraph IV certification automatically prevents the FDA from approving the ANDA until the earlier of 30 months, expiration of the patent, settlement of the lawsuit, or a decision in the infringement case that is favorable to the ANDA applicant.

The ANDA application also will not be approved until any applicable non-patent exclusivity listed in the FDA Orange Book for the referenced product has expired.

Exclusivity

Upon NDA approval of a new chemical entity (“NCE”), which is a drug product that contains an active moiety that has never been approved by FDA in any other NDA, that drug receives five years of marketing exclusivity during which FDA cannot receive any ANDA seeking approval of a generic version of that drug. A drug may obtain a three-year period of exclusivity for a particular condition of approval, or change to a marketed product, such as a new formulation for the previously approved product, if one or more new clinical studies (other than bioavailability or bioequivalence studies) was essential to

the approval of the application and was conducted/sponsored by the applicant. During this period of exclusivity, FDA cannot approve an ANDA for a generic drug that includes the change.

An ANDA may be submitted one year before NCE exclusivity expires if a Paragraph IV certification is filed. If there is no listed patent in the FDA Orange Book, there cannot be a Paragraph IV certification, and, thus, no ANDA can be filed before the expiration of the exclusivity period.

Section 505(b)(2) New Drug Applications

Most drug products obtain FDA marketing approval pursuant to an NDA or an ANDA. A third alternative is a special type of NDA, commonly referred to as a Section 505(b)(2), or 505(b)(2), NDA, which enables the applicant to rely, in part, on FDA's previous approval of a similar product, or published literature, in support of its application.

505(b)(2) NDAs often provide an alternate path to FDA approval for new or improved formulations or new uses of previously approved products. Section 505(b)(2) permits the filing of an NDA where at least some of the information required for approval comes from studies not conducted by, or for, the applicant and for which the applicant has not obtained a right of reference. If the Section 505(b)(2) applicant can establish that reliance on FDA's prior findings of safety and effectiveness or published literature is scientifically appropriate, it may eliminate the need to conduct certain pre-clinical or clinical studies of the new product.

The FDA may also require companies to perform additional studies or measurements to support the change from the approved product. The FDA may then approve the new product candidate for all, or some, of the label indications for which the referenced product has been approved, as well as for any new indication sought by the Section 505(b)(2) applicant.

To the extent that the Section 505(b)(2) applicant is relying on studies conducted for an already approved product, the applicant is required to certify to the FDA concerning any patents listed for the approved product in the FDA Orange Book to the same extent that an ANDA applicant would. A Section 505(b)(2) NDA may be eligible for three years of marketing exclusivity to the same extent that a Section 505(b)(1) NDA is.

Abbreviated New Drug Applications

Generic drugs may enter the market after the approval of an ANDA. The ANDA development process typically does not require new pre-clinical or clinical studies, but it does typically require one or more bioequivalence studies to show that the ANDA drug is bioequivalent to the previously approved brand name reference listed drug. Bioequivalence studies compare the bioavailability of the proposed drug product with that of the approved listed product containing the same active ingredient. Bioavailability is a measure of the rate and extent to which the active ingredient or active moiety is absorbed from a drug product and becomes available at the site of action. A demonstration of bioequivalence means that the rate and extent of absorption of the ANDA drug is not significantly different from the rate and extent of absorption of the brand name reference listed drug when administered at the same molar dose under similar experimental conditions.

As noted above, generic drug products are generally introduced to the marketplace at the expiration of patent protection and non-patent market exclusivity for the reference listed drug. However, if an ANDA applicant is the first ANDA applicant to submit an ANDA containing a Paragraph IV certification, that ANDA may be eligible for a period of generic marketing exclusivity on approval. This exclusivity, which under certain circumstances must be shared with other ANDA applicants with Paragraph IV certifications, lasts for 180 days, during which the FDA cannot grant final approval to other ANDA sponsors of an application for a generic equivalent to the same reference drug. Under certain circumstances, eligibility for 180-day exclusivity may be forfeited.

Various types of changes to an approved ANDA must be requested in a prior approval supplement. In addition, some changes may only be approved after new bioequivalence studies are conducted or other requirements are satisfied. In addition, the ANDA applicant must demonstrate that manufacturing procedures and operations conform to FDA cGMP requirements. Facilities, procedures, operations, and/or testing of products are subject to periodic inspection by the FDA and other authorities. In addition, the FDA conducts pre-approval and post-approval reviews and inspections to determine whether the systems and processes are in compliance with cGMP and other FDA regulations.

There are also user fees for ANDA applicants, sponsors, and manufacturers. For fiscal year 2024, the application fees are \$252,453 per ANDA application and the facility fees are \$220,427 per domestic finished dosage form facility, \$235,427 per foreign finished dosage form facility, \$40,464 per domestic active pharmaceutical ingredient facility, and \$55,464 per foreign active pharmaceutical ingredient facility. In addition, there is a new annual program fee based on the size of the generic drug applicant. These user fees typically increase each fiscal year.

Other regulatory requirements

In addition to regulation by the FDA and certain state regulatory agencies, we are also subject to a variety of foreign regulations governing clinical trials and the marketing of other products. Outside of the United States, our ability to market our product depends upon receiving a marketing authorization from the appropriate regulatory agencies. The requirements governing the conduct of clinical trials, marketing authorization, pricing and reimbursement vary widely from country to country. In any country, however, we will only be permitted to commercialize our product if the appropriate regulatory agency is satisfied that we have presented adequate evidence of safety, quality and efficacy. Whether or not FDA approval has been obtained, approval of a product by the comparable regulatory authorities of foreign countries must be obtained prior to the commencement of marketing of the product in those countries. The regulatory approval and oversight process in other countries includes all of the risks associated with regulation by the FDA and certain state regulatory agencies as described above.

Under the European Union regulatory system, applications for drug approval may be submitted either in a centralized or decentralized manner. Under the centralized procedure, a single application to the European Medicines Agency leads to an approval granted by the European Commission which permits marketing of the product throughout the European Union. The decentralized procedure provides for mutual recognition of nationally approved decisions and is used for products that do not comply with requirements for the centralized procedure. Under the decentralized procedure, the holders of national marketing authorization in one of the countries within the European Union may submit further applications to other countries within the European Union, who will be requested to recognize the original authorization based on an assessment report provided by the country in which marketing authorization is held.

Pharmaceutical pricing and reimbursement

In both United States and foreign markets, our ability to commercialize our product successfully, and to attract commercialization partners for our product, depends in significant part on the availability of adequate financial coverage and reimbursement from third-party payors, including, in the United States, governmental payors such as Medicare and Medicaid, managed care organizations, private commercial health insurers and PBMs. Third party payors are increasingly challenging the prices charged for medicines and examining their cost effectiveness, in addition to their safety and efficacy. We may need to conduct expensive pharmacoeconomic or other studies in order to further demonstrate the value of our product. Even with the availability of such studies, our product may be considered less safe, less effective or less cost-effective than alternative products, and third-party payors may not provide coverage and reimbursement for our drug candidates, in whole or in part.

Political, economic and regulatory influences are subjecting the health care industry in the United States to fundamental changes. There have been, and we expect there will continue to be, legislative and regulatory proposals to change the healthcare system in ways that could significantly affect our business, including the Patient Protection and Affordable Care Act of 2010 (the “Affordable Care Act”). In fact, there continue to be efforts in Congress to revise the Affordable Care Act and replace it with another law. As a result, there is great uncertainty as to what changes will be made to United States healthcare laws and there can be no assurance how changes to those laws may affect our business.

We anticipate that in the United States, Congress, state legislatures, and private sector entities will continue to consider and may adopt healthcare policies intended to curb rising healthcare costs. These cost containment measures could include:

- controls on government-funded reimbursement for drugs;
- mandatory rebates or additional charges to manufacturers for their products to be covered on Medicare Part D formularies;
- controls on healthcare providers;

- controls on pricing of drug products, including the possible reference of the pricing of United States drugs to non-United States drug pricing for the same product;
- challenges to the pricing of drugs or limits or prohibitions on reimbursement for specific products through other means;
- reform of drug importation laws;
- entering into contractual
- agreements with payors; and
- expansion of use of managed-care systems in which healthcare providers contract to provide comprehensive healthcare for a fixed cost per person.

We are unable to predict what additional legislation, regulations or policies, if any, relating to the healthcare industry or third-party coverage and reimbursement may be enacted in the future or what effect such legislation, regulations or policies would have on our business. Any cost containment measures, including those listed above, or other healthcare system reforms that are adopted may have a material adverse effect on our business prospects.

Further, the pricing of drug products generally, and particularly the pricing of orphan drugs, has recently received scrutiny from the press, and from members of Congress in both parties. The impact of this scrutiny on us and on the pricing of orphan drugs and other drug products generally cannot be determined with any certainty at this time.

Orphan Drug Designation and Orphan Drug Exclusivity and Pediatric Exclusivity Designation

Some jurisdictions, including the United States and Europe, may designate drugs for relatively small patient populations as orphan drugs. Under the ODA, the FDA may grant Orphan Drug Designation to drugs intended to treat a rare disease or condition that affects fewer than 200,000 individuals in the United States, or more than 200,000 individuals in the United States and for which there is no reasonable expectation that the cost of developing and making available in the United States a drug for this type of disease or condition will be recovered from sales in the United States for that drug. In the United States, Orphan Drug Designation must be requested before submitting an application for marketing approval. An Orphan Drug Designation does not shorten the duration of the regulatory review and approval process. The grant of an Orphan Drug Designation request does not alter the standard regulatory requirements and process for obtaining marketing approval. Safety and efficacy of a compound must be established through adequate and well-controlled studies. If a product which has been granted Orphan Drug Designation subsequently receives the first FDA approval for the indication for which it has such designation, the product is entitled to an orphan drug exclusivity period, which means the FDA may not approve any other application to market the same drug for the same disease or condition for a period of seven years, except in limited circumstances, such as where an alternative product demonstrates clinical superiority to the product with orphan exclusivity. In addition, holders of exclusivity for orphan drugs are expected to assure the availability of sufficient quantities of their orphan drugs to meet the needs of patients. Failure to do so could result in the withdrawal of marketing exclusivity for the drug.

The orphan drug exclusivity contained in the ODA has been the subject of recent scrutiny from the press, from some members of Congress and from some in the medical community, and a recent proposed change to the ODA would limit the availability of the benefits of the act for drugs that treat more than 200,000 individuals in the United States. There can be no assurance that the exclusivity granted in ODA to orphan drugs approved by the FDA will not be modified in the future, and as to how any such change might affect our product, if approved.

Pediatric exclusivity is another type of non-patent exclusivity in the United States and, if granted, provides for the attachment of an additional six months of marketing protection to the term of any existing regulatory exclusivity, including the five-year and three-year non-patent and seven-year orphan exclusivities. This six-month exclusivity may be granted if an NDA sponsor submits pediatric data that fairly responds to a written request from the FDA for such data. The data do not need to show the product to be effective in the pediatric population studied. If the FDA determines that information relating to the use of the new drug in the pediatric population may produce health benefits in the population, the clinical study is deemed to fairly respond to the FDA's request and the reports of FDA-requested pediatric studies are submitted

to and accepted by the FDA within the statutory time limits, whatever statutory or regulatory periods of exclusivity or patent protection covering the product are extended by six months. This is not a patent term extension, but it effectively extends the regulatory period during which the FDA cannot approve another application relying on the NDA sponsor's data.

The European Orphan Drug Regulation is considered for drugs intended to diagnose, prevent or treat a life-threatening or very serious condition afflicting five or fewer per 10,000 people in the EU, including compounds that for serious and chronic conditions would likely not be marketed without incentives due to low market return on the sponsor's development investment. The medicinal product considered should be of significant benefit to those affected by the condition. Benefits of being granted Orphan Medicinal Product Designation are significant, including eight years of data exclusivity, two years of marketing exclusivity and a potential one-year extension of both. The EU Community and Member States may not accept or grant for ten years a new marketing authorization or application for another drug for the same therapeutic indication as the orphan drug, although the ten-year period can be reduced to six years if, after the end of the fifth year, available evidence establishes that the product is sufficiently profitable not to justify maintenance of the marketing exclusivity. A supplementary protection certificate may extend the protection six months beyond patent expiration if that is later than the orphan drug exclusivity period. To apply for the supplementary protection, a pediatric investigation plan, or PIP, must be included in the market application. In Europe all drugs now seeking marketing authorization need to have a PIP agreed with the European Medicines Agency (EMA) before it can be approved, even if it is a drug being developed specifically for a pediatric indication. If a product is developed solely for use in the pediatric population, then a Pediatric Use Marketing Authorization, or PUMA, may provide eight years of data exclusivity plus two additional years of marketing exclusivity.

Disclosure of clinical trial information

Sponsors of clinical trials of FDA-regulated products, including drugs, are required to register and disclose certain clinical trial information. Information related to the product, patient population, phase of investigation, study sites and investigators, and other aspects of the clinical trial is then made public as part of the registration. Sponsors are also obligated to disclose the results of their clinical trials after completion. Disclosure of results of these trials can be delayed in certain circumstances for up to two years after the date of completion of the clinical trial. Competitors may use this publicly-available information to gain knowledge regarding the progress of development programs.

Anti-Kickback, False Claims Laws & the Prescription Drug Marketing Act

In addition to FDA restrictions on marketing of drug products, other state and federal laws have been applied to restrict certain marketing practices in the pharmaceutical industry in recent years. These laws include anti-kickback statutes and false claims statutes. The federal healthcare program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce or in return for purchasing, leasing, ordering or arranging for the purchase, lease or order of any healthcare item or service reimbursable under Medicare, Medicaid or other federally financed healthcare programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and patients, prescribers, purchasers and formulary managers on the other. Violations of the anti-kickback statute are punishable by imprisonment, criminal fines, civil monetary penalties, and exclusion from participation in federal healthcare programs. Although there are a number of statutory exemptions and regulatory safe harbors protecting certain common activities from prosecution or other regulatory sanctions, the exemptions and safe harbors are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchases or recommendations may be subject to scrutiny if they do not qualify for an exemption or safe harbor.

Federal false claims laws prohibit any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government, or knowingly making, or causing to be made, a false statement to have a false claim paid. Recently, several pharmaceutical and other healthcare companies have been prosecuted under these laws for allegedly inflating drug prices they report to pricing services, which in turn were used by the government to set Medicare and Medicaid reimbursement rates, and for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. In addition, certain marketing practices, including off-label promotion, may also violate false claims laws. The majority of states also have statutes or regulations similar to the federal anti-kickback law and false claims laws, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payer.

The Centers for Medicare & Medicaid Services (CMS) has issued a final rule that requires manufacturers of approved prescription drugs to collect and report information on payments or transfers of value to physicians, physician assistants, certain types of advanced practice nurses and teaching hospitals, as well as investment interests held by physicians and their immediate family members. The information reported each year is made publicly available on a searchable website. Failure to submit required information may result in civil monetary penalties.

In addition, several states now require prescription drug companies to report expenses relating to the marketing and promotion of drug products, to report gifts and payments to individual physicians in these states and to report certain pricing information, including price increases. Other states prohibit various other marketing-related activities. Still other states require the posting of information relating to clinical studies and their outcomes. In addition, California, Connecticut, Nevada, and Massachusetts require pharmaceutical companies to implement compliance programs and/or marketing codes. Several additional states are considering similar proposals. Compliance with these laws is difficult and time consuming, and companies that do not comply with these state laws face civil penalties.

Prescription drug advertising is subject to federal, state and foreign regulations. In the United States, the FDA regulates prescription drug promotion, including direct-to-consumer advertising. Prescription drug promotional materials must be submitted to the FDA in conjunction with their first use. Any distribution of prescription drug products and pharmaceutical samples must comply with the United States Prescription Drug Marketing Act (PDMA), a part of the FDCA. In addition, Title II of the Federal Drug Quality and Security Act of 2013, known as the Drug Supply Chain Security Act (DSCSA), has imposed new “track and trace” requirements on the distribution of prescription drug products by manufacturers, distributors, and other entities in the drug supply chain. The DSCSA requires product identifiers (i.e., serialization) on prescription drug products in order to eventually establish an electronic interoperable prescription product to system to identify and trace certain prescription drugs distributed in the United States and preempts existing state drug pedigree laws and regulations on this topic. The DSCSA also establishes new requirements for the licensing of wholesale distributors and third-party logistic providers, although FDA regulations addressing wholesale distributors and third party logistics providers have not yet been promulgated. We serialize our product at both the package and homogeneous case level, pass serialization and required transaction information to our customers, and believe that we comply with all such requirements.

Government Programs for Marketed Drugs

Medicaid, the 340B Drug Pricing Program, and Medicare

Federal law requires that a pharmaceutical manufacturer, as a condition of having its products receive federal reimbursement under Medicaid and Medicare Part B, must pay rebates to state Medicaid programs for all units of its covered outpatient drugs dispensed to Medicaid beneficiaries and paid for by a state Medicaid program under either a fee-for-service arrangement or through a managed care organization. This federal requirement is effectuated through a Medicaid drug rebate agreement between the manufacturer and the Secretary of Health and Human Services. CMS administers the Medicaid drug rebate agreements, which provide, among other things, that the drug manufacturer will pay rebates to each state Medicaid agency on a quarterly basis and report certain price information on a monthly and quarterly basis. The rebates are based on prices reported to CMS by manufacturers for their covered outpatient drugs. For innovator products, that is, drugs that are marketed under approved NDAs, the basic rebate amount is the greater of 23.1% of the average manufacturer price (“AMP”) for the quarter or the difference between such AMP and the best price for that same quarter. The AMP is the weighted average of prices paid to the manufacturer (1) directly by retail community pharmacies and (2) by wholesalers for drugs distributed to retail community pharmacies. The best price is essentially the lowest price available to non-governmental entities. Innovator products are also subject to an additional rebate that is based on the amount, if any, by which the product’s current AMP has increased over the baseline AMP, which is the AMP for the first full quarter after launch, adjusted for inflation. To date, the rebate amount for a drug has been capped at 100% of the AMP; however, effective January 1, 2024, this cap was eliminated, which means that a manufacturer could pay a rebate amount on a unit of the drug that is greater than the average price the manufacturer receives for the drug. For non-innovator products, generally generic drugs marketed under approved abbreviated new drug applications, the basic rebate amount is 13% of the AMP for the quarter. Non-innovator products are also subject to an additional rebate. The additional rebate is similar to that discussed above for innovator products, except that the baseline AMP quarter is the fifth full quarter after launch (for non-innovator multiple source drugs launched on April 1, 2013 or later) or the third quarter of 2014 (for those launched before April 1, 2013). The terms of participation in the Medicaid drug rebate program impose an obligation to correct the prices reported in previous quarters, as may be necessary. Any such corrections could result in additional or lesser rebate liability, depending on the direction of the correction. In addition to retroactive rebates, if a manufacturer

were found to have knowingly submitted false information to the government, federal law provides for civil monetary penalties for failing to provide required information, late submission of required information, and false information.

A manufacturer must also participate in a federal program known as the 340B drug pricing program in order for federal funds to be available to pay for the manufacturer's drugs under Medicaid and Medicare Part B. Under this program, the participating manufacturer agrees to charge certain federally funded clinics and safety net hospitals no more than an established discounted price for its covered outpatient drugs. The formula for determining the discounted price is defined by statute and is based on the AMP and the unit rebate amount as calculated under the Medicaid drug rebate program, discussed above. Manufacturers are required to report pricing information to the Health Resources and Services Administration ("HRSA") on a quarterly basis. HRSA has also issued regulations relating to the calculation of the ceiling price as well as imposition of civil monetary penalties for each instance of knowingly and intentionally overcharging a 340B covered entity.

Federal law also requires that manufacturers report data on a quarterly basis to CMS regarding the pricing of drugs that are separately reimbursable under Medicare Part B. These are generally drugs, such as injectable products, that are administered "incident to" a physician service and are not generally self-administered. The pricing information submitted by manufacturers is the basis for reimbursement to physicians and suppliers for drugs covered under Medicare Part B. As with the Medicaid drug rebate program, federal law provides for civil monetary penalties for failing to provide required information, late submission of required information, and false information.

Medicare Part D provides prescription drug benefits for seniors and people with disabilities. Medicare Part D beneficiaries once had a gap in their coverage (between the initial coverage limit and the point at which catastrophic coverage begins) where Medicare did not cover their prescription drug costs, known as the coverage gap. However, beginning in 2019, Medicare Part D beneficiaries pay 25% of brand drug costs after they reach the initial coverage limit—the same percentage they were responsible for before they reached that limit—thereby closing the coverage gap. Most of the cost of closing the coverage gap is being borne by innovator companies and the government through subsidies. Each manufacturer of a drug approved under an NDA is required to enter into a Medicare Part D coverage gap discount agreement and provide a 70% discount on those drugs dispensed to Medicare beneficiaries in the coverage gap, in order for its drugs to be reimbursed by Medicare Part D.

Federal Contracting/Pricing Requirements

Manufacturers are also required to make their covered drugs, which are generally drugs approved under NDAs, available to authorized users of the Federal Supply Schedule ("FSS") of the General Services Administration. The law also requires manufacturers to offer deeply discounted FSS contract pricing for purchases of their covered drugs by the Department of Veterans Affairs, the Department of Defense ("DoD"), the Coast Guard, and the Public Health Service (including the Indian Health Service) in order for federal funding to be available for reimbursement or purchase of the manufacturer's drugs under certain federal programs. FSS pricing to those four federal agencies for covered drugs must be no more than the Federal Ceiling Price ("FCP"), which is at least 24% below the Non-Federal Average Manufacturer Price ("Non-FAMP") for the prior year.

The Non-FAMP is the average price for covered drugs sold to wholesalers or other middlemen, net of any price reductions.

The accuracy of a manufacturer's reported Non-FAMPs, FCPs, or FSS contract prices may be audited by the government. Among the remedies available to the government for inaccuracies is recoupment of any overcharges to the four specified federal agencies based on those inaccuracies. If a manufacturer were found to have knowingly reported false prices, in addition to other penalties available to the government, the law provides for civil monetary penalties of \$100,000 per incorrect item.

Finally, manufacturers are required to disclose in FSS contract proposals all commercial pricing that is equal to or less than the proposed FSS pricing, and subsequent to award of an FSS contract, manufacturers are required to monitor certain commercial price reductions and extend commensurate price reductions to the government, under the terms of the FSS contract Price Reductions Clause. Among the remedies available to the government for any failure to properly disclose commercial pricing and/or to extend FSS contract price reductions is recoupment of any FSS overcharges that may result from such omissions.

Tricare Retail Pharmacy Network Program

The DoD provides pharmacy benefits to current and retired military service members and their families through the Tricare healthcare program. When a Tricare beneficiary obtains a prescription drug through a retail pharmacy, the DoD reimburses the pharmacy at the retail price for the drug rather than procuring it from the manufacturer at the discounted FCP discussed above. In order for the DoD to realize discounted prices for covered drugs (generally drugs approved under NDAs), federal law requires manufacturers to pay refunds on utilization of their covered drugs sold to Tricare beneficiaries through retail pharmacies in DoD's Tricare network. These refunds are generally the difference between the Non-FAMP and the FCP and are due on a quarterly basis. Absent an agreement from the manufacturer to provide such refunds, DoD will designate the manufacturer's products as Tier 3 (non-formulary) and require that beneficiaries obtain prior authorization in order for the products to be dispensed at a Tricare retail network pharmacy. However, refunds are due whether or not the manufacturer has entered into such an agreement.

Branded Pharmaceutical Fee

A branded pharmaceutical fee is imposed on manufacturers and importers of branded prescription drugs, generally drugs approved under NDAs. In each year between 2011 and 2018, the aggregate fee for all such manufacturers ranged from \$2.5 billion to \$4.1 billion, and has remained at \$2.8 billion in 2019 and subsequent years. This annual fee is apportioned among the participating companies based on each company's sales of qualifying products to or utilization by certain U.S. government programs during the preceding calendar year. The fee is not deductible for U.S. federal income tax purposes. Utilization of generic drugs, generally drugs approved under ANDAs, is not included in a manufacturer's sales used to calculate its portion of the fee.

Human Capital Management

We are dedicated to making a meaningful impact on the lives of those suffering from pediatric cancer, and we believe in putting patients first in everything we do. To facilitate talent attraction and retention, we strive to make Fennec an inclusive, safe, and healthy workplace, with opportunities for employees to grow and develop in their careers, supported by strong compensation, benefits, health and welfare programs. Our goal in selecting employees is to retain high quality personnel with substantial prior experience who understand and support our mission as a company to develop and commercialize innovative therapies for patients with rare, oncology related and orphan diseases and who are willing to work hard and in a collaborative manner to further that mission.

Employee Profile

As of December 31, 2024, we had approximately 32 employees, 20 of whom are in our commercial organization, 1 of whom are in our R&D organization, and the rest of whom are in our G&A organization. We also utilize the services of several full-time consultants who work with our commercial organization. None of our employees are covered by a collective bargaining agreement. We believe our relationship with our employees and consultants is good.

Compensation and Benefits

Our compensation philosophy is to provide pay and benefits that are competitive in the biotechnology and pharmaceutical industry where we compete for talent. We monitor our compensation programs closely and review them at least annually to provide what we consider to be a very competitive mix of compensation and health, welfare and retirement benefits for all our employees. Our compensation package for all employees includes market-competitive base salaries, annual performance bonuses and stock option grants. Our benefits programs include company sponsored medical, dental and vision health care coverage, life and AD&D insurance, and a 401(k) plan among others benefits.

Research and Development

Our research and development efforts have been focused on the development of PEDMARK[®] since 2013.

We have historically had relationships with contract research organizations ("CROs"), universities and other institutions, which we utilize to perform many of the day-to-day activities associated with our drug development. Where possible, we

have sought to include leading scientific investigators and advisors to enhance our internal capabilities. Research and development issues are reviewed internally by our executive management and supporting scientific team.

Research and development expenses totaled \$0.31 and \$0.06 million for the fiscal years ended December 31, 2024 and 2023, respectively. We have decreased our research and development expenses related to PEDMARK[®] as our efforts have shifted to commercial readiness and launch activities.

PEDMARK[®] still requires significant, time-consuming and costly research and development, testing and regulatory clearances globally. In developing PEDMARK[®], we are subject to risks of failure that are inherent in the development of products based on innovative technologies. For example, it is possible that our product candidate will be ineffective or toxic, or will otherwise fail to receive or, where received, maintain the necessary regulatory clearances. There is a risk that PEDMARK[®] will be uneconomical to manufacture or market or will not achieve market acceptance. There is also a risk that third parties may hold proprietary rights that preclude us from marketing our product candidate or that others will market a superior or equivalent product. As a result of these factors, we are unable to accurately estimate the nature, timing and future costs necessary to complete future development of PEDMARK[®].

Company Information

We incorporated under the Canada Business Corporations Act ("CBCA") in September 1996. In August 2011, we continued from the CBCA to the Business Corporations Act (British Columbia) (the "Continuance"). We have four wholly-owned subsidiaries: Oxiquant, Inc. and Fennec Pharmaceuticals, Inc., both Delaware corporations, Cadherin Biomedical Inc., a Canadian company, and Fennec Pharmaceuticals (EU) Limited ("Fennec Limited"), an Ireland company. With the exception of Fennec Pharmaceuticals, Inc. and Fennec Limited all subsidiaries are inactive.

Our corporate website is www.fennecpharma.com. We make our periodic and current reports, together with amendments to these reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), available on our website, free of charge, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). Members of the public may also read and copy any materials we file with, or furnish to, the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. To obtain information on the operation of the Public Reference Room, please call the SEC at 1-800-SEC-0330. The SEC maintains a website at www.sec.gov that contains the reports, proxy statements and other information that we file or furnish electronically with the SEC. The Canadian securities regulatory authorities maintain a website at www.sedar.com that contains our filings with the Canadian securities regulatory authorities. Our website and the information contained therein or connected thereto is not intended to be incorporated into this Annual Report or any other report or information we file with the SEC or Canadian securities regulatory authorities.

Item 1A. Risk Factors

An investment in our common shares involves a significant risk of loss. You should carefully read this entire Annual Report and should give particular attention to the following risk factors. You should recognize that other significant risks may arise in the future, which we cannot reasonably foresee at this time. Also, the risks that we now foresee might affect us to a greater or different degree than currently expected. There are a number of important factors that could cause our actual results to differ materially from those expressed or implied by any of our forward-looking statements in this Annual Report. These factors include, without limitation, the risk factors listed below, and other factors presented throughout this Annual Report and any other documents filed by us with the SEC and the Canadian securities regulators on SEDAR.

Risks Related to Our Business

We have a history of significant losses and have had limited revenues to date through the sale of our product. If we do not generate significant revenues, we will not achieve profitability.

To date, we have been engaged primarily in research and development activities. We have incurred significant operating losses every year since our inception in September 1996. We reported a net loss of approximately \$0.44 million for the year ended December 31, 2024 and reported a net loss of approximately \$16.05 million for the year ended December 31, 2023. At December 31, 2024, we had an accumulated deficit of approximately \$219.7 million. We anticipate potentially

incurring substantial additional losses due to the need to spend substantial amounts on activities required for commercialization of PEDMARK[®] in the U.S. and regulatory approvals of PEDMARK[®] outside of the U.S., as well as the preparation for potential commercial launch preparation of PEDMARK[®] outside of the U.S., anticipated research and development activities, and general and administrative expenses, among other factors. We may never achieve or sustain profitability on an ongoing basis.

PEDMARK[®] is currently our only product and there is no assurance that we will successfully develop PEDMARK[®] into a commercially viable product.

Since our formation in September 1996, we have engaged in research and development programs. We have recently begun to generate revenue from product sales in the United States after regulatory approval of PEDMARK[®] in late 2022. PEDMARK[®] is currently our only product. There can be no assurance that the research we fund and manage will lead PEDMARK[®] or any future product candidate to become a commercially viable product. We have completed two-Phase 3 studies for PEDMARK[®]. PEDMARQSI has also been approved in the EU and U.K. We anticipate potential substantial regulatory review prior to the commercialization of PEDMARK[®] outside of the United States, E.U. and U.K. We anticipate substantial regulatory review prior to the commercialization of PEDMARK[®] outside of the United States.

We may require additional financing to obtain marketing approval of PEDMARK[®] and commercialize PEDMARK[®] abroad and a failure to obtain this capital when needed on acceptable terms, or at all, could force us to delay, limit, reduce or terminate our product development, other operations or commercialization efforts outside of the United States.

Based on available resources, we believe that our cash and cash equivalents of \$26.6 million available as of December 31, 2024 are sufficient to fund our anticipated operating and capital requirements for at least the next 12 months. Moreover, we expect to continue to incur losses for the foreseeable future as we continue our development of and seek marketing approvals for PEDMARK[®] outside of the United States, E.U. and U.K. We may not be able to obtain additional financing in sufficient amounts or on acceptable terms when needed. If we fail to arrange for sufficient capital on a timely basis, we may be required to curtail our business activities until we can obtain adequate financing. Debt financing must be repaid regardless of whether or not we generate profits or cash flows from our business activities. Equity financing may result in dilution to existing shareholders and may involve securities that have rights, preferences, or privileges that are senior to our common shares or other securities. If we cannot raise sufficient capital when necessary, we will likely have to curtail operations and you may lose part or all of your investment.

Our success depends on our ability to successfully commercialize PEDMARK[®]. We are a single product company with only limited commercial experience, which makes it difficult to evaluate our current business, predict our future prospects, and forecast our financial performance and growth.

We have invested a significant portion of our efforts and financial resources to date into the development and commercialization of our only product, PEDMARK[®]. Our success depends on our ability to effectively commercialize PEDMARK[®], and we expect that all of our product revenues in the foreseeable future will be from sales of PEDMARK[®]. Continued commercialization of PEDMARK[®] is subject to many risks. Until we launched PEDMARK[®], we had never launched or commercialized a product, and there is no guarantee that we will be able to achieve profitability and become cash flow positive based on our sales of PEDMARK[®]. There are numerous examples of unsuccessful product launches and failures to meet high expectations of market growth potential, including by pharmaceutical companies with more resources and experience than we have. The long term commercial success of PEDMARK[®] depends on the extent to which patients and physicians accept and adopt PEDMARK[®]. For example, if the expected patient population is smaller than we estimate or if physicians are unwilling to prescribe or patients are unwilling to take PEDMARK[®], or if patients discontinue from use of the medication at rates that are higher than we expect, or if payers decide not to reimburse for our product, the commercial potential of PEDMARK[®] will be limited. Thus, significant uncertainty remains regarding the ultimate commercial potential of PEDMARK[®].

Moreover, our ability to effectively generate significant product revenue from PEDMARK[®] will depend on our ability to, among other things:

- educate patients and physicians successfully about efficacy expectations, side effects expectations, and how to successfully dose and titrate the medication to optimal patient benefit in order to minimize discontinuation due to perceived lack of efficacy or side effects;
- educate pediatric cancer patients who will have cisplatin administration, and the physicians who treat them, as to the benefits to such patients of treatment using PEDMARK[®] (in addition to the treatments they are receiving for their cancer);
- achieve and maintain compliance with regulatory requirements, including those related to our required post-approval studies, promotion and advertising requirements;
- increase awareness for and achieve market acceptance of PEDMARK[®] through our sales and marketing activities and other arrangements established for the promotion of PEDMARK[®];
- train, deploy, support, and retain a qualified field sales and marketing force;
- secure continued formulary approvals for PEDMARK[®] with a substantial number of targeted payors;
- ensure that our third-party manufacturers manufacture PEDMARK[®] in sufficient quantities, in compliance with requirements of the FDA and at acceptable quality and pricing levels, in order to meet commercial demand;
- ensure that our third-party manufacturers develop, validate and maintain commercially viable manufacturing processes that are compliant with cGMP regulations;
- implement and maintain agreements with wholesalers, distributors and group purchasing organizations on commercially reasonable terms;
- ensure that our entire supply chain efficiently and consistently delivers PEDMARK[®] to our customers;
- provide co-pay assistance to help qualified patients with out-of-pocket costs associated with their PEDMARK[®] prescription, and/or other programs to ensure patient access to our product, educate physicians and patients about the benefits, administration and use of PEDMARK[®], and obtain acceptance of PEDMARK[®] as safe and effective by patients and the medical community;
- receive adequate levels of coverage and reimbursement for PEDMARK[®] from commercial health plans and governmental health programs;
- generate positive experience with our Fennec HEARS[®] program in helping patients obtain access to PEDMARK[®] at an acceptable patient out-of-pocket cost;
- maintain quality relationships with patient advocacy groups;
- influence the nature of publicity related to our product relative to the publicity related to our competitors' products; and
- obtain regulatory approvals for additional indications for the use of PEDMARK[®] in treating other patient populations.

Any disruption in our ability to generate product revenue from the sale of PEDMARK® will have a material and adverse impact on our results of operations.

If we are unable to continue to successfully commercialize PEDMARK®, our business, results of operations and financial condition may be materially adversely affected.

Our strategy is to successfully commercialize PEDMARK® in the United States and abroad. There are risks involved both with maintaining our own sales and marketing capabilities, and with entering into arrangements with third parties to perform these services. For example, any efforts to maintain a direct sales and marketing organization are subject to numerous risks, including:

- the expense and time required to recruit, retain, and motivate members of the sales force;
- our inability to recruit, retain or motivate adequate numbers of effective marketing personnel and partner marketing agencies;
- the inability to provide adequate training to sales and marketing personnel;
- the expense and time required to monitor regulatory compliance;
- the inability of sales personnel to obtain access to physicians or convince adequate numbers of physicians to prescribe any product; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

Similarly, as we enter into arrangements with third parties to perform sales, marketing and distribution services, our product revenue or the profitability associated with any product revenue may be lower than if we were to market and sell any product that we develop ourselves. In addition, we may not be successful in entering into arrangements with third parties to sell and market our products or may be unable to do so on terms that are favorable to us. We may have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our product effectively. Moreover, we may be negatively impacted by other factors outside of our control relating to such third parties, including, but not limited to, their inability to comply with regulatory requirements. If we do not establish sales, marketing and distribution capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our product.

Finally, because we are using a very small group of exclusive specialty pharmacies to distribute our product, if the organizations that we work with to deliver our drug do not perform in a lawful manner or have issues unrelated to our business, our business could be adversely affected.

Our business is subject to substantial competition.

The biotechnology and pharmaceutical industries are highly competitive. Many of our competitors have substantially greater financial and other resources, larger research and development staffs and more experience developing products, obtaining FDA and other regulatory approvals of products and manufacturing and marketing products than we have. We compete against pharmaceutical companies that are developing or currently marketing therapies that will compete with us. In addition, we compete against biotechnology companies, universities, government agencies, and other research institutions in the development of drug products. Our business could be negatively impacted if our competitors' present or future offerings are more effective, safer or less expensive than ours, or more readily accepted by regulators, healthcare providers or third-party payors. Further, we may also compete with respect to manufacturing efficiency and marketing capabilities.

For all of these reasons, we may not be able to compete successfully.

If we do not maintain current or enter into new collaborations with other companies, we might not successfully develop our product or generate sufficient revenues to expand our business.

We currently rely on scientific and research and development collaboration arrangements with academic institutions and other third-party collaborators, including an exclusive worldwide license from OHSU for PEDMARK®.

The agreements with OHSU are terminable by either party in the event of an uncured breach by the other party. We may also terminate our agreement with OHSU at any time upon prior written notice of specified durations to OHSU. Termination of any of our collaborative arrangements could materially adversely affect our business. For example, if we are unable to make the necessary payments under these agreements, the licensor might terminate the agreement which might have a material adverse impact. In addition, our collaborators might not perform as agreed in the future.

Since we conduct a significant portion of our research and development through collaborations, our success may depend significantly on the performance of such collaborators, as well as any future collaborators. Collaborators might not commit sufficient resources to the research and development or commercialization of our product candidate. Economic or technological advantages of products being developed by others, among other factors, could lead our collaborators to pursue other products or technologies in preference to those being developed in collaboration with us. There is a risk of dispute with respect to ownership of technology developed under any collaboration. Our management of any collaboration will require significant time and effort as well as an effective allocation of resources. We may not be able to simultaneously manage a large number of collaborations. Any of these negative impacts on our current or future collaborations could have a material adverse effect on our business and results of operations.

Regulatory approval of our product is time-consuming, expensive and uncertain, and could result in unexpectedly high expenses and delay our ability to sell our product in the U.S. and abroad.

Development, manufacture and marketing of our product is subject to extensive regulation by governmental authorities in the United States and other countries. This regulation could require us to incur significant unexpected expenses or delay or limit our ability to sell our product abroad. Our clinical studies might be delayed or halted, or additional studies might be required, for various reasons, including:

- there is a lack of sufficient funding;
- the drug is not effective;
- patients experience severe side effects during treatment;
- appropriate patients do not enroll in the studies at the rate expected;
- drug supplies are not sufficient to treat the patients in the studies; or
- we decide to modify the drug during testing.

If regulatory approval of our product is granted outside of the United States, it will be limited to those indications for which the product has been shown to be safe and effective, as demonstrated to the satisfaction of the FDA and foreign regulators through clinical studies. Furthermore, approval abroad might entail ongoing requirements for post-marketing studies. Even if regulatory approval is obtained outside for the United States, labeling and promotional activities are subject to continual scrutiny by the FDA and state and foreign regulatory agencies and, in some circumstances, the Federal Trade Commission. FDA enforcement policy prohibits the marketing of approved products for unapproved, or off-label, uses. These regulations and the FDA's interpretation of them might impair our ability to effectively market our product.

We and our third-party manufacturers are also required to comply with the applicable cGMP regulations, which include requirements relating to quality control and quality assurance, as well as the corresponding maintenance of records and documentation. Further, manufacturing facilities, which we outsource to third parties, must be approved by the FDA before they can be used to manufacture our product, and they are subject to additional FDA inspection. The complete response letters ("CRL") that we received from the FDA in August 2020 and in November 2021 as a result of deficiencies in the

third-party manufacturing facility that manufactures PEDMARK[®] on our behalf is a specific example of the risks associated with our third-party manufacturers.

If we fail to comply with any of the FDA's continuing regulations, or any other regulations under which we may be required to comply outside of the United States, we could be subject to reputational harm and sanctions, including:

- delays, warning letters and fines;
- product recalls or seizures and injunctions on sales;
- refusal of the FDA, or other regulators, to review pending applications;
- total or partial suspension of production;
- withdrawals of previously approved marketing applications; and
- civil penalties and criminal prosecutions.

In addition, identification of side effects after a drug is on the market or the occurrence of manufacturing problems could cause subsequent withdrawal of approval, reformulation of the drug, additional testing or changes in labeling of the product.

If our licenses to proprietary technology owned by others are terminated or expire, we may suffer increased development costs and delays, and we may not be able to successfully commercialize our product.

The development of our drug and the manufacture and sale of any products that we develop will involve the use of processes, products and information, some of the rights to which are owned by others. PEDMARK[®] is licensed under agreements with OHSU. Although we have obtained licenses or rights with regard to the use of certain processes, products and information, the licenses or rights could be terminated or expire during critical periods and we may not be able to obtain, on favorable terms or at all, licenses or other rights that may be required. Some of these licenses provide for limited periods of exclusivity that may be extended only with the consent of the licensor, which may not be granted.

If we are unable to adequately protect or maintain our patents and licenses related to our product, or if we infringe upon the intellectual property rights of others, we may not be able to successfully maintain commercial status of our product.

The value of our product will depend in part upon our ability, and those of our collaborators, to obtain patent protection or licenses to patents, maintain trade secret protection and operate without infringing on the rights of third parties. Although we have successfully pursued patent applications in the past, it is possible that:

- some or all of our pending patent applications, or those we have licensed, may not be allowed;
- proprietary products or processes that we develop in the future may not be patentable;
- any issued patents that we own or license may not provide us with any competitive advantages or may be successfully challenged by third parties; or
- the patents of others may have an adverse effect on our ability to do business.

It is not possible for us to be certain that we are the original and first creator of inventions encompassed by our pending patent applications or that we were the first to file patent applications for any such inventions. Further, any of our patents, once issued, may be declared by a court to be invalid or unenforceable.

PEDMARK[®] is currently protected by six patents owned by us that expires in 2039. Further, patents are currently pending in the United States and other territories. In addition, periods of marketing exclusivity for PEDMARK[®] have been granted in the United States under orphan drug exclusivity and in Europe under PUMA.

We may be required to obtain licenses under patents or other proprietary rights of third parties, but the extent to which we may wish or need to do so is unknown. Any such licenses may not be available on terms acceptable to us or at all. If such licenses are obtained, it is likely they would be royalty bearing, which would reduce our future income, if any. If licenses cannot be obtained on an economical basis, we could suffer delays in market introduction of planned products or their introduction could be prevented, in some cases after the expenditure of substantial funds. If we do not obtain such licenses, we would have to attempt to design around patents of third parties, potentially causing increased costs and delays in product development and introduction or precluding us from developing, manufacturing or selling our planned products, or our ability to develop, manufacture or sell products requiring such licenses could be foreclosed.

Litigation may also be necessary to enforce or defend patents issued or licensed to us or our collaborators or to determine the scope and validity of a third party's proprietary rights. By example we have outstanding litigation against CIPLA, as described elsewhere in this Annual Report. We could incur substantial costs if litigation is required to defend ourselves in patent suits brought by third parties, if we participate in patent suits brought against or initiated by our collaborators, or if we initiate such suits. We might not prevail in any such action. An adverse outcome in litigation or an interference to determine priority or other proceeding in a court or patent office could subject us to significant liabilities, require disputed rights to be licensed from other parties or require us or our collaborators to cease using certain technology or products. Any of these events would likely have a material adverse effect on our business, financial condition and results of operations.

Much of our technological know-how that is not patentable may constitute trade secrets. Our confidentiality agreements might not provide for meaningful protection of our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure of information. In addition, others may independently develop or obtain similar technology and may be able to market competing products and obtain regulatory approval through a showing of equivalency to our product that has obtained regulatory approvals, without being required to undertake the same lengthy and expensive clinical studies that we would have already completed.

If our third-party manufacturers breach or terminate their agreements with us, or if we are unable to secure arrangements with third party manufacturers on acceptable terms as needed in the future, we may suffer significant production delays and additional costs.

We have little experience manufacturing products and do not currently have the resources to manufacture any products that we may develop. We currently have agreements with contract manufacturers for clinical supplies of PEDMARK[®], including drug substance providers and drug product suppliers, but they might not perform as agreed in the future or may terminate our agreements with them before the end of the required term. Significant additional time and expense would be required to effect a transition to a new contract manufacturer.

We plan to continue to rely on contract manufacturers for the foreseeable future to produce quantities of products and substances necessary for research and development, preclinical trials, human clinical trials and product commercialization, and to perform their obligations in a timely manner and in accordance with applicable government regulations. If we develop any product with commercial potential, we will need to develop the facilities to independently manufacture such product or products or secure arrangements with third parties to manufacture them. We may not be able to independently develop manufacturing capabilities or obtain favorable terms for the manufacture of our product. While we intend to contract for the commercial manufacture of our product, we may not be able to identify and qualify contractors or obtain favorable contracting terms. We or our contract manufacturers may also fail to meet required manufacturing standards, which could result in delays or failures in product delivery, increased costs, injury or death to patients, product recalls or withdrawals and other problems that could significantly hurt our business. The CRLs that we received from the FDA in August 2020 and November 2021 as a result of deficiencies in the third-party manufacturing facility that manufactured PEDMARK[®] on our behalf is a specific example of the risks associated with our third-party manufacturers. We intend to maintain a second source for back-up commercial manufacturing, wherever feasible. However, if a replacement to our future internal or contract manufacturers were required, the ability to establish second-sourcing or find a replacement manufacturer may be difficult due to the lead times generally required to manufacture drugs and the need for FDA compliance inspections and approvals of any replacement manufacturer, all of which factors could result in production

delays and additional commercialization costs. Such lead times would vary based on the situation but might be twelve months or longer.

We conduct our business internationally and are subject to laws and regulations of several countries which may affect our ability to access regulatory agencies and may affect the enforceability and value of our licenses.

We have conducted clinical trials in the United States, Canada, Europe and the Pacific Rim and intend to, or may, conduct future clinical trials in these and other jurisdictions. There can be no assurance that any sovereign government will not establish laws or regulations that will be deleterious to our interests. There is no assurance that we, as a British Columbia corporation, will continue to have access to the regulatory agencies in any jurisdiction where we might want to conduct clinical trials or obtain regulatory approval, and we might not be able to enforce our licenses or patent rights in foreign jurisdictions. Foreign exchange controls may have a material adverse effect on our business and financial condition, since such controls may limit our ability to flow funds into or out of a particular country to meet obligations under licenses, clinical trial agreements or other collaborations.

Our cash invested in money market funds might be subject to loss.

Even though we believe we take a conservative approach to investing our funds, the nature of financial markets exposes us to investment risk, including the risks that the value and liquidity of our money market investments (the amounts of which substantially exceed the \$250,000 amount insured by the FDIC) could deteriorate significantly and the issuers of the investments we hold could be subject to credit rating downgrades. While we have not experienced any loss or write down of our money market investments in the past, we cannot guarantee that such losses will not occur in future periods.

With the clinical development process successfully completed in the United States, our ability to derive further revenues from the sale of PEDMARK[®] will depend upon our obtaining foreign regulatory approvals, which are subject to a number of unique risks and uncertainties.

Even if we are able to demonstrate the safety and efficacy of our product in clinical trials abroad, if we fail to gain timely approval to commercialize PEDMARK[®] from foreign regulatory authorities, we will be unable to generate the revenues we will need to build our business. Regulatory authorities in other countries may delay, limit or deny approval of PEDMARK[®] for various reasons. For example, such authorities may disagree with the design, scope or implementation of our clinical trials; or with our interpretation of data from our preclinical studies or clinical trials; or may otherwise take the position that PEDMARK[®] fails to meet the requirements and standards for regulatory approval. During the course of review, foreign regulatory bodies may request or require additional preclinical, clinical, chemistry, manufacturing, and control (“CMC”), or other data and information, and the development and provision of these data and information may be time consuming and expensive. Regulatory approvals may not be granted on a timely basis, if at all, and even if and when they are granted, they may not cover all the indications for which we seek approval.

Further, while we may develop a product with the intention of addressing a large, unmet medical need, the foreign regulatory bodies may only approve the use of the drug for indications affecting a relatively small number of patients, thus greatly reducing the market size and our potential revenues. The approvals may also contain significant limitations in the form of warnings, precautions or contraindications with respect to conditions of use, which could further narrow the size of the market. In certain countries, even if the health regulatory authorities approve a drug, it cannot be marketed until pricing for the drug is also approved. Finally, even after approval can be obtained, we may be required to recall or withdraw a product as a result of newly discovered safety or efficacy concerns, either of which would have a materially adverse effect on our business and results of operations.

We have been in the past and may in the future be the target of securities litigation, which may be costly and time-consuming to defend.

Following periods of market volatility in the price of a company’s securities or the reporting of unfavorable news, security purchasers have often instituted class action litigation. This risk is especially relevant for us because pharmaceutical companies like us have experienced significant stock price volatility in recent years. Specifically, we were named in putative securities class action complaints as a result of the decline in our stock price following the August 2020 announcement that we had received a CRL from the FDA regarding our NDA for PEDMARK[®] and as result of the decline in our stock price following the November 2021 announcement that we expected to receive another CRL from the FDA

regarding our NDA for PEDMARK[®]. Both of these cases have been dismissed and closed. Our insurance coverage may be insufficient to cover all legal fees, judgments or settlements. If the outcome of any such litigation is unfavorable, it could result in us paying significant damages or settlement payments, which could have a material adverse effect on our financial condition.

We have only recently transitioned from a development stage biopharmaceutical company to a commercial stage biopharmaceutical company, which may make it difficult for you to evaluate the success of our business to date and to assess our future viability.

Other than the FDA approval for PEDMARK[®] received in the United States in September 2022 and in the European Commission in June 2023 of PEDMARQSI[®], we have no other product candidates in the development stage. We have only recently demonstrated our ability, or our ability to arrange for a third party, to manufacture a commercial scale medicine and conduct the sales and marketing activities necessary to commercialize a product. Consequently, any predictions you make about our future success or viability may not be as accurate as they could be if we had more experience commercializing PEDMARK[®]. In addition, as a relatively new commercial stage business, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. To be profitable, we will need to continue to successfully transition from a company with a research and development focus to a company capable of supporting commercial activities. Ultimately, we may not be successful in such a transition.

There are limitations on the liability of our directors, and we may have to indemnify our officers and directors in certain instances.

Our articles limit, to the maximum extent permitted under British Columbia law, the personal liability of our directors for monetary damages for breach of their fiduciary duties as directors. Our articles provide that we will indemnify our officers and directors and may indemnify our employees and other agents to the fullest extent permitted by law. The indemnification provisions may require us, among other things, to indemnify such officers and directors against certain liabilities that may arise by reason of their status or service as directors or officers (other than liabilities arising in circumstances where the officer or director did not act honestly and in good faith with a view to the best interests of the company or the associated corporation, as the case may be, or in the case of a proceeding other than a civil proceeding, if the officer or director did not have reasonable grounds for believing that the eligible party's conduct in respect of which the proceeding was brought was lawful), to advance their expenses incurred as a result of certain proceedings against them as to which they could be indemnified and to obtain directors' and officers' insurance.

We believe that our limitation of officer and director liability assists us to attract and retain qualified employees and directors. However, in the event an officer, a director or the board of directors commits an act that may legally be indemnified under British Columbia law, we will be responsible to pay for such officer(s) or director(s) legal defense and potentially any damages resulting there from. Furthermore, the limitation on director liability may reduce the likelihood of derivative litigation against directors and may discourage or deter stockholders from instituting litigation against directors for breach of their fiduciary duties, even though such an action, if successful, might benefit our stockholders and us. Given the difficult environment and potential for incurring liabilities currently facing directors of publicly-held corporations, we believe that director indemnification is in our and our stockholders' best interests because it enhances our ability to attract and retain highly qualified directors and reduce a possible deterrent to entrepreneurial decision-making.

Nevertheless, limitations of director liability may be viewed as limiting the rights of stockholders, and the broad scope of the indemnification provisions contained in articles and bylaws could result in increased expenses. Our board of directors believes, however, that these provisions will provide a better balancing of the legal obligations of, and protections for, directors and will contribute positively to the quality and stability of our corporate governance. We believe that the benefit to stockholders of improved corporate governance outweighs any possible adverse effects on stockholders of reducing the exposure of directors to liability and broadened indemnification rights.

Our business and operations could be adversely affected by the effects of health epidemics, like the recent COVID-19 pandemic.

Future health epidemics may affect the operations of government entities, such as the FDA, as well as contract research organizations, third-party manufacturers, and other third-parties upon whom we rely. The extent of the impact on our operations depends in part on the time these restrictions remain in place, and whether restrictions are reinstated as a result of rising cases. These and similar disruptions in our operations could negatively impact our business, operating results and financial condition. Possible effects may include, but are not limited to, disruption to our product launch outside the United States, which includes the ability of sales reps to communicate with oncologists, absenteeism in our labor workforce, unavailability of products and supplies used in operations, and a decline in value of our assets, including inventories, property and equipment, and marketable securities.

Natural disasters, epidemic or pandemic disease outbreaks, trade wars, political unrest or other events could disrupt our business or operations or those of our development partners, manufacturers, regulators or other third parties with whom we conduct business now or in the future.

A wide variety of events beyond our control, including natural disasters, epidemic or pandemic disease outbreaks (such as the COVID-19 pandemic), trade wars, political unrest or other events, could disrupt our business or operations or those of our manufacturers, regulatory authorities, or other third parties with whom we conduct business. These events may cause businesses and government agencies to be shut down, supply chains to be interrupted, slowed, or rendered inoperable, and individuals to become ill, quarantined, or otherwise unable to work and/or travel due to health reasons or governmental restrictions. These limitations could negatively affect our business operations and continuity, and could negatively impact our development timelines and ability to timely perform basic business functions, including, without limitation, making SEC filings and preparing financial reports. If our operations or those of third parties with whom we conduct business are impaired or curtailed as a result of these events, the development and commercialization of our product and product candidate could be impaired or halted, which could have a material adverse impact on our business.

Because the target patient population for PEDMARK[®] is small, we must achieve significant market share and obtain relatively high per-patient prices for our product to achieve meaningful gross margins.

PEDMARK[®] targets a small patient population. A key component of the successful commercialization of a drug product for these indications includes identification of patients and a targeted prescriber base for the drug product. Due to small patient populations, we believe that we would need to have significant market penetration to achieve meaningful revenues and identifying patients and targeting the prescriber base are key to achieving significant market penetration. Typically, drugs for conditions with small prevalence have higher prices in order to generate a return on investment, and as a result, the per-patient prices at which we sell PEDMARK[®] are relatively high in order for us to generate an appropriate return for the investment in these product development programs and achieve meaningful gross margins, and high per patient prices could drive physicians to seek out compounding pharmacies to provide compounded sodium thiosulfate to fill their prescriptions rather than PEDMARK[®], thereby lowering the PEDMARK[®] market share or penetration in the market. There can be no assurance that we will be successful in achieving a sufficient degree of market penetration and/or obtaining or maintaining high per-patient prices for PEDMARK[®] for a small patient populations. Further, even if we obtain significant market share for PEDMARK[®], because the potential target populations are very small, we may not be able to obtain profitability despite obtaining such significant market share.

We face a risk of product liability claims and may not be able to obtain adequate insurance.

Our business exposes us to potential liability risks that may arise from the clinical testing, manufacture, and/or sale of our drug product. Patients have received substantial damage awards in some jurisdictions against pharmaceutical companies based on claims for injuries allegedly caused by the use of drug products used in clinical trials or after FDA approval. Liability claims may be expensive to defend and may result in large judgments against us. We currently carry liability insurance that we believe to be adequate. Our insurance may not reimburse us for certain claims or the coverage may not be sufficient to cover claims made against us. We cannot predict all of the possible harms or side effects that may result from the use of our drug product, or any potential future products we may acquire and use in clinical trials or after FDA approval and, therefore, the amount of insurance coverage we currently hold may not be adequate to cover all liabilities we might incur. If we are sued for any injury allegedly caused by our product, our liability could exceed our ability to pay the liability. Whether or not we are ultimately successful in any adverse litigation, such litigation could consume substantial

amounts of our financial and managerial resources, all of which could have a material adverse effect on our business, financial condition, results of operations, prospects and stock price.

Business or economic disruptions or global health concerns could seriously harm our development efforts and increase our costs and expenses.

Broad-based business or economic disruptions could adversely affect our ongoing or planned research and development activities. Global health concerns, such as the COVID-19 pandemic, could also result in social, economic, and labor instability in the countries in which we or the third parties with whom we engage operate. We cannot presently predict the scope and severity of any potential business shutdowns or disruptions, but if we or any of the third parties with whom we engage, including the suppliers, clinical trial sites, regulators and other third parties with whom we conduct business, were to experience shutdowns or other business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively impacted. It is also possible that global health concerns such as the COVID-19 pandemic could disproportionately impact the hospitals and clinical sites in which we conduct any of our clinical trials, which could have a material adverse effect on our business and our results of operation and financial condition.

We have entered into, and may in the future enter into, strategic transactions for the research, development and commercialization of PEDMARK. If any of these transactions are not successful, then we may not be able to capitalize on the market potential of such product candidates. Further, we may not be able to enter into future transactions on acceptable terms, if at all, which could adversely affect our ability to develop and commercialize our potential future product candidates and former lead product candidate, impact our cash position, increase our expense, and present significant distractions to our management.

We have entered into, and may enter into in the future, strategic transactions, such as out-licensing of product candidates or technologies. For example, in March 2024, we entered into a collaboration and license agreement with Norgine. Our ability to generate revenue from any of our strategic transactions will depend on our partners' abilities to successfully perform the functions assigned to them in these transactions. We cannot predict the success of any of our strategic transactions.

We also intend to evaluate and, if strategically attractive, seek to enter into additional collaborations in the future, including with biotechnology or biopharmaceutical companies or hospitals. The competition for partners is intense, and the negotiation process is time-consuming and complex. If we are not able to enter into strategic transactions, we may not have access to required liquidity or expertise to further develop our potential future product candidates or our discovery platform.

Any existing or potential future collaboration or other strategic transaction may require us to incur non-recurring or other charges, increase our near- and long-term expenditures and pose significant integration or implementation challenges or disrupt our management or business. We may acquire additional technologies and assets, form strategic alliances or create joint ventures with third parties that we believe will complement or augment our existing business, but we may not be able to realize the benefit of such acquisitions or collaborations. In addition, any new collaboration that we enter into may be on terms that are not optimal for us.

Risks Related to the Clinical Development and Marketing Approval of Our Product outside the United States

The marketing approval processes of foreign authorities are lengthy, time-consuming and inherently unpredictable, and if we are ultimately unable to obtain marketing approval for our product abroad, our business will be substantially harmed.

Our current product has gained marketing approval for sale in the United States and in the European Commission, and we cannot guarantee that we will ever have regulatory approval outside the United States and European Commission. Our business is substantially dependent on our ability to complete the development of, obtain marketing approval for, and successfully commercialize our product candidate in abroad a timely manner. We cannot commercialize our product

candidate outside of the United States without obtaining regulatory approval from comparable foreign regulatory authorities. Our product could fail to receive marketing approval for many reasons, including the following:

- FDA comparable foreign regulatory authorities may disagree with the design or implementation of our clinical trials;
- FDA comparable foreign regulatory authorities may find the human subject protections for our clinical trials inadequate and place a clinical hold on an IND at the time of its submission precluding commencement of any trials or a clinical hold on one or more clinical trials at any time during the conduct of our clinical trials;
- we may be unable to demonstrate to the satisfaction of the FDA comparable foreign regulatory authorities that a product candidate is safe and effective for its proposed indication;
- the results of clinical trials may not meet the level of statistical significance required by the FDA comparable foreign regulatory authorities for approval;
- we may be unable to demonstrate that a product's clinical and other benefits outweigh its safety risks;
- FDA comparable foreign regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials;
- the data collected from clinical trials of our product may not be sufficient to obtain marketing approval outside of the United States;
- FDA comparable foreign regulatory authorities may find inadequate the manufacturing processes or facilities of third-party manufacturers with which we contract for clinical and commercial supplies (for example, see the discussion elsewhere concerning the CRLs we received from the FDA in August 2020 and November 2021); and
- the approval policies or regulations of the FDA comparable foreign regulatory authorities may significantly change in a manner that would delay marketing approval.

Before obtaining marketing approval for the commercial sale of any drug product for a target indication, we must demonstrate in preclinical studies and well-controlled clinical trials and, with respect to approval outside the United States, to the satisfaction of the foreign regulatory authorities, that the product is safe and effective for its intended use and that the manufacturing facilities, processes, and controls are adequate to preserve the drug's identity, strength, quality and purity. In September 2022, we obtained approval of our NDA from the FDA. An NDA must include extensive preclinical and clinical data and supporting information to establish the product's safety and efficacy for each desired indication. The NDA must also include significant information regarding the chemistry, manufacturing, and controls for the product. After the submission of an NDA, but before approval of the NDA, the manufacturing facilities used to manufacture a product candidate generally must be inspected by the FDA to ensure compliance with the applicable cGMP requirements (for example, see the discussion elsewhere concerning the CRL we received from the FDA in August, 2020). The FDA and the Competent Authorities of the Member States of the European Economic Area, or EEA, and comparable foreign regulatory authorities, may also inspect our clinical trial sites and audit clinical study data to ensure that our studies are properly conducted in accordance with the IND regulations, human subject protection regulations, cGCP. In June 2023, we obtained approval for PEDMARQSI® in the European Union and in October 2023 in the U.K.

Regulatory authorities outside of the United States, such as in Europe and Japan and in emerging markets, also have requirements for approval of drugs for commercial sale with which we must comply prior to marketing in those areas. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of our product candidate. Clinical trials conducted in one country may not be accepted or the results may not be found adequate by regulatory authorities in other countries, and obtaining regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. However, the failure to obtain regulatory approval in one jurisdiction could have a negative impact on our ability to obtain approval in a different jurisdiction. Approval processes vary among countries and can involve additional product candidate testing and validation and additional administrative review periods.

Seeking foreign regulatory approval could require additional non-clinical studies or clinical trials, which could be costly and time-consuming. Foreign regulatory approval may include all of the risks associated with obtaining FDA approval. For all of these reasons, we may not obtain foreign regulatory approvals on a timely basis, if at all.

The process to develop, obtain marketing approval for, and commercialize product candidates is long, complex and costly, both inside and outside of the United States, and approval is never guaranteed. The time required to obtain approval by the FDA and comparable foreign authorities is unpredictable but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. Even if our product were to successfully obtain approval from regulatory authorities outside the United States, any such approval might significantly limit the approved indications for use, including more limited patient populations, require that precautions, warnings or contraindications be included on the product labeling, including black box warnings, require expensive and time-consuming post-approval clinical studies, risk evaluation and mitigation strategies or surveillance as conditions of approval, or, through the product label, the approval may limit the claims that we may make, which may impede the successful commercialization of our product candidate. Following any approval for commercial sale of our product candidate, certain changes to the product, such as changes in manufacturing processes and additional labeling claims, as well as new safety information, may require new studies and will be subject to additional FDA notification, or review and approval. Also, marketing approval for any of our product may be withdrawn. If we are unable to obtain marketing approval for our product in one or more jurisdictions, or any approval contains significant limitations, our ability to market to our full target market will be reduced and our ability to realize the full market potential of our product will be impaired. Furthermore, we may not be able to obtain sufficient funding or generate sufficient revenue and cash flows to continue or complete the development of any future product candidates.

Now that we have achieved marketing approval for our product in the United States, it will be subject to ongoing obligations and continued regulatory review, which may result in significant additional expense. Our product could be subject to labeling and other restrictions, and we may be subject to penalties and legal sanctions if we fail to comply with regulatory requirements or experience unanticipated problems with our approved product.

Now that the FDA has approved our product, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for the product will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMP regulations and cGCP for any clinical trials that we conduct post-approval. Any marketing approvals that we receive for our product candidate may also be subject to limitations on the approved indicated uses for which the product may be marketed or to conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase 4 clinical trials, and surveillance to monitor safety and efficacy.

Later discovery of previously unknown problems with an approved product, including adverse events of unanticipated severity or frequency, or with manufacturing operations or processes, or failure to comply with regulatory requirements, or evidence of acts that raise questions about the integrity of data supporting the product approval, may result in, among other things:

- restrictions on the marketing or manufacturing of the product, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, warning letters, or holds on clinical trials;
- refusal by the FDA to approve pending applications or supplements to approved applications filed by us, or suspension or revocation of product approvals;
- product seizure or detention, or refusal to permit the import or export of products; and
- injunctions or the imposition of civil or criminal penalties.

The FDA's and foreign regulatory agencies policies may change, and additional government regulations may be enacted that could prevent, limit or delay marketing approval, manufacturing or commercialization of our product. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or we are not able to maintain regulatory compliance, we may lose any marketing approval that may have been obtained and we may not achieve or sustain profitability, which would adversely affect our business.

Agencies like the FDA and national competition regulators in European countries regulate the promotion and uses of drugs not consistent with approved product labeling requirements. If we are found to have improperly promoted PEDMARK[®] for uses beyond those that are approved, we may become subject to significant liability.

Regulatory authorities like the FDA and national competition laws in Europe strictly regulate the promotional claims that may be made about prescription products, such as PEDMARK[®]. In particular, a product may not be promoted for uses that are not approved by the FDA or comparable foreign regulatory authorities as reflected in the product's approved labeling, known as "off-label" use, nor may it be promoted prior to obtaining marketing approval. If we receive marketing approval for our product for our proposed indications, physicians may nevertheless use our product for their patients in a manner that is inconsistent with the approved label if the physicians personally believe in their professional medical judgment it could be used in such manner. Although physicians may prescribe legally available drugs for off-label uses, manufacturers may not market or promote such off-label uses.

In addition, the FDA requires that promotional claims not be "false or misleading" as such terms are defined in the FDA's regulations. For example, the FDA requires substantial evidence, which generally consists of two adequate and well-controlled head-to-head clinical trials, for a company to make a claim that its product is superior to another product in terms of safety or effectiveness. Generally, unless we perform clinical trials meeting that standard comparing our product to competitive products and these claims are approved in our product labeling, we will not be able promote our product as superior to other products. If we are found to have made such claims, we may become subject to significant liability. In the United States, the federal government has levied large civil and criminal fines against companies for alleged improper promotion and has enjoined several companies from engaging in improper promotion. The FDA has also requested that companies enter into consent decrees or corporate integrity agreements. The FDA could also seek permanent injunctions under which specified promotional conduct is monitored, changed or curtailed.

Our current and future relationships with healthcare professionals, investigators, consultants, collaborators, actual customers, potential customers and third-party payors in the United States and elsewhere may be subject, directly or indirectly, to applicable anti-kickback, fraud and abuse, false claims, physician payment transparency, health information privacy and security and other healthcare laws and regulations, which could expose us to sanctions.

Healthcare providers, physicians and third-party payors in the United States and elsewhere will play a primary role in the recommendation and prescription of our drug post-marketing approval. Our current and future arrangements with healthcare professionals, investigators, consultants, collaborators, actual customers, potential customers and third-party payors may expose us to broadly applicable fraud and abuse and other healthcare laws, including, without limitation, the federal Anti-Kickback Statute and the federal False Claims Act, that may constrain the business or financial arrangements and relationships through which we sell, market and distribute PEDMARK[®]. In addition, we may be subject to physician payment transparency laws and patient privacy and security regulation by the federal government and by the U.S. states and foreign jurisdictions in which we conduct our business. The applicable federal, state and foreign healthcare laws that may affect our ability to operate include the following:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, lease, order or recommendation of, any good, facility, item or service, for which payment may be made, in whole or in part, under federal and state healthcare programs such as Medicare and Medicaid;
- federal civil and criminal false claims laws and civil monetary penalty laws, including the federal False Claims Act, which impose criminal and civil penalties, including civil whistleblower or qui tam actions, against individuals or entities for, among other things, knowingly presenting, or causing to be presented, to the federal

government, including the Medicare and Medicaid programs, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;

- the civil monetary penalties statute, which imposes penalties against any person or entity who, among other things, is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created new federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private), knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items or services relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and its implementing regulations, which impose obligations on covered entities, including healthcare providers, health plans, and healthcare clearinghouses, as well as their respective business associates that create, receive, maintain or transmit individually identifiable health information for or on behalf of a covered entity, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- the federal Open Payments program, created under Section 6002 of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or the Affordable Care Act, and its implementing regulations, which imposed annual reporting requirements for manufacturers of drugs, devices, biologicals and medical supplies for certain payments and “transfers of value” provided to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members, where failure to submit timely, accurately and completely the required information for all covered payments, transfers of value and ownership or investment interests may result in civil monetary penalties; and
- analogous state and foreign laws, such as state anti-kickback and false claims laws, which may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers; state and foreign laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; and state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Further, the Affordable Care Act, among other things, amended the intent requirement of the federal Anti-Kickback Statute and certain criminal statutes governing healthcare fraud. A person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it. In addition, the Affordable Care Act provided that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act.

Efforts to ensure that our future business arrangements with third parties will comply with applicable healthcare laws and regulations may involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, including, without limitation, damages, fines, imprisonment, exclusion from participation in government healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations, which could significantly harm our business. If any of the physicians or other healthcare providers or entities with whom we expect to do business, including our current and future collaborators, if any, are found not to be in compliance with applicable laws, those persons or entities

may be subject to criminal, civil or administrative sanctions, including exclusion from participation in government healthcare programs, which could also affect our business.

The impact of recent healthcare reform legislation and other changes in the healthcare industry and healthcare spending on us is currently unknown and may adversely affect our business model.

In the United States and some foreign jurisdictions, legislative and regulatory changes and proposed changes regarding the healthcare system could prevent or delay marketing approval of PEDMARK[®], restrict or regulate post-approval activities and affect our ability to profitably sell PEDMARK[®].

Our revenue prospects could be affected by changes in healthcare spending and policy in the United States and abroad. We operate in a highly regulated industry and new laws and judicial decisions, or new interpretations of existing laws or decisions, related to healthcare availability, the method of delivery or payment for healthcare products and services could negatively impact our business, financial condition, results of operations and prospects. There is significant interest in promoting healthcare reform. Among other things, healthcare reform may contain provisions that may reduce the profitability of drug products, including, for example, revising the methodology by which rebates owed by manufacturers for covered outpatient drugs under the Medicaid Drug Rebate Program are calculated, extending the Medicaid Drug Rebate Program to utilization of prescriptions of individuals enrolled in Medicaid managed care plans, imposing mandatory discounts for certain Medicare Part D beneficiaries, and subjecting drug manufacturers to payment of an annual fee.

We expect that healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for our product. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue or commercialize our drugs.

It is likely that federal and state legislatures within the United States and foreign governments will continue to consider changes to existing healthcare legislation. We cannot predict the reform initiatives that may be adopted in the future or whether initiatives that have been adopted will be repealed or modified. The continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce costs of healthcare may adversely affect:

- the demand for our product;
- our ability to set a price that we believe is fair for our product;
- our ability to obtain coverage and reimbursement approval for our product;
- our ability to generate revenues and achieve or maintain profitability; and
- the level of taxes that we are required to pay.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on our business, financial condition or results of operations.

Our research and development activities and our third-party manufacturers' and suppliers' activities involve the controlled storage, use, and disposal of hazardous materials, including the components of our product and other hazardous compounds. We and our manufacturers and suppliers are subject to laws and regulations governing the use, manufacture, storage, handling, and disposal of these hazardous materials. In some cases, these hazardous materials and various wastes resulting from their use are stored at our and our manufacturers' facilities pending their use and disposal. We cannot eliminate the risk of contamination, which could cause an interruption of our commercialization efforts, research and development efforts and business operations, environmental damage resulting in costly clean-up and liabilities under applicable laws and regulations governing the use, storage, handling, and disposal of these materials and specified waste products. Although we believe that the safety procedures utilized by us and our third-party manufacturers for handling and disposing of these materials generally comply with the standards prescribed by these laws and regulations, we cannot

guarantee that this is the case or eliminate the risk of accidental contamination or injury from these materials. In such an event, we may be held liable for any resulting damages and such liability could exceed our resources and state or federal or other applicable authorities may curtail our use of specified materials and/or interrupt our business operations. Furthermore, environmental laws and regulations are complex, change frequently, and have tended to become more stringent. We cannot predict the impact of such changes and cannot be certain of our future compliance. We do not currently carry biological or hazardous waste insurance coverage.

Our employees, sales agents and consultants may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

We are exposed to the risk of fraud or other misconduct by our employees, sales agents or consultants. Misconduct could include failures to comply with FDA regulations, provide accurate information to the FDA, comply with manufacturing standards, comply with federal and state healthcare fraud and abuse laws and regulations, report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing, and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs, and other business arrangements. Misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter such misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

Risks Related to Commercialization of Our Product

After regulatory approvals in the United States, European Union and other territories, the commercial success of our product will depend on market awareness and acceptance of our product.

After obtaining marketing approval for PEDMARK[®], it may not gain market acceptance among physicians, key opinion leaders, healthcare payors, patients and the medical community. Market acceptance of PEDMARK[®] depends on a number of factors, including:

- the timing of market introduction;
- its efficacy and safety, as demonstrated in clinical trials;
- the clinical indications for which it is approved, and the label approved by regulatory authorities for use with the product, including any precautions, warnings or contraindications that may be required on the label;
- acceptance by physicians, key opinion leaders and patients of PEDMARK[®] as a safe and effective treatment;
- the cost, safety and efficacy of treatment in relation to alternative treatments;
- the availability of coverage and adequate reimbursement and pricing by third-party payors and government authorities;
- the number and clinical profile of competing products;
- the growth of drug markets in our various indications;
- relative convenience and ease of administration;
- marketing and distribution support;

- the prevalence and severity of adverse side effects; and
- the effectiveness of our sales and marketing efforts.

Market acceptance is critical to our ability to generate revenue. PEDMARK[®], may be accepted in only limited capacities or not at all. If PEDMARK[®] is not accepted by the market to the extent that we expect, we may not be able to generate revenue and our business would suffer.

If the market opportunities for our product are smaller than we believe they are, then our revenues may be adversely affected, and our business may suffer.

The market opportunities that our product is being developed to address are rare. Our projections of both the number of people who are administered cisplatin, as well as the subset of people who have the potential to benefit from treatment with our product, and our assumptions relating to pricing are based on estimates. Given the small number of patients that we are targeting, our eligible patient population and pricing estimates may differ significantly from the actual market addressable by our product.

Coverage and reimbursement may be limited or unavailable in certain market segments for our product, which could make it difficult for us to sell our product profitably.

There is significant uncertainty related to third-party coverage and reimbursement of newly approved pharmaceuticals. Market acceptance and sales of our product will depend significantly on the availability of coverage and adequate reimbursement from third-party payors and may be affected by existing and future healthcare reform measures. Patients who are prescribed treatments for their conditions and providers performing the prescribed services generally rely on third-party payors to reimburse all or part of the associated healthcare costs. Government authorities and third-party payors, such as private health insurers, health maintenance organizations, and government payors like Medicare and Medicaid, decide which drugs they will pay for and establish reimbursement levels. Increasingly, third-party payors are requiring that drug companies provide them with predetermined discounts from list prices and are challenging the prices charged for drugs and products. Coverage and reimbursement may not be available for PEDMARK[®] and, even if coverage is provided, the level of reimbursement may not be satisfactory. Inadequate reimbursement levels may adversely affect the demand for, or the price of, PEDMARK[®].

Reimbursement by a third-party payor may depend upon a number of factors, including the third-party payor's determination that use of a product is, among other things:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

Obtaining coverage and adequate reimbursement approval for a product from a government or other third-party payor is a time consuming and costly process that could require us to conduct expensive pharmacoeconomic studies and provide supporting scientific, clinical and cost-effectiveness data for the use of our product to the payor. We may not be able to provide data sufficient to gain acceptance with respect to coverage and adequate reimbursement. In addition to examining the medical necessity and cost-effectiveness of new products, coverage may be limited to specific drug products on an approved list, or formulary, which might not include all of the FDA-approved drug products for a particular indication. There may also be formulary placements that result in lower reimbursement levels and higher cost-sharing borne by patients, any of which could have an adverse effect on our revenues and profits. Moreover, a third-party payor's decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate

return on our investment in product development. Additionally, coverage and reimbursement for drug products can differ significantly from payor to payor. One third-party payor's decision to cover a particular drug product does not ensure that other payors will also provide coverage for the drug product, or even if coverage is available, establish an adequate reimbursement rate.

We cannot be sure that coverage or adequate reimbursement will be available for our product. Also, we cannot be sure that reimbursement amounts will not reduce the demand for, or the price of, our product. If reimbursement is not available or is available only to limited levels, we may not be able to commercialize our product. In the United States, third-party payors are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement of new drugs. Third-party payors are increasingly challenging the prices charged for medical products and services, examining the medical necessity and reviewing the cost-effectiveness of drug products and medical services and questioning safety and efficacy. As a result, significant uncertainty exists as to whether and how much third-party payors will reimburse patients for their use of newly approved drugs, which in turn will put pressure on the pricing of drugs. Additionally, emphasis on managed care in the United States has increased and we expect will continue to increase the pressure on drug pricing. If third-party payors do not consider our product to be cost-effective compared to other available therapies, they may not cover our product or, if they do, the level of payment may not be sufficient to allow us to sell our product at a profit.

Coverage policies, third-party reimbursement rates and drug pricing regulation may change at any time, and there is the potential for significant movement in these areas in the foreseeable future. Even if favorable coverage and reimbursement status is attained for our product, less favorable coverage policies and reimbursement rates may be implemented in the future.

We face substantial competition, which may result in others discovering, developing or commercializing products more successfully, than we do.

The life sciences industry is highly competitive, and we face significant competition from many pharmaceutical, biopharmaceutical and biotechnology companies that are generally developing and marketing therapeutic products. Such competition may include large pharmaceutical and biotechnology companies, specialty pharmaceutical and generic companies and medical technology companies. Our future success depends on our ability to demonstrate and maintain a competitive advantage with respect to the design, development and commercialization of our product for the treatment of orphan and ultra-orphan diseases for which there is a small patient population in both the United States and in all other potential markets. A drug designated an orphan drug may receive up to seven years of exclusive marketing in the United States for that indication.

Many of our potential competitors have significantly greater financial, manufacturing, marketing, development, technical and human resources than we do. Large pharmaceutical and biotechnology companies, in particular, have extensive experience in clinical testing, obtaining regulatory approvals, recruiting patients and in manufacturing clinical products. These companies also have significantly greater research and marketing capabilities than we do and may also have products that have been approved or are in late stages of development, and have collaborative arrangements in our target markets with leading companies and research institutions. Established companies may also invest heavily to accelerate discovery and development of compounds that could make our product obsolete. As a result of all of these factors, maintaining orphan drug designation for our product is essential to our viability since our competitors may, among other things:

- have greater name and brand recognition, financial, manufacturing, marketing, development, technical and human resources;
- develop and commercialize products that are safer, more effective, less expensive, or more convenient or easier to administer;
- obtain quicker marketing approval;
- establish superior proprietary positions;
- have access to more manufacturing capacity as well as to more cost-effective manufacturing capacity;

- implement more effective approaches to sales and marketing; or
- form more advantageous strategic alliances.

Should any of these events occur, our business, financial condition, results of operations, and prospects could be materially adversely affected. If we are not able to compete effectively against potential competitors, our business will not grow and our financial condition and operations will suffer.

We believe that our ability to successfully compete will depend on our ability to maintain orphan drug designation as well as:

- achieving and maintaining compliance with regulatory requirements applicable to our business;
- the timing and scope of regulatory approvals, including labeling;
- adequate levels of reimbursement under private and governmental health insurance plans, including Medicare and Medicaid;
- our ability to protect intellectual property rights related to our product;
- our ability to commercialize and market our product;
- our ability to manufacture and sell commercial quantities of our product;
- acceptance of our product by physicians, other healthcare providers and patients; and
- the cost of treatment in relation to alternative therapies.

Price controls may be imposed in foreign markets, which may adversely affect our future profitability.

In some countries, particularly member states of the European Union, the pricing of prescription drugs is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after receipt of marketing approval for a product. In addition, there can be considerable pressure by governments and other stakeholders on prices and reimbursement levels, including as part of cost containment measures. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after reimbursement has been obtained. Reference pricing used by various European Union member states and parallel distribution, or arbitrage between low-priced and high-priced member states, can further reduce prices. In some countries, we may be required to conduct a clinical trial or other studies that compare the cost-effectiveness of our product to other available therapies in order to obtain or maintain reimbursement or pricing approval. Publication of discounts by third-party payors or authorities may lead to further pressure on the prices or reimbursement levels within the country of publication and other countries. If reimbursement of our product is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be adversely affected.

Rapid technological change could make our product obsolete.

Pharmaceutical technologies have undergone rapid and significant change, and we expect that they will continue to do so. As a result, there is significant risk that our product may be rendered obsolete or uneconomical by new discoveries before we recover any expenses incurred in connection with their development. If our product is rendered obsolete by advancements in pharmaceutical technologies, our prospects will suffer.

We face a risk of product liability claims and may not be able to obtain adequate insurance.

Our business exposes us to potential liability risks that may arise from the clinical testing, manufacture, and/or sale of our pharmaceutical product. Patients have received substantial damage awards in some jurisdictions against pharmaceutical companies based on claims for injuries allegedly caused by the use of pharmaceutical products used in clinical trials or

after FDA approval. Liability claims may be expensive to defend and may result in large judgments against us. We currently carry liability insurance that we believe to be adequate. However, our insurance may not reimburse us for certain claims or the coverage may not be sufficient to cover claims made against us. We cannot predict all of the possible harms or side effects that may result from the use of our drug and, therefore, the amount of insurance coverage we currently hold may not be adequate to cover all liabilities we might incur. If we are sued for any injury allegedly caused by our product, our liability could exceed our ability to pay the liability. Whether or not we are ultimately successful in any adverse litigation, such litigation could consume substantial amounts of our financial and managerial resources, all of which could have a material adverse effect on our business, financial condition, results of operations, prospects and stock price.

Risks Related to Government Regulation

PEDMARK[®] is subject to ongoing regulatory review. If we fail to comply with continuing United States and applicable foreign regulations, we could lose those approvals, and our business would be severely harmed.

We are and will continue to be subject to continuing regulatory review for our product, including the review of our required nonclinical and clinical post-marketing studies, and other clinical results which are reported after our drug becomes commercially available. As greater numbers of patients use a drug following its approval, side effects and other problems may be observed after approval that were not seen or anticipated during preapproval clinical studies and trials. In addition, both we and the manufacturing facilities we use to make our product will also be subject to periodic review and inspection by the FDA. The subsequent discovery of previously unknown problems with us, the manufacturing facilities or our product may result in restrictions on us, the manufacturing facilities or our product, including withdrawal of our product from the market. If we fail to comply with applicable continuing regulatory requirements, we may be subject to fines, suspension, or withdrawal of regulatory approval, product recalls and seizures, operating restrictions, and criminal prosecutions.

Our product promotion and advertising are also subject to regulatory requirements and continuing regulatory review. In particular, the marketing claims we will be permitted to make in labeling or advertising regarding our product will be limited by the terms and conditions of the FDA-approved labeling and available scientific data. We must submit copies of our advertisements and promotional labeling to the FDA at the time of initial publication or dissemination. If the FDA believes these materials or statements promote our product for unapproved indications, or with unsubstantiated claims, or if we fail to provide appropriate safety related information, the FDA could allege that our promotional activities misbrand our product. Specifically, the FDA could issue an untitled letter or warning letter, which may demand, among other things, that we cease such promotional activities and issue corrective advertisements and labeling to all recipients of the misbranded materials. The FDA also could take enforcement action including seizure of allegedly misbranded product, injunction, or criminal prosecution against us and our officers or employees. If we repeatedly or deliberately fail to submit such advertisements and labeling to the agency, the FDA could withdraw our approvals. Moreover, the Department of Justice can bring civil or criminal actions against companies and executives that promote drugs or biologics for unapproved uses, based on the Federal Food, Drug, and Cosmetic Act, the False Claims Act, and other federal laws governing the marketing and reimbursement for such products under federally supported healthcare programs such as Medicare and Medicaid. Monetary penalties in such cases have often been substantial, and civil penalties can include costly mandatory compliance programs and potential exclusion of a company's products from federal healthcare programs.

Enacted and future legislation or judicial action may increase the difficulty and cost for us to commercialize PEDMARK[®]

In the United States, there have been a number of court cases, legislative and regulatory changes, and other potential changes relating to the healthcare system that restrict or regulate post-approval activities, which may affect our ability to profitably sell PEDMARK[®] or any other drug candidates for which we obtain marketing approval.

The Medicare Prescription Drug Improvement and Modernization Act of 2003, or MMA, changed the way Medicare covers and pays for drug products. The legislation expanded Medicare coverage for outpatient drug purchases by those covered by Medicare under a new Part D and introduced a reimbursement methodology based on average sales prices for Medicare Part B physician-administered drugs. In addition, this legislation authorized Medicare Part D prescription drug plans to use formularies whereby they can limit the number of drugs that will be covered in any therapeutic class. As a result of this legislation and the expansion of federal coverage of drug products, there is additional pressure to contain and reduce costs. While the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow

Medicare coverage policy and payment limitations in setting their own reimbursement rates, and any reduction in reimbursement that results from the MMA may result in a similar reduction in payments from private payors. These cost reduction initiatives and other provisions of the MMA could decrease the coverage and reimbursement that we receive for our product and could seriously harm our business. Manufacturers' contributions to this area, including donut hole coverage (as described below) or potential excise taxes, are increasing and are subject to additional changes in the future.

In 2010, former President Obama signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (together, the "Health Care Reform Law"), a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for healthcare and health insurance industries, impose new taxes and fees on the health industry, and impose additional health policy reforms. The Health Care Reform Law, among other things, revised the definition of Average Manufacturer Price used by the Medicaid Drug Rebate Program for reporting purposes, imposed a significant annual fee on companies that manufacture or import branded prescription drug products and established an annual non-deductible fee on entities that sell branded prescription drugs or biologics to specified government programs in the United States. The Health Care Reform Law also expanded the 340B drug discount program (excluding orphan drugs), including the creation of new penalties for non-compliance and included a discount (now 70%, on brand name drugs for Medicare Part D participants in the coverage gap, or "donut hole." The Health Care Reform Law increased the Medicaid rebates for line extensions or reformulated drugs, which could substantially increase our Medicaid rebate rate (in effect limiting reimbursement for these patients).

Beginning in January 2017, former President Trump signed two Executive Orders and other directives designed to delay the implementation of certain provisions of the Health Care Reform Law or otherwise circumvent some of the requirements for health insurance mandated by the Health Care Reform Law. These actions include directing applicable federal agencies to waive, defer, grant exemptions from, or delay the implementation of any provision of the Health Care Reform Law that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. On October 13, 2017, an Executive Order was signed terminating the cost sharing subsidies that reimburse insurers under the Health Care Reform Law. Several state Attorneys Generals filed suit to stop the administration from terminating the subsidies, but their request for a restraining order was denied by a federal judge in California on October 25, 2017. Further, on June 14, 2018 the United States Court of Appeals for the Federal Circuit ruled that the federal government was not required to pay more than \$12.0 billion in Health Care Reform Law risk corridor payments to third-party payors. The effects of this gap in reimbursement on third-party payors, the viability of the Health Care Reform Law marketplace, providers, and our business, are not yet known. On December 18, 2019, the United States Court of Appeals for the Fifth Circuit ruled that the Health Care Reform Law's individual mandate is unconstitutional but sent the matter back down to a district court to determine whether that provision can be removed from the rest of the Health Care Reform Law. On March 2, 2020, the U.S. Supreme Court agreed to review the Fifth Circuit's ruling, and oral argument was heard on November 10, 2020. On June 17, 2021, the U.S. Supreme Court dismissed the challenge to the Health Care Reform Law in a 7-2 decision.

Additionally, in response to controversies regarding pricing of drug products, there has been a recent push to propose legislation, both on state and federal levels, that would require greater disclosure as to the reasoning behind drug prices and, in some cases, could give state or federal-level commissions the right to impose cost controls on certain drugs. These and other new provisions are likely to continue the pressure on pharmaceutical pricing, may require us to modify our business practices with healthcare practitioners, and may also increase our regulatory burdens and operating costs. In that regard, the President and members of Congress in both parties have expressed concerns about high drug prices. However, whether and to what extent any such positions will result in changes of the law, and how any such changes could impact our business, cannot be determined at this time.

Legislative and regulatory proposals also have been made to expand post-approval requirements, restrict sales and promotional activities for drug products, and with respect to orphan drug designation and exclusivity. In addition, increased scrutiny by the United States Congress of the FDA's approval process may subject us to more stringent product labeling and post-marketing testing and other requirements. Delays in feedback from the FDA may affect our ability to quickly update or adjust our label in the interest of patient adherence and tolerability. We cannot predict whether other legislative changes will be adopted or how such changes would affect the pharmaceutical industry generally and specifically the commercialization of PEDMARK®.

If we fail to obtain or subsequently maintain orphan drug exclusivity or regulatory exclusivity for PEDMARK®, our competitors may sell products to treat the same conditions at greatly reduced prices, and our revenues would be significantly adversely affected.

In the United States, orphan drug designation entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax advantages, and user-fee waivers. The company that first obtains FDA approval for a designated orphan drug for a given rare disease receives marketing exclusivity for use of that drug for the stated disease or condition for a period of seven years, with an additional six months of exclusivity if the product also qualifies for pediatric exclusivity. Orphan drug exclusive marketing rights may be lost if the FDA later determines that the request for designation was materially defective, a subsequent product is deemed clinically superior, or if the manufacturer is unable to deliver sufficient quantity of the drug.

Because the extent and scope of patent protection for some of our drug products may be particularly limited, orphan drug designation – and ultimately, orphan drug exclusivity – is especially important for our product. For eligible drugs, we plan to rely on the orphan exclusivity period to maintain a competitive position. However, if we do not obtain orphan drug exclusivity for our drug candidates or we cannot maintain orphan exclusivity for our drug candidates, our competitors may then sell the same drug to treat the same condition and our revenues will be reduced. Also, without strong patent protection, competitors may sell a generic version upon the expiration of orphan exclusivity if our patent position is not upheld.

Even after an orphan drug is approved, the FDA can subsequently approve a drug for the same condition if the FDA concludes that the later drug is safer, more effective or makes a major contribution to patient care. The FDA can discontinue orphan drug exclusivity after it has been granted if the orphan drug cannot be manufactured in sufficient quantities to meet demand.

Finally, there can be no assurance that the exclusivity provisions currently in the law may not be changed in the future and the impact of any such changes (if made) on us. The orphan drug exclusivity contained in the Orphan Drug Act has been the subject of recent scrutiny from the press, from some members of Congress and from some in the medical community. There can be no assurance that the exclusivity granted in the Orphan Drug Act to orphan drugs approved by the FDA will not be modified in the future, and as to how any such change might affect our product.

Changes to the Orphan Drug Act or successful legal challenges to the FDA’s interpretation of the Orphan Drug Act may affect our ability to obtain or subsequently maintain orphan drug exclusivity or affect the scope of orphan drug exclusivity for our product.

There can be no assurance whether the exclusivity provisions in the Orphan Drug Act may be changed in the future and the impact of such changes, if made on us.

The orphan drug exclusivity contained in the Orphan Drug Act has been the subject of recent scrutiny from the press, from some members of Congress and from some in the medical community. Furthermore, the FDA’s interpretations of the Orphan Drug Act have been successfully challenged in court and future court decisions could continue that trend. There can be no assurance that the exclusivity granted in the Orphan Drug Act to orphan drugs approved by the FDA will not be modified in the future, and as to how any such change might affect our product, if approved.

Our operations and relationships with healthcare providers, healthcare organizations, customers and third-party payors are subject to applicable anti-bribery, anti-kickback, fraud and abuse, transparency and other healthcare laws and regulations, which could expose us to, among other things, enforcement actions, criminal sanctions, civil penalties, contractual damages, reputational harm, administrative burdens and diminished profits and future earnings.

Our current and future arrangements with healthcare providers, healthcare organizations, third-party payors, customers, and patients expose us to broadly applicable anti-bribery, fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we research, market, sell and distribute our drug. In addition, we may be subject to patient data privacy and security regulation by the U.S. federal government and the states and the foreign governments in which we conduct our business. Restrictions under applicable federal and state anti-bribery and healthcare laws and regulations include the following:

- the Federal health care program Anti-Kickback Statute, which prohibits individuals and entities from, among other things, knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under a federal and state healthcare program such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- the federal criminal and civil false claims and civil monetary penalties laws, including the federal False Claims Act, which can be imposed through civil whistleblower or qui tam actions against individuals or entities, prohibits, among other things, knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent, knowingly making, using or causing to be made or used, a false record or statement material to a false or fraudulent claim, or from knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government. In addition, certain marketing practices, including off-label promotion, may also violate false claims laws. Moreover, the government may assert that a claim including items and services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act;
- HIPAA, which imposes criminal and civil liability, prohibits, among other things, knowingly and willfully executing, or attempting to execute a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services; similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by HITECH, which impose obligations on certain healthcare providers, health plans, and healthcare clearinghouses, known as covered entities, as well as their business associates that perform certain services involving the storage, use or disclosure of individually identifiable health information, including mandatory contractual terms, with respect to safeguarding the privacy, security, and transmission of individually identifiable health information, and require notification to affected individuals and regulatory authorities of certain breaches of security of individually identifiable health information;
- the federal legislation commonly referred to as the Physician Payments Sunshine Act, enacted as part of the ACA, and its implementing regulations, which requires certain manufacturers of covered drugs, devices, biologics and medical supplies that are reimbursable under Medicare, Medicaid, or the Children’s Health Insurance Program, with certain exceptions, to report annually to CMS information related to certain payments and other transfers of value to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors), physician assistants, certain types of advanced care practice nurses and teaching hospitals, as well as ownership and investment interests held by the physicians described above and their immediate family members, with the information made publicly available on a searchable website;
- the U.S. Foreign Corrupt Practices Act of 1977, as amended, which prohibits, among other things, U.S. companies and their employees and agents from authorizing, promising, offering, or providing, directly or indirectly, corrupt or improper payments or anything else of value to foreign government officials, employees of public international organizations and foreign government owned or affiliated entities, candidates for foreign political office, and foreign political parties or officials thereof;
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, that may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers; and
- certain state laws that require pharmaceutical companies to comply with the pharmaceutical industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring drug and therapeutic biologics manufacturers to report information related to payments to physicians and other healthcare providers or marketing expenditures and pricing information, state and local laws that require the registration of pharmaceutical sales representatives, and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

If we or our collaborators, manufacturers or service providers fail to comply with applicable federal, state or foreign laws or regulations, we could be subject to enforcement actions, which could affect our ability to develop, market and sell our product successfully and could harm our reputation and lead to reduced acceptance of our product by the market. These enforcement actions include not only civil and criminal penalties, but also exclusion from participation in government-funded healthcare programs, and exclusion from eligibility for the award of government contracts for our product.

Efforts to ensure that our current and future business arrangements with third parties comply with applicable healthcare laws and regulations could involve substantial costs. It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations, agency guidance or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any such requirements, we may be subject to significant penalties, including civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, the curtailment or restructuring of our operations, loss of eligibility to obtain approvals from the FDA, exclusion from participation in government contracting, healthcare reimbursement or other government programs, including Medicare and Medicaid, integrity oversight and reporting obligations, or reputational harm, any of which could adversely affect our financial results. Although effective compliance programs can mitigate the risk of investigation and prosecution for violations of these laws, these risks cannot be entirely eliminated. Any action against us for an alleged or suspected violation could cause us to incur significant legal expenses and could divert our management's attention from the operation of our business, even if our defense is successful. In addition, achieving and sustaining compliance with applicable laws and regulations may be costly to us in terms of money, time and resources.

Risks Related to Third Parties

We rely on third-party suppliers and other third parties for production of our product and our dependence on these third parties may impair the advancement of our research and development programs and the development of our product.

We do not currently own or operate manufacturing facilities for clinical or commercial production of our product. We lack the resources and the capability to manufacture our product on a clinical or commercial scale. Instead, we rely on, and expect to continue to rely on, third parties for the supply of raw materials and manufacture of drug supplies necessary to conduct our preclinical studies and clinical trials. Our reliance on third parties may expose us to more risk than if we were to manufacture our current product or other products ourselves. Delays in production by third parties could delay our clinical trials or have an adverse impact on any commercial activities. In addition, the fact that we are dependent on third parties for the manufacture of and formulation of our product means that we are subject to the risk that the products may have manufacturing defects that we have limited ability to prevent or control. Although we oversee these activities to ensure compliance with our quality standards, budgets and timelines, we have had and will continue to have less control over the manufacturing of our product than potentially would be the case if we were to manufacture our product. Further, the third parties we deal with could have staffing difficulties, might undergo changes in priorities or may become financially distressed, which would adversely affect the manufacturing and production of our product. In addition, a third party could be acquired by, or enter into an exclusive arrangement with, one of our competitors, which would adversely affect our ability to access the formulations we require.

Problems with the quality of the work of third parties may lead us to seek to terminate our working relationships and use alternative service providers. In addition, it may be very challenging, and in some cases impossible, to find replacement service providers that can develop and manufacture our drug in an acceptable manner and at an acceptable cost and on a timely basis. The sale of products containing any defects or any delays in the supply of necessary services could adversely affect our business, financial condition, results of operations, and prospects.

Growth in the costs and expenses of components or raw materials may also adversely affect our business, financial condition, results of operations, and prospects. Supply sources could be interrupted from time to time and, if interrupted, supplies may not be resumed (whether in part or in whole) within a reasonable timeframe and at an acceptable cost or at all.

We plan to rely on third parties to conduct clinical trials for our product. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may be unable to obtain marketing approval for or commercialize our product outside of the United States.

Clinical trials must meet applicable foreign regulatory requirements. We do not have the ability to independently conduct clinical trials for our product abroad. We expect to rely on third parties, such as CROs, medical institutions, clinical investigators and contract laboratories, to conduct all of our clinical trials of our product; however, we remain responsible for ensuring that each of our clinical trials is conducted in accordance with our investigational plan and protocol. Moreover, the other foreign regulatory authorities require us to comply with IND and human subject protection regulations and cGCP standards, for conducting, monitoring, recording, and reporting the results of clinical trials to ensure that the data and results are scientifically credible and accurate and that the trial subjects are adequately informed of the potential risks of participating in clinical trials. Our reliance on third parties does not relieve us of these responsibilities and requirements. Regulatory authorities enforce these cGCP through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of our third-party contractors fail to comply with applicable cGCP, the clinical data generated in our clinical trials may be deemed unreliable and the foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. There is no assurance that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with cGCP. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the marketing approval process abroad.

There are significant requirements imposed on us and on clinical investigators who conduct clinical trials that we sponsor. Although we are responsible for selecting qualified CROs or clinical investigators, providing them with the information they need to conduct the clinical trials properly, ensuring proper monitoring of the clinical trials, and ensuring that the clinical trials are conducted in accordance with the general investigational plan and protocols contained in the IND, we cannot ensure that the CROs or clinical investigators will maintain compliance with all regulatory requirements at all times. The pharmaceutical industry has experienced cases where clinical investigators have been found to incorrectly record data, omit data, or even falsify data. We cannot ensure that the CROs or clinical investigators in our trials will not make mistakes or otherwise compromise the integrity or validity of data, any of which would have a significant negative effect on our ability to obtain marketing approval, our business, and our financial condition.

We or the third parties we rely on may encounter problems in clinical trials that may cause us or the foreign regulatory agencies to delay, suspend or terminate our clinical trials at any phase. These problems could include the possibility that we may not be able to manufacture sufficient quantities of materials for use in our clinical trials, conduct clinical trials at our preferred sites, enroll a sufficient number of patients for our clinical trials at one or more sites, or begin or successfully complete clinical trials in a timely fashion, if at all. Furthermore, we or foreign regulatory agencies may suspend clinical trials of our product at any time if we or they believe the subjects participating in the trials are being exposed to unacceptable health risks, whether as a result of adverse events occurring in our trials or otherwise, or if we or they find deficiencies in the clinical trial process or conduct of the investigation.

The foreign regulatory agencies could also require additional clinical trials before or after granting of marketing approval for our product, which would result in increased costs and significant delays in the development and commercialization of our product and could result in the withdrawal of our product from the market after obtaining marketing approval. Our failure to adequately demonstrate the safety and efficacy of our product in clinical development could delay or prevent obtaining marketing approval of the product and, after obtaining marketing approval, data from post-approval studies could result in our product being withdrawn from the market, either of which would likely have a material adverse effect on our business.

Our reliance on global distributors exposes us to risks related to nonperformance of key services, uncertainty of cash flow timing, and nonpayment for delivered goods.

We depend on third-party distributors to commercialize and deliver our product in various global markets. These distributors may experience operational or financial difficulties that could result in disruptions to our supply chain, delays in product delivery, or failure to meet contractual obligations. In addition, the timing of payments from these distributors may be inconsistent, creating uncertainty in our cash flow projections and financial planning. There is also a risk that some distributors may be unable or unwilling to pay for delivered goods due to financial distress or disputes, which could result in significant losses. If our distributors fail to perform, it may have a material adverse effect on our revenue, profitability, and ability to achieve our business objectives.

Risks Related to Our Intellectual Property

Our commercial success will rely upon the strength of our patents to exclude competition.

Our commercial success will depend in large part on our ability to use patents and regulatory exclusivity to exclude others from competing with our product. The patent position of emerging pharmaceutical companies like us can be highly uncertain and involve complex legal and technical issues. Until our licensed patents are interpreted by a court, either because we have sought to enforce them against a competitor or because a competitor has preemptively challenged them, we will not know the breadth of protection that they will afford us. Our patents may not contain claims sufficiently broad to prevent others from practicing our technologies or marketing competing products. Third parties may intentionally attempt to design around our patents or design around our patents so as to compete with us without infringing our patents. Moreover, the issuance of a patent is not conclusive as to its validity or enforceability, and so our patents may be invalidated or rendered unenforceable if challenged by others.

As a result of the foregoing factors, we cannot be certain how much protection from competition patent rights will provide us.

Our success will depend significantly on our ability to operate without infringing the patents and other proprietary rights of third parties.

While we are not currently aware of any third-party patents which we may infringe, there can be no assurance that we do not or will not infringe on patents held by third parties or that third parties will not claim that we have infringed on their patents. In the event that our product infringe or violate the patent or other proprietary rights of third parties, we may be prevented from pursuing product development, manufacturing or commercialization of our product. There may be patents held by others of which we are unaware that contain claims that our product or operations infringe. In addition, given the complexities and uncertainties of patent laws, there may be patents of which we are aware that we may ultimately be held to infringe, particularly if the claims of the patent are determined to be broader than we believe them to be. Adding to this uncertainty, in the United States, patent applications filed in recent years are confidential for 18 months, while older applications are not publicly available until the patent issues. As a result, avoiding patent infringement may be difficult.

If a third-party claims that we infringe its patents, any of the following may occur:

- we may be required to pay substantial financial damages if a court decides that our technologies infringe a competitor's patent, which can be tripled if the infringement is deemed willful, or be required to discontinue or significantly delay development, marketing, selling and licensing of our product and intellectual property rights;
- a court may prohibit us from selling or licensing our product without a license from the patent holder, which may not be available on commercially acceptable terms or at all, or which may require us to pay substantial royalties or grant cross-licenses to our patents; and
- we may have to redesign our product so that it does not infringe others' patent rights, which may not be possible or could require substantial funds or time and require additional studies.

In addition, employees, consultants, contractors and others may use the proprietary information of others in their work for us or disclose our proprietary information to others. If our employees, consultants, contractors or others disclose our data to others or use data belonging to others in connection with our business, it could lead to disputes over the ownership of inventions derived from that information or expose us to potential damages or other penalties.

The occurrence of any of these events could have a material adverse effect on our business, financial condition, results of operations or prospects.

We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights.

There is substantial history of litigation and other proceedings regarding patent and intellectual property rights in the pharmaceutical industry. We may be forced to defend claims of infringement brought by our competitors and others, and

we may institute litigation against others who we believe are infringing our intellectual property rights. The outcome of intellectual property litigation is subject to substantial uncertainties and may, for example, turn on the interpretation of claim language by the court, which may not be to our advantage, or on the testimony of experts as to technical facts upon which experts may reasonably disagree.

As discussed above under the section entitled “Item 1. Business– Intellectual Property,” we received a letter dated November 30, 2022, notifying us that CIPLA submitted to the FDA an ANDA (ANDA No. 218028) for a generic version of PEDMARK[®] (sodium thiosulfate solution) that contains Paragraph IV Certifications on two of our patents covering PEDMARK[®]: the OHSU licensed the US ‘190 patent, expiration date January 2038; and the US ‘728 patent, expiration date July 2039. We received a letter dated January 5, 2023, notifying us that CIPLA submitted to the FDA a Paragraph IV Certification on the US ‘984 patent. These patents are listed in the FDA Orange Book for PEDMARK[®]. The certifications allege these patents are invalid or will not be infringed by the manufacture, use, or sale of CIPLA’s sodium thiosulfate solution.

We plan to vigorously defend our intellectual property rights related to PEDMARK[®]. However, we are unable to predict the outcome of these petitions, and an invalidation of one or both of these patents may have a material adverse effect on our ability to protect our rights in PEDMARK[®] beyond the market exclusivity granted from Orphan Drug Designation and PUMA.

Further, on October 29, 2021, Hope filed a petition for inter partes review (IPR2022-00123) with the PTAB to invalidate the 190 patent, which is exclusively in-licensed from OHSU and relates to a method of using PEDMARK[®]. The US ‘190 patent was issued on March 24, 2020. On December 5, 2022, we filed a Motion to Amend the single claim of the US ‘190 patent focusing on the treatment of medulloblastoma. On April 18, 2023, the PTAB invalidated the only claim of the US ‘190 patent. The final written decision became effective June 20, 2023. The 190 patent was listed in the Orange Book, but in light of PTAB’s final written decision on the invalidity of the US ‘190 patent, we requested that the FDA remove the US ‘190 patent from the Orange Book.

Under our license agreements, we have the right to bring legal action against any alleged infringers of the patents we license. However, we are responsible for all costs relating to such potential litigation. We have the right to any proceeds received as a result of such litigation, but, even if we are successful in such litigation, there is no assurance we would be awarded any monetary damages.

Our involvement in intellectual property litigation could result in significant expense to us. Some of our competitors have considerable resources available to them and may have a strong economic incentive to undertake substantial efforts to stop or delay us from commercializing our product. Moreover, regardless of the outcome, intellectual property litigation against or by us could significantly disrupt our development and commercialization efforts, divert our management’s attention and quickly consume our financial resources.

In addition, if third parties file patent applications or issue patents claiming technology that is also claimed by us in pending applications, we may be required to participate in interference proceedings with the USPTO or in other proceedings outside the United States, including oppositions, to determine priority of invention or patentability. Even if we are successful in these proceedings, we may incur substantial costs, and the time and attention of our management and scientific personnel will be diverted from product development or other more productive matters.

Our proprietary rights may not adequately protect our technologies and product.

Our commercial success will depend in part on our ability to obtain patents and protect our existing patent position as well as our ability to maintain adequate protection of other intellectual property for our technologies, product, and any future products in the United States and other countries. If we do not adequately protect our intellectual property, competitors may be able to use our technologies and erode or negate any competitive advantage we may have, which could harm our business and ability to achieve profitability. The laws of some foreign countries do not protect our proprietary rights to the same extent or in the same manner as United States laws, and we may encounter significant problems in protecting and defending our proprietary rights in these countries. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies and product are covered by valid and enforceable patents or are effectively maintained as trade secrets.

We apply for patents covering both our technologies and product, as we deem appropriate. However, we may fail to apply for patents on important technologies or product in a timely fashion, or at all. Our existing patents and any future patents we obtain may not be sufficiently broad to prevent others from practicing our technologies or from developing competing products and technologies. We cannot be certain that our patent applications will be approved or that any patents issued will adequately protect our intellectual property.

While we are responsible for and have control over the filing and prosecuting of patent applications and maintaining patents which cover making, using or selling PEDMARK[®], we may lose any such rights if we decide to allow any licensed patent to lapse. If we fail to appropriately prosecute and maintain patent protection for PEDMARK[®], our ability to develop and commercialize PEDMARK[®] may be adversely affected and we may not be able to prevent competitors from making, using and selling competing products.

Moreover, the patent positions of pharmaceutical companies are highly uncertain and involve complex legal and factual questions for which important legal principles are evolving and remain unresolved. As a result, the validity and enforceability of patents cannot be predicted with certainty. In addition, we do not know whether:

- we or our licensors were the first to make the inventions covered by each of our issued patents and pending patent applications;
- we or our licensors were the first to file patent applications for these inventions;
- any of the patents that cover our product will be eligible to be listed in the FDA's compendium of "Approved Drug Products with Therapeutic Equivalence Evaluation," sometimes referred to as the FDA Orange Book;
- others will independently develop similar or alternative technologies or duplicate any of our technologies;
- any of our or our licensors' pending patent applications will result in issued patents;
- any patents issued to us or our licensors and collaborators will provide us with any competitive advantages, or will be challenge by third parties;
- we will develop additional proprietary technologies that are patentable;
- the United States government will exercise any of its statutory rights to our intellectual property that was developed with government funding; or
- our business may infringe the patents or other proprietary rights of others.

The actual protection afforded by a patent varies based on products or processes, from country to country and depends upon many factors, including the type of patent, the scope of its coverage, the availability of regulatory related extensions, the availability of legal remedies in a particular country, the validity and enforceability of the patents and our financial ability to enforce our patents and other intellectual property. Our ability to maintain and solidify our proprietary position for our product will depend on our success in obtaining effective claims and enforcing those claims once granted. Our issued patents and those that may issue in the future, or those licensed to us, may be challenged, narrowed, invalidated or circumvented, and the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages against competitors with similar products.

We may also rely on trade secrets to protect some of our technology, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to maintain. While we use reasonable efforts to protect our trade secrets, we or any of our collaborators' employees, consultants, contractors or scientific and other advisors may unintentionally or willfully disclose our proprietary information to competitors and we may not have adequate remedies in respect of that disclosure. Enforcement of claims that a third party has illegally obtained and is using trade secrets is expensive, time consuming and uncertain. In addition, foreign courts are sometimes less willing than United States courts to protect trade secrets. If our competitors independently develop equivalent knowledge, methods and know-how, we would not be able to assert our trade secrets against them and our business could be harmed.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on our product in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement rights are not as strong as those in the United States. These products may compete with our product in jurisdictions where we do not have any issued patents and our patent claims or other intellectual rights may not be effective or sufficient to prevent them from so competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries do not favor the enforcement of patents and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Third parties may seek approval to market their own products similar to or otherwise competitive with our product. In these circumstances, we may need to defend or assert our patents, including by filing lawsuits alleging patent infringement. For example, we have received a Paragraph IV certification notice letter from CIPLA, Inc., or CIPLA, indicating that it has submitted to FDA an abbreviated new drug application, or ANDA, seeking approval to manufacture and sell a generic version PEDMARK[®] (sodium thiosulfate solution) prior to the expiration of certain Orange Book-listed patents protecting PEDMARK[®]. In an ANDA, the applicant must certify for each listed patent that (1) the required patent information has not been filed; (2) the listed patent has expired; (3) the listed patent has not expired, but will expire on a particular date and approval is sought after patent expiration; or (4) the listed patent is invalid, unenforceable or will not be infringed by the new product. A certification that the new product will not infringe the already approved product's listed patent or that such patent is invalid is known as a Paragraph IV certification. We filed a patent infringement lawsuit against CIPLA, and will continue to vigorously defend and enforce our intellectual property rights protecting PEDMARK[®], but we can offer no assurance that our efforts we will be successful in which case our business may be materially and adversely affected.

The patent protection for our product may expire before we are able to maximize their commercial value, which may subject us to increased competition and reduce or eliminate our opportunity to generate product revenue.

The patents for our product have varying expiration dates and, if these patents expire, we may be subject to increased competition and we may not be able to recover our development costs or market any of our approved products profitably. In some of the larger potential market territories, such as the United States and Europe, patent term extension or restoration may be available to compensate for time taken during aspects of the product's development and regulatory review. For example, depending on the timing, duration and specifics of FDA marketing approval of our product, if any, one of the United States patents covering each of such approved product(s) or the use thereof may be eligible for up to five years of patent term restoration under the Hatch-Waxman Act. The Hatch-Waxman Act allows a maximum of one patent to be extended per FDA-approved product. Patent term extension also may be available in certain foreign countries upon regulatory approval of our product.

Nevertheless, we may not be granted patent term extension either in the United States or in any foreign country because of, for example, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents or otherwise failing to satisfy applicable requirements. Moreover, the term of extension, as well as the scope of patent protection during any such extension, afforded by the governmental authority could be less than we request. In addition, even though some regulatory authorities may provide some other exclusivity for a product under their own laws and regulations, we may not be able to qualify the product or obtain the exclusive time period. If we are unable to obtain patent

term extension/restoration or some other exclusivity, we could be subject to increased competition and our opportunity to establish or maintain product revenue could be substantially reduced or eliminated. Furthermore, we may not have sufficient time to recover our development costs prior to the expiration of our United States and foreign patents.

Obtaining and maintaining our patent protection depends on compliance with various procedural, documentary, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent prosecution process. Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on any issued patent and/or pending patent applications are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of a patent or patent application. We employ an outside firm and rely on our outside counsel to pay these fees. While an inadvertent lapse may sometimes be cured by payment of a late fee or by other means in accordance with the applicable rules, there are many situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If we fail to maintain the patents and patent applications directed to our product, our competitors might be able to enter the market earlier than should otherwise have been the case, which would have a material adverse effect on our business.

We may become involved in lawsuits to protect our patents or other intellectual property rights, which could be expensive, time-consuming and ultimately unsuccessful.

Competitors may infringe our patents or other intellectual property rights. To counter infringement or unauthorized use, we may be required to file infringement claims, directly or through our licensors, which can be expensive and time consuming. In addition, in an infringement proceeding, a court may decide that a patent of ours or of our licensors is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation or defense proceedings could put one or more of our patents or the patents we license at risk of being invalidated or interpreted narrowly and could put our or our licensors' patent applications at risk of not issuing.

Interference proceedings brought by the USPTO may be necessary to determine the priority of inventions with respect to our patents or the patents of our licensors. An unfavorable outcome could require us to cease using the technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if a prevailing party does not offer us a license on terms that are acceptable to us. Litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distraction of our management and other employees. We may not be able to prevent, alone or with our licensors, misappropriation of our proprietary rights, particularly in countries where the laws may not protect those rights as fully as in the United States. In addition, potential infringers of our intellectual property rights may have substantially more resources than we do to defend their position, which could adversely affect the outcome of any such dispute.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential and proprietary information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock.

Third-party claims of intellectual property infringement or misappropriation may adversely affect our business and could impede our ability to profitably commercialize our product.

Our commercial success depends in part on us not infringing the patents and proprietary rights of third parties. There is a substantial amount of litigation, both within and outside the United States, involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries, including patent infringement lawsuits, interferences, oppositions, ex-parte review and inter partes reexamination and post-grant review proceedings before the USPTO and corresponding foreign patent offices. Numerous United States and foreign issued patents and pending patent applications owned by third parties exist in the fields in which we are developing and may develop our product. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that our product may be subject to

claims of infringement of the patent rights of third parties. If a third party claims that we infringe on their products or technology, we could face a number of issues, including:

- infringement and other intellectual property claims which, with or without merit, can be expensive and time-consuming to litigate and can divert management's attention from our core business;
- substantial damages for past infringement, which we may have to pay if a court decides that our product infringes on a competitor's patent;
- a court prohibiting us from selling or licensing our product unless the patent holder licenses the patent to us, which the collaborator would not be required to do;
- if a license is available from a patent holder, we may have to pay substantial royalties or grant cross licenses to our patents; and
- redesigning our processes so they do not infringe, which may not be possible or could require substantial funds and time.

Third parties may assert that we are employing their proprietary technology without authorization. There may be third-party patents or patent applications with claims to materials, formulations, methods of manufacture or methods for treatment related to the use or manufacture of our product candidate that we failed to identify. For example, applications filed before November 29, 2000 and certain applications filed after that date that will not be filed outside the United States remain confidential until issued as patents. Except for the preceding exceptions, patent applications in the United States and elsewhere are generally published only after a waiting period of approximately 18 months after the earliest filing. Therefore, patent applications covering our product could have been filed by others without the knowledge of us or our licensors. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our product or the use or manufacture of our product. We may also face a claim of misappropriation if a third party believes that we inappropriately obtained and used trade secrets of such third party. If we are found to have misappropriated a third party's trade secrets, we may be prevented from further using such trade secrets, and we may be required to pay damages.

If any third-party patents were held by a court of competent jurisdiction to cover aspects of our materials, formulations, methods of manufacture or methods for treatment, the holders of any such patents would be able to block our ability to develop and commercialize our product until such patent expired or unless we obtain a license. These licenses may not be available on acceptable terms, if at all. Even if we were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property.

Ultimately, we could be prevented from commercializing our product, or be forced to cease some aspect of our business operations, if, as a result of actual or threatened patent infringement claims, we are unable to enter into licenses on acceptable terms.

Parties making claims against us may obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize our product. Defending against claims of patent infringement or misappropriation of trade secrets could be costly and time-consuming, regardless of the outcome. Thus, even if we were to ultimately prevail, or to settle at an early stage, such litigation could burden us with substantial unanticipated costs. In addition, litigation or threatened litigation could result in significant demands on the time and attention of our management team, distracting them from the pursuit of other company business. In the event of a successful claim of infringement against us, we may have to pay substantial damages, including treble damages and attorneys' fees for willful infringement, pay royalties, redesign our infringing products or obtain one or more licenses from third parties, which may be impossible or require substantial time and monetary expenditure. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to continue our clinical trials, continue our research programs, license necessary technology from third parties, or enter into development collaborations that would help us develop our product's market fully.

Changes in United States patent law could diminish the value of patents in general, thereby impairing our ability to protect our product.

As is the case with other pharmaceutical companies, our success is heavily dependent on intellectual property, particularly on obtaining and enforcing patents and patent rights. Obtaining and enforcing patents and patent rights in the pharmaceutical industry involves both technological and legal complexity, and therefore, is costly, time-consuming and inherently uncertain. In addition, the United States has recently enacted and is currently implementing wide-ranging patent reform legislation. Further, several recent United States Supreme Court rulings have either narrowed the scope of patent protection available in certain circumstances or weakened the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents and patent rights, once obtained.

For our United States patent applications containing a claim not entitled to priority before March 16, 2013, there is a greater level of uncertainty in the patent law. In September 2011, the Leahy-Smith America Invents Act (the “America Invents Act” or “AIA”) was signed into law. The AIA includes a number of significant changes to United States patent law, including provisions that affect the way patent applications will be prosecuted, reviewed after issuance, and may also affect patent litigation. The USPTO is currently developing regulations and procedures to govern administration of the AIA, and many of the substantive changes to patent law associated with the AIA. It is not clear what other, if any, impact the AIA will have on the operation of our business. Moreover, the AIA and its implementation could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of patent rights, all of which could have a material adverse effect on our business and financial condition.

An important change introduced by the AIA is that, as of March 16, 2013, the United States transitioned to a “first-inventor-to-file” system for deciding which party should be granted a patent when two or more patent applications are filed by different parties claiming the same invention. A third party that files a patent application in the USPTO after that date but before a licensor or us could therefore be awarded a patent covering an invention of ours even if said licensor or we had made the invention before it was made by the third party. This will require us to be cognizant going forward of the time from invention to filing of a patent application. Furthermore, our ability to obtain and maintain valid and enforceable patent rights depends on whether the differences between the licensor’s or our technology and the prior art allow our technology to be patentable over the prior art. Since patent applications in the United States and most other countries are confidential for a period of time after filing, we cannot be certain that a licensor or we were the first to either (a) file any patent application related to our product or (b) invent any of the inventions claimed in our patents or patent applications.

Among some of the other changes introduced by the AIA are changes that limit where a patentee may file a patent infringement suit and providing opportunities for third parties to challenge any issued patent in the USPTO. This applies to all United States patents, even those issued before March 16, 2013. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in United States federal court necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid as unpatentable even though the same evidence may be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate patent rights that would not have been invalidated if first challenged by the third party as a defendant in a district court action.

Depending on decisions by the United States Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

Intellectual property rights do not address all potential threats to our competitive advantage.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. The following examples are illustrative:

- Others may be able to make products that are similar to our product but that are not covered by the claims of the patents that we license from others or may license or own in the future;

- Others may independently develop similar or alternative technologies or otherwise circumvent any of our technologies without infringing our intellectual property rights;
- Any of our collaborators might not have been the first to conceive and reduce to practice the inventions covered by the patents or patent applications that we own or license or will, in the future, own or license;
- Issued patents that have been licensed to us may not provide us with any competitive advantage, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;
- Our competitors might conduct research and development activities in countries where we do not have license rights, or in countries where research and development safe harbor laws exist, and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- Ownership of patents or patent applications licensed to us may be challenged by third parties;
- The patents of third parties or pending or future applications of third parties, if issued, may have an adverse effect on our business.

Confidentiality agreements with employees, consultants and others may not adequately prevent disclosure of trade secrets and protect other proprietary information.

We consider proprietary trade secrets and/or confidential know-how and unpatented know-how to be important to our business. We may rely on trade secrets and/or confidential know-how to protect our technology, especially where patent protection is believed by us to be of limited value. However, trade secrets and/or confidential know-how can be difficult to maintain as confidential.

To protect this type of information against disclosure or appropriation by competitors, our policy is to require our employees, consultants, contractors and advisors to enter into confidentiality agreements with us. However, current or former employees, consultants, contractors and advisers may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Enforcing a claim that a third party obtained illegally and is using trade secrets and/or confidential know-how is expensive, time consuming and unpredictable. The enforceability of confidentiality agreements may vary from jurisdiction to jurisdiction.

Failure to obtain or maintain trade secrets and/or confidential know-how trade protection could adversely affect our competitive position. Moreover, our competitors may independently develop substantially equivalent proprietary information and may even apply for patent protection in respect of the same. If successful in obtaining such patent protection, our competitors could limit our use of our trade secrets and/or confidential know-how.

We may need to license certain intellectual property from third parties, and such licenses may not be available or may not be available on commercially reasonable terms.

A third party may hold intellectual property, including patent rights, that are important or necessary to the development or commercialization of our product. It may be necessary for us to use the patented or proprietary technology of third parties to commercialize our product, in which case we would be required to obtain a license from these third parties. Such a license may not be available on commercially reasonable terms or at all, which could materially harm our business.

We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties.

We have received confidential and proprietary information from third parties. In addition, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies. We may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise improperly used or disclosed confidential information of these third parties or our employees' former employers.

Further, we may be subject to ownership disputes in the future arising, for example, from conflicting obligations of consultants or others who are involved in developing our product. We may also be subject to claims that former employees, consultants, independent contractors, collaborators or other third parties have an ownership interest in our patents or other intellectual property. Litigation may be necessary to defend against these and other claims challenging our right to and use of confidential and proprietary information. If we fail in defending any such claims, in addition to paying monetary damages, we may lose our rights therein. Such an outcome could have a material adverse effect on our business.

Even if we are successful in defending against these claims, litigation could result in substantial cost and be a distraction to our management and employees.

Our reliance on third parties requires us to share our trade secrets, which increases the possibility that a competitor will discover them or that our trade secrets will be misappropriated or disclosed.

Because we rely on third parties to assist with research and development and to manufacture our product, we must, at times, share trade secrets with them. We seek to protect our proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, consulting agreements or other similar agreements with our advisors, employees, third-party contractors and consultants prior to beginning research or disclosing proprietary information. These agreements typically limit the rights of the third parties to use or disclose our confidential information, including our trade secrets. Despite the contractual provisions employed when working with third parties, the need to share trade secrets and other confidential information increases the risk that such trade secrets become known by our competitors, are inadvertently incorporated into the technology of others, or are disclosed or used in violation of these agreements. Given that our proprietary position is based, in part, on our know-how and trade secrets, a competitor's discovery of our trade secrets or other unauthorized use or disclosure would impair our competitive position and may have a material adverse effect on our business.

In addition, these agreements typically restrict the ability of our advisors, employees, third-party contractors and consultants to publish data potentially relating to our trade secrets, although our agreements may contain certain limited publication rights. For example, any academic institution that we may collaborate with in the future will usually expect to be granted rights to publish data arising out of such collaboration, provided that we are notified in advance and given the opportunity to delay publication for a limited time period in order for us to secure patent protection of intellectual property rights arising from the collaboration, in addition to the opportunity to remove confidential or trade secret information from any such publication. In the future, we may also conduct joint research and development programs that may require us to share trade secrets under the terms of our research and development or similar agreements. Despite our efforts to protect our trade secrets, our competitors may discover our trade secrets, either through breach of our agreements with third parties, independent development or publication of information by any of our third-party collaborators. A competitor's discovery of our trade secrets would impair our competitive position and have an adverse impact on our business.

Risks Related to Our Industry

Drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.

Conducting clinical trials is a lengthy, time-consuming and expensive process. Before obtaining regulatory approvals for the commercial sale of any products, we, or our potential partners, must demonstrate through preclinical testing and clinical trials that our product candidates are safe and effective for their intended uses in humans. We have incurred and may continue to incur substantial expense and devote a significant amount of time to preclinical testing and clinical trials.

The outcome of clinical testing is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of preclinical studies and early clinical trials of product candidates may not be predictive of the results of later-stage clinical trials. In addition, regulations are not static, and regulatory agencies, including the FDA, alter their staff, interpretations and practices and may in the future impose more stringent requirements than are currently in effect, which may adversely affect our planned drug development and/or our commercialization efforts. Satisfying regulatory requirements typically takes a significant number of years and can vary substantially based on the type, complexity and novelty of the product candidate. Our business, results of operations and financial condition may be materially adversely

affected by any delays in, or termination of, our clinical trials. Factors that could impede our ability to generate commercially viable products through the conduct of clinical trials include:

- insufficient funds to conduct clinical trials;
- the inability to find partners, if necessary, for support, including research, development, manufacturing or clinical needs;
- the failure of clinical trials to demonstrate the safety and efficacy of our product to the extent necessary to obtain regulatory approvals;
- the failure by us or third-party investigators, CROs, or other third parties involved in the research to adhere to regulatory requirements applicable to the conduct of clinical trials;
- the failure of preclinical testing and early clinical trials to predict results of later clinical trials;
- any delay in completion of clinical trials caused by a regional disturbance where we or our collaborative partners are enrolling patients in clinical studies, such as pandemic, terrorist activities, or war, or political unrest, a natural disaster or any other reason or event, resulting in increased costs;
- any delay in obtaining advice from the FDA or similar regulatory authorities; and
- the inability to obtain regulatory approval of our product candidate following completion of clinical trials, or delays in obtaining such approvals.

There can be no assurance that if our clinical trials are successfully initiated and completed, we will be able to obtain approval by regulatory authorities elsewhere in the world in a timely manner, if at all. For example, as described elsewhere, we received a CRL from the FDA in August 2020 and November 2021, regarding our NDA for PEDMARK[®], stating that it was unable to approve the application in its current form based on deficiencies identified by the FDA after completion of a pre-approval inspection of the manufacturing facility of our third-party drug product manufacturer. Although we are successful in resolving the matters raised by the FDA in the CRL, there is no guarantee we will receive regulatory approval elsewhere in the world for PEDMARK[®] on a timely basis or at all. If we fail to successfully develop and commercialize PEDMARK[®] outside of the United States, we may be unable to generate sufficient revenues to attain profitability, and our reputation in the industry and in the investment community would likely be damaged, each of which would cause our stock price to decrease.

We use hazardous materials and chemicals in our research and development, and our failure to comply with laws related to hazardous materials could materially harm us.

Our research and development processes, while outsourced, does involve the controlled use of hazardous materials, such as flammable organic solvents, corrosive acids and corrosive bases. Accordingly, we are subject to federal, state, local and foreign laws and regulations governing the use, manufacture, storage, handling and disposal of such materials and certain waste products. The risk of accidental contamination or injury from these materials cannot be completely eliminated. We could be held liable for any damages that result and any such liability could exceed our resources and may not be covered by our general liability insurance. We currently do not carry insurance specifically for hazardous materials claims. We may be required to incur significant costs to comply with environmental laws and regulations, which may change from time to time.

Efforts to reduce product pricing and health care reimbursement and changes to government policies could negatively affect the profitability of our product.

Now that our product has achieved regulatory approval in the United States, we may be materially adversely affected by the continuing efforts of governmental and third-party payers to contain or reduce health care costs. The constraints on pricing and availability of competitive products may further limit our pricing and reimbursement policies as well as adversely impact market acceptance and commercialization of our product.

In many markets, the pricing or profitability of healthcare products is subject to government control. In recent years, federal, state, provincial and local officials and legislators have proposed or are proposing a variety of price-based reforms to the healthcare systems in the United States, Canada and elsewhere. Some proposals include measures that would limit or eliminate payments from third-party payors to the consumer for certain medical procedures and treatments or allow government control of pharmaceutical pricing. The adoption of any such proposals or reforms could adversely affect the commercial viability of our product.

In the United States, there have been and continue to be a number of legislative initiatives to contain healthcare costs. For example, in 2010, the Affordable Care Act was passed, which substantially changes the way health care is financed by both governmental and private insurers, and significantly impacts the U.S. pharmaceutical industry.

Some states are also considering legislation that would control the prices of drugs, and state Medicaid programs are increasingly requesting manufacturers to pay supplemental rebates and requiring prior authorization by the state program for use of any drug for which supplemental rebates are not being paid. Managed care organizations continue to seek price discounts and, in some cases, to impose restrictions on the coverage of particular drugs. Government efforts to reduce Medicaid expenses may lead to increased use of managed care organizations by Medicaid programs. This may result in managed care organizations influencing prescription decisions for a larger segment of the population and a corresponding constraint on prices and reimbursement for our product.

Since its enactment, there have been judicial and Congressional challenges to numerous aspects of the Affordable Care Act. There may also be federal and state regulatory changes that impact the Affordable Care Act or healthcare programs, insurance coverage or reimbursement generally. These efforts have increased uncertainty regarding the availability of healthcare programs, insurance coverage and reimbursement as a general matter as well as for our product, and we cannot predict how these events will impact our business.

In addition, there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which have resulted in several recent Congressional inquiries and proposed bills designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, reduce the price of drugs under Medicare and reform government program reimbursement methodologies for products. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our product or additional pricing pressures.

Any significant changes in the healthcare system in the United States, Canada or abroad would likely have a substantial impact on the manner in which we conduct business and could have a material adverse effect on our ability to raise capital and the viability of product commercialization.

Risks Related to Owning Our Common Shares

We may be unable to maintain the listing of our common shares on the Nasdaq Capital Market or the TSX and that would make it more difficult for shareholders to dispose of our common shares.

Our common shares are currently listed on the Nasdaq Capital Market and the Toronto Stock Exchange (the "TSX"). Both the Nasdaq Capital Market and the TSX have rules for continued listing, including minimum market capitalization and other requirements that we might not meet in the future. While we are exercising diligent efforts to maintain the listing of our common shares on the NASDAQ Capital Market and TSX, there can be no assurance that we will be able to do so, and our securities could be delisted.

Delisting from the Nasdaq Capital Market or the TSX would make it more difficult for shareholders to dispose of our common shares and more difficult to obtain accurate quotations on our common shares. This could have an adverse effect on the price of our common shares. There can be no assurances that a market maker will make a market in our common shares on the OTCBB or any other stock quotation system after delisting. Furthermore, securities quoted over-the-counter generally have significantly less liquidity than securities traded on a national securities exchange, not only in the number of shares that can be bought and sold, but also through delays in the timing of transactions and lower market prices than might otherwise be obtained. As a result, shareholders might find it difficult to resell shares at prices quoted in the market or at all. Furthermore, because of the limited market and generally low volume of trading in our common shares, our

common shares are more likely to be affected by broad market fluctuations, general market conditions, fluctuations in our operating results, changes in the market's perception of our business, and announcements made by us, our competitors or parties with whom we have business relationships. Our ability to issue additional securities for financing or other purposes, or to otherwise arrange for any financing we may need in the future, may also be materially and adversely affected by the limited market and low trading volume of our common shares.

The market price of our common shares is highly volatile and could cause the value of your investment to significantly decline.

Historically, the market price of our common shares has been highly volatile and the market for our common shares has from time-to-time experienced significant price and volume fluctuations, some of which are unrelated to our operating performance. From January 1, 2018 to March 24, 2025, the closing trading price of our stock fluctuated from a high of \$18.45 Canadian dollars ("CAD") per share to a low of CAD\$4.38 per share on the TSX. From September 13, 2017 (the date our common shares were first listed on the Nasdaq Capital Market) to March 24, 2025, the closing trading price of our stock fluctuated from a high of \$14.33 per share to a low of \$3.30 on the Nasdaq Capital Market. Historically, our common shares have had a low trading volume, and may continue to have a low trading volume in the future. This low volume may contribute to the volatility of the market price of our common shares. It is likely that the market price of our common shares will continue to fluctuate significantly in the future.

The market price of our common shares may be significantly affected by many factors, including without limitation:

- the commercialization of our sole product, PEDMARK®;
- the need to raise additional capital and the terms of any transaction we are able to enter into;
- other external factors generally or stock market trends in the pharmaceutical or biotechnology industries specifically;
- announcements of licensing agreements, joint ventures, collaborations or other strategic alliances that involve our product or those of our competitors;
- innovations related to our or our competitors' products;
- actual or potential clinical trial results related to our or our competitors' products;
- the status, timing and outcome of regulatory approvals;
- our financial results or those of our competitors;
- reports of securities analysts regarding us or our competitors;
- developments or disputes concerning our licensed or owned patents or those of our competitors;
- developments with respect to the efficacy or safety of our product or those of our competitors; and
- health care reforms and reimbursement policy changes nationally and internationally.

Our existing principal shareholders hold a substantial number of our common shares and may be able to exercise influence in matters requiring approval of our shareholders.

At March 17, 2025, our current shareholders separately representing more than 5% ownership of our common shares collectively represented beneficial ownership of approximately 46.24% of our common shares. In particular, Southpoint Capital Advisors LP ("Southpoint Capital") owns or exercises control over approximately 4.0 million shares, representing approximately 14.81% of our issued and outstanding common shares; Sonic Fund II, LP, owns approximately 2.4 million shares, or approximately 8.75% of our issued and outstanding common shares; Essetifin SpA, owns approximately 4.0

million shares, or approximately 14.51% of our issued and outstanding common shares; and Solas Capital Management, owns approximately 2.3 million shares, or approximately 8.18% of our issued and outstanding common shares; and Southpoint Capital, Rosalind Advisors, Sonic Fund II, LP, Solas Capital Management and our other significant shareholders, and other insiders, acting alone or together, might be able to influence the outcomes of matters that require the approval of our shareholders, including but not limited to certain equity transactions (such as a financing), an acquisition or merger with another company, a sale of substantially all of our assets, the election and removal of directors, or amendments to our incorporating documents. These shareholders might make decisions that are adverse to your interests. The concentration of ownership could have the effect of delaying, preventing or deterring a change of control of our Company, which could adversely affect the market price of our common shares or deprive our other shareholders of an opportunity to receive a premium for our common shares as part of a sale of our Company.

There are a large number of our common shares underlying outstanding options, and reserved for issuance under our stock option plan, that may be sold in the market, which could depress the market price of our shares and result in substantial dilution to the holders of our common shares.

The sale or issuance of a substantial amount of our common shares in the future could cause the market price of our common shares to decline. It may also impair our ability to obtain additional financing. At March 17, 2025, we had 0.2 million warrants outstanding to purchase and 0.2 million shares of our common shares at an exercise price of \$7.71 per common share. In addition, as of March 17, 2025, there were approximately 5.7 million common shares issuable upon the exercise of outstanding stock options with a weighted average exercise price of \$6.22 per common share. We may also issue further warrants as part of any future financings in addition to the additional 1.2 million options to acquire our common shares currently remaining and available for future awards under our stock option plan.

We may need to raise additional funds in the future to continue our operations. Any equity offering could result in significant dilution to the ownership interests of shareholders and may result in dilution of the value of such interests and any debt offering will increase financial risk.

In order to satisfy our anticipated capital requirements to commercialize our product, we may need to raise additional funds through either the sale of additional equity, the issuance of securities convertible into equity, the issuance of debt, the establishment of collaborations that provide us with funding, the out-license or sale of certain aspects of our intellectual property portfolio, or from other sources. The most likely sources of financing that may be available to us in the near term are the sale of common shares and/or securities convertible or exercisable into common shares and the issuance of debt.

We cannot predict the size of future issues of common shares or the future issue of securities convertible or exercisable into common shares or the effect that any such future issues and sales of common shares or other securities will have on the market price of our common shares. Any transaction involving the issue of common shares, or securities convertible or exercisable into common shares, could result in immediate and substantial dilution to present and prospective holders of our common shares. Alternatively, we may rely on debt financing and assume debt obligations that require us to make substantial interest and capital payments and to pledge some or all of our assets as collateral to secure such debt obligations. Failure to meet our debt obligations could result in an acceleration of the debt and enforcement against our assets pledged as collateral, either of which would have an adverse effect on our operations and prospects.

Our management has significant flexibility in using the current available cash.

In addition to general corporate purposes (including working capital, research and development, business development and operational purposes), we currently intend to use our available cash to commercialize our product in the United States while continuing to seek regulatory approval for, and to invest in precommercial activities for PEDMARK[®] outside of the United States. Depending on future developments and circumstances, we may use some of our available cash for other purposes, which may have the potential to decrease our cash runway. Notwithstanding our current intentions regarding use of our available cash, our management will have significant flexibility with respect to such use. The actual amounts and timing of expenditures will vary significantly depending on a number of factors, including the amount and timing of cash used in our operations and our research and development efforts. Management's failure to use these funds effectively would have an adverse effect on the value of our common stock and could make it more difficult and costlier to raise funds in the future.

We have not paid any dividends since incorporation and do not anticipate declaring any dividends in the foreseeable future. As a result, you may not be able to recoup your investment through the payment of dividends on your common shares and the lack of a dividend payable on our common shares might depress the value of your investment.

For the foreseeable future, we plan to use all available funds to finance the commercialization of our product and operate our business. Our directors will determine if and when dividends should be declared and paid in the future based on our financial position at the relevant time, but since we have no present plans to pay dividends, you should not expect receipt of dividends either for your cash needs or to enhance the value of our common shares held by you.

We may be a passive foreign investment company, or “PFIC,” which could result in adverse United States federal income tax consequences to U.S. investors.

If we are a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder (as such term is defined in the section of this Annual Report entitled “Material U.S. Federal Income Tax Considerations”) of our common shares, the U.S. Holder may be subject to adverse U.S. federal income tax consequences and may be subject to additional reporting requirements. We have not made the analysis necessary to determine whether or not we are currently a PFIC or whether we have ever been a PFIC, and there can be no assurances with respect to our status as a PFIC for our current taxable year or any subsequent taxable year. If we are a PFIC for any taxable year, we intend to provide to a U.S. Holder such information as the Internal Revenue Service (“IRS”) may require, including a PFIC annual information statement, in order to enable the U.S. Holder to make and maintain a “qualified electing fund” election. For a more detailed explanation of the tax consequences of PFIC classification to U.S. Holders, see the section of this Annual Report entitled “Material U.S. Federal Income Tax Considerations.” This paragraph is qualified in its entirety by the discussion under that heading. Each U.S. shareholder should consult its own tax advisors regarding the PFIC rules and the U.S. federal income tax consequences of the acquisition, ownership, and disposition of our common shares.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have an adverse effect on our business.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (“Section 404”) and the rules and regulations promulgated by the SEC to implement Section 404, we are required to include in our Form 10-K a report by our management regarding the effectiveness of our internal control over financial reporting. The report includes, among other things, an assessment of the effectiveness of our internal control over financial reporting. The assessment must include disclosure of any material weakness in our internal control over financial reporting identified by management.

As part of the evaluation undertaken by management pursuant to Section 404, our management concluded that our internal control over financial reporting was effective as of December 31, 2024. However, if we fail to maintain an effective system of disclosure controls or internal controls over financial reporting, we may discover material weaknesses that we would then be required to disclose. Any material weaknesses identified in our internal controls could have an adverse effect on our business. We may not be able to accurately or timely report on our financial results, and we might be subject to investigation by regulatory authorities. This could result in a loss of investor confidence in the accuracy and completeness of our financial reports, which may have an adverse effect on our stock price.

No evaluation process can provide complete assurance that our internal controls will detect and correct all failures within our Company to disclose material information otherwise required to be reported. The effectiveness of our controls and procedures could also be limited by simple errors or faulty judgments. In addition, if we continue to expand, through either organic growth or through acquisitions (or both), the challenges involved in implementing appropriate controls will increase and may require that we evolve some or all of our internal control processes. Under applicable SEC rules, our management’s assessment of the effectiveness of our internal control over financial reporting are not attested to by our registered public accounting firm.

It is also possible that the overall scope of Section 404 may be revised in the future, thereby causing ourselves to review, revise or reevaluate our internal control processes, which may result in the expenditure of additional human and financial resources.

Risks Related to Information Technology

If our information technology systems or data, or those of third parties upon which we rely, are or were compromised, we could experience adverse consequences resulting from such compromise, including but not limited to regulatory investigations or actions; litigation; fines and penalties; disruptions of our business operations; reputational harm; loss of revenue or profits; and other adverse consequences.

In the ordinary course of our business, we and the third parties upon which we rely, process proprietary, confidential, and sensitive data, including personal data (such as health-related data), intellectual property, trade secrets and any other sensitive data.

Cyber-attacks, malicious internet-based activity, online and offline fraud, and other similar activities threaten the confidentiality, integrity, and availability of our sensitive information and information technology systems, and those of the third parties upon which we rely. Such threats are prevalent and continue to rise, are increasingly difficult to detect, and come from a variety of sources, including traditional computer “hackers,” threat actors, “hacktivists,” organized criminal threat actors, personnel (such as through theft or misuse), sophisticated nation states, and nation-state-supported actors.

Some actors now engage and are expected to continue to engage in cyber-attacks, including without limitation nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we and the third parties upon which we rely may be vulnerable to a heightened risk of these attacks, including retaliatory cyber-attacks, which could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our goods and services.

We and the third parties upon which we rely are subject to a variety of evolving threats, including but not limited to social-engineering attacks (including through deep fakes, which may be increasingly more difficult to identify as fake, and phishing attacks), malicious code (such as viruses and worms), malware (including as a result of advanced persistent threat intrusions), denial-of-service attacks, credential stuffing attacks), credential harvesting, personnel misconduct or error, ransomware attacks, supply-chain attacks, software bugs, server malfunctions, software or hardware failures, loss of data or other information technology assets, adware, attacks enhanced or facilitated by Artificial Intelligence, telecommunications failures, earthquakes, fires, floods, and other similar threats. In particular, severe ransomware attacks are becoming increasingly prevalent and can lead to significant interruptions in our operations, loss of sensitive data and income, reputational harm, and diversion of funds. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments.

Remote work has become more common and has increased risks to our information technology systems and data, as more of our employees utilize network connections, computers and devices outside our premises or network, including working at home, while in transit and in public locations.

Future or past business transactions (such as acquisitions or integrations) could expose us to additional cybersecurity risks and vulnerabilities, as our systems could be negatively affected by vulnerabilities present in acquired or integrated entities’ systems and technologies. Furthermore, we may discover security issues that were not found during due diligence of such acquired or integrated entities, and it may be difficult to integrate companies into our information technology environment and security program.

We rely on third-party service providers and technologies to operate critical business systems to process sensitive information in a variety of contexts, including, without limitation clinical trial data processing, cloud-based infrastructure, data center facilities, encryption and authentication technology, employee email, and other functions. Our ability to monitor these third parties’ information security practices is limited, and these third parties may not have adequate information security measures in place. If our third-party service providers experience a security incident or other interruption, we could experience adverse consequences. While we may be entitled to damages if our third-party service providers fail to satisfy their privacy or security-related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such award. In addition, supply-chain attacks have increased in frequency and severity, and we cannot guarantee that third parties’ infrastructure in our supply chain or our third-party partners’ supply chains have not been compromised.

While we have implemented security measures designed to protect against security incidents, there can be no assurance that these measures will be effective. We take steps designed to detect, mitigate, and remediate such vulnerabilities in our information systems (such as our hardware and/or software, including that of third parties upon which we rely). We may not, however, be able to detect and remediate all vulnerabilities, including on a timely basis. Further, we may experience delays in developing and deploying remedial measures and patches designed to address identified vulnerabilities. Vulnerabilities could be exploited and result in a security incident.

Any of the previously identified or similar threats could cause a security incident or other interruption that could result in unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration, encryption, disclosure of, or access to our sensitive information or our information technology systems, or those of the third parties upon whom we rely. A security incident or other interruption could disrupt our ability (and that of third parties upon whom we rely) to provide our products.

We may expend significant resources or modify our business activities (including our clinical trial activities) to try to protect against security incidents. Certain data privacy and security obligations may require us to implement and maintain specific security measures or industry-standard or reasonable security measures to protect our information technology systems and sensitive information.

Applicable data privacy and security obligations may require us to notify relevant stakeholders of security incidents, including affected individuals, customers, regulators, and investors. Such disclosures are costly, and the disclosure or the failure to comply with such requirements could lead to adverse consequences.

If we (or a third party upon whom we rely) experience a security incident or are perceived to have experienced a security incident, we may experience adverse consequences, such as government enforcement actions (for example, investigations, fines, penalties, audits, and inspections); additional reporting requirements and/or oversight; restrictions on processing sensitive information (including personal data); litigation (including class claims); indemnification obligations; negative publicity; reputational harm; monetary fund diversions; diversion of management's attention; interruptions in our operations (including availability of data); financial loss; and other similar harms.

Our contracts may not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our data privacy and security obligations. We cannot be sure that our insurance coverage will be adequate or sufficient to protect us from or to mitigate liabilities arising out of our privacy and security practices, that such coverage will continue to be available on commercially reasonable terms or at all, or that such coverage will pay future claims.

Increasing use of social media could give rise to liability, breaches of data security, or reputational damage.

We and our employees are increasingly utilizing social media tools as a means of communication both internally and externally. Despite our efforts to monitor evolving social media communication guidelines and comply with applicable rules, there is risk that the use of social media by us or our employees to communicate about our products or business may cause us to be found in violation of applicable laws and regulations. In addition, our employees may knowingly or inadvertently make use of social media in ways that may not comply with our social media policy or other legal or contractual requirements, which may give rise to liability, lead to the loss of trade secrets or other intellectual property, or result in public exposure of personal information of our employees, clinical trial patients, customers, and others. Furthermore, negative posts or comments about us or our products in social media could seriously damage our reputation, brand image, and goodwill.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Cybersecurity Risk Management and Strategy

We, through our third-party service provider that manages our information technology systems and networks, have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information. Our cybersecurity risk management program includes a cybersecurity incident response plan.

Our security policies and processes are based on industry best practices and are revisited regularly to ensure their appropriateness based on risk, threats and current technological capabilities. We regularly assess our threat landscape and monitor our systems and other technical security controls, maintain information security policies and procedures, including a breach response plan, ensure maintenance of backup and protective systems, and engage with a Managed Service Provider who has a team of security personnel managing our efforts and initiatives. We review System and Organization Controls 1 (SOC 1 Type II) certifications where relevant from key third party partners and other service providers with access to information assets at least annually.

We maintain Information Systems Incident Management Standards that are intended to ensure information security events and weaknesses associated with information systems are communicated and acted on in a timely manner. Our internal controls and procedures address cybersecurity and include processes intended to ensure that security breaches are reported to appropriate personnel and, if warranted, analyzed for potential disclosure. While we have experienced cybersecurity attacks, such attacks to date have not materially affected the Company or our business strategy, results of operations, or financial condition.

Our cybersecurity risk management program includes:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise IT environment;
- designated team members are responsible for managing (1) our cybersecurity risk assessment processes, (2) our security controls, and (3) our response to cybersecurity incidents;
- the use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security controls;
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents; and
- Maintain insurance coverage that is intended to address certain aspects of cybersecurity risks.

To date, there have not been any cybersecurity threats that have materially affected the Company.

Cybersecurity Governance

Our Board considers cybersecurity risk as part of its risk oversight function and oversees our cybersecurity and other information technology risks and management's implementation of our cybersecurity risk management program.

Our Board receives periodic reports from management on our cybersecurity risks. In addition, management updates the Board and the Audit Committee, as necessary, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential.

Our management team, including our Chief Financial Officer, is responsible for assessing and managing our material risks from cybersecurity threats. Our Chief Financial Officer has primary responsibility for our overall cybersecurity risk management program and supervises our retained provider of IT services and external cybersecurity consultants. Our Chief Financial Officer has experience supervising and managing company security and privacy departments.

Our management team supervises efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from external security personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in the IT environment.

Item 2. Properties

We have an operating lease in Research Triangle Park, North Carolina utilizing small space within a commercial building. The operating lease has payments of \$400 per month with no scheduled increases. This operating lease is terminable with 30 days' notice and has no penalties or contingent payments due.

On January 23, 2020, we entered into an Office Service Agreement (the "Office Service Agreement") with Regus to lease office space at in Hoboken, New Jersey. Per the terms of the Office Service Agreement, the monthly rent payments are \$1,150. The Office Service Agreement had an initial term of January 27, 2020 to July 31, 2020 and thereafter automatically renews for successive six-month periods. Either party is able to terminate the agreement by providing no less than three months' advance written notice of termination.

On August 1, 2023, the Company entered into a second Office Service Agreement (the "Second Office Service Agreement") with Regus to lease office space in Dublin, Ireland. Per the terms of the Second Office Service Agreement, the monthly rent payments are €2,000. The Company was required to pay a security deposit of €4,000, which is the equivalent of two months rent. The Second Office Service Agreement commenced on August 1, 2023 and terminates on January 31, 2025, thereafter the lease may continue on a month-to-month basis with either party being able to terminate the agreement by providing one months' advance written notice of termination. This office agreement terminated on January 31, 2025.

Item 3. Legal Proceedings

CIPLA ANDA Litigation

On December 1, 2022, we received a letter dated November 30, 2022, notifying us that CIPLA Ltd. and CIPLA USA ("CIPLA") submitted to the FDA an ANDA (ANDA No. 218028) for a generic version of PEDMARK[®] (sodium thiosulfate solution) that contained Paragraph IV Certifications on two of our patents covering PEDMARK[®]: the OHSU licensed '190 Patent, expiration date January 2038; and our US 11,291,728 Patent (the "US '728 Patent"), expiration date July 2039. On January 6, 2023, we received a letter dated January 5, 2023, notifying us that CIPLA submitted to the FDA a Paragraph IV Certification on our newly issued US 11,510,984 Patent (the "US '984 Patent"). These patents are listed in FDA's list of Approved Drug Products with Therapeutic Equivalence Evaluations, commonly referred to as the Orange Book, for PEDMARK[®]. The certifications allege these patents are invalid or will not be infringed by the manufacture, use, or sale of CIPLA's sodium thiosulfate solution.

Under the Food, Drug, and Cosmetic Act, as amended by the Drug Price Competition and Patent Term Restoration Act of 1984, as amended, after receipt of a valid Paragraph IV notice, the Company may bring a patent infringement suit in a federal district court against CIPLA within 45 days from the receipt of the Notice Letter and if such a suit is commenced within the 45-day period, the Company is entitled to a 30 month stay on the FDA's ability to give final approval to any proposed products that reference PEDMARK. In addition to the 30-month stay, because we have received Orphan Drug Exclusivity, the FDA may not approve CIPLA's ANDA for at least 7 years from PEDMARK's FDA approval date of September 20, 2022, which is September 20, 2029.

On January 10, 2023, we filed suit against the CIPLA entities in the United States District Court for the District of New Jersey (Case No. 2:23-cv-00123), for infringement of the US '190 Patent, the US '728 Patent, and the US '984 Patent. On April 20, 2023, we filed an Amended Complaint to assert infringement of the '728 Patent and the '984 Patent. On April 4, 2023, we were granted US 11,617,793 Patent (the "US '793 Patent") covering the formulation of the PEDMARK product, which was listed in the Orange Book on or around April 17, 2023, and has an expiration date of July 2039. On May 11, 2023, we received written notice of CIPLA's Paragraph IV Certification as to the US '793 Patent, which was dated May 10, 2023, along with an enclosed statement of alleged factual and legal bases for stating that the US '793 Patent is invalid, unenforceable, and/or will not be infringed by CIPLA's ANDA Product. On July 27, 2023, we filed a Second Amended Complaint to assert the US '793 Patent. CIPLA filed an Answer to the Second Amended Complaint on August 31, 2023.

On April 23, 2024, we were granted US 11,964,018 Patent (the “US ’018 Patent”) covering a method of using our PEDMARK product to reduce ototoxicity in a patient receiving a platinum based chemotherapeutic for the treatment of a cancer, which was listed in the Orange Book on or around May 8, 2024, and has an expiration date of July 2039. On May 28, 2024, we were granted US 11,992,530 Patent (the “US ’530 Patent”) covering a method of using our PEDMARK product to reduce ototoxicity in a patient receiving a platinum based chemotherapeutic for the treatment of a cancer, which was listed in the Orange Book on or around June 20, 2024, and has an expiration date of July 2039. On June 4, 2024, we were granted US 11,998,604 Patent (the “US ’604 Patent”) covering a method of using our PEDMARK product to reduce ototoxicity in a patient receiving a platinum based chemotherapeutic for the treatment of a cancer, which was listed in the Orange Book on or around June 24, 2024, and has an expiration date of July 2039.

On June 13, 2024, we filed a Motion for Leave to File a Third Amended Complaint to focus the ANDA litigation against CIPLA on the US ’018 Patent and the US ’793 Patent only. The non-asserted patents remain listed in the Orange Book. On July 22, 2024, CIPLA filed a response indicating that they do not oppose our Motion for Leave to File a Third Amended Complaint. On July 30, 2024, the court granted us leave to file the Third Amended Complaint, which we filed on September 16, 2024.

In coordination with the Third Amended Complaint, we entered into a covenant not to sue CIPLA on the US ’363 Patent, US ’728 Patent, US ’984 Patent, US ’530 Patent, and US ’604 Patent, subject to the limitation that such shall not apply to the extent CIPLA alters the product or formulation described in its FDA ANDA application. The suit is ongoing.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common shares currently trade in the U.S. on the Nasdaq Capital Market under the trading symbol “FENC” and in Canada on the TSX under the trading symbol “FRX”.

Record Holders

As of March 24, 2025, there were approximately 27 shareholders of record of our common shares, one of which was Cede & Co., a nominee for Depository Trust Company, and one of which was The Canadian Depository for Securities Limited (“CDS”). All of our common shares held by brokerage firms, banks and other financial institutions in the U.S. or Canada as nominees for beneficial owners are considered to be held of record by Cede & Co. and CDS, respectively; in respect of brokerage firms, banks and other financial institutions located in Canada. Cede & Co. and CDS are each considered to be one shareholder of record.

Dividend Policy

We have never declared or paid cash dividends on our common shares. We currently expect to retain future earnings, if any, for use in the operation and expansion of business and do not anticipate paying any cash dividends in the foreseeable future.

Material United States Federal and Canadian Income Tax Consequences

Material U.S. Federal Income Tax Considerations

The following summary describes the material U.S. federal income tax consequences to U.S. Holders (as defined below) of acquiring, owning, and disposing of our common shares, subject to the qualifications set forth herein.

General

Tax Consequences Not Addressed

This summary does not address all potential U.S. federal income tax considerations that may be relevant to a particular U.S. Holder. In addition, this summary does not take into account the individual facts and circumstances that may affect the U.S. federal income tax consequences to a particular U.S. Holder, including specific tax consequences under an applicable income tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. This summary does not address any U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, or non-U.S. tax considerations, and does not discuss tax reporting requirements that may be applicable to any particular U.S. Holder. Each prospective investor should consult a professional tax advisor with respect to the U.S. federal income, U.S. alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences of acquiring, owning, and disposing of our common shares.

Authorities

This summary is based upon the provisions of the United States Internal Revenue Code (the “Code”), the United States Treasury Regulations (whether final, temporary, or proposed) promulgated thereunder, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the “Canada-U.S. Tax Convention”), and administrative rulings and judicial decisions interpreting the Code and the United States Treasury Regulations, all as currently in effect, and all subject to differing interpretations or change, possibly on a retroactive basis. We have not sought, and will not seek, a ruling from the IRS regarding any matter discussed herein, and no assurance can be given that the IRS would not assert, or that a court would not sustain, a position that is different from, and contrary to, the positions taken in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation.

U.S. Holders

For purposes of this summary, the term “U.S. Holder” means a beneficial owner of our common shares that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States (as determined under U.S. federal income tax rules);
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of any political subdivision of the United States;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (i) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (ii) has a valid election in effect under applicable United States Treasury Regulations to be treated as a U.S. person.

An individual may be a resident for U.S. federal income tax purposes in any calendar year if the individual was present in the United States for at least 31 days in that calendar year and for an aggregate of at least 183 days during the three-year period ending with the current calendar year. For purposes of this calculation, all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year are counted. Residents are taxed for U.S. federal income tax purposes as if they were U.S. citizens.

Non-U.S. Holders Not Addressed

For purposes of this summary, a “non-U.S. Holder” is a beneficial owner of common shares that is not a U.S. Holder and is not a partnership for U.S. federal income tax purposes. This summary does not address the U.S. federal income tax consequences to non-U.S. Holders of acquiring, owning, and disposing our common shares. Each non-U.S. Holder investor should consult a professional tax advisor with respect to the U.S. federal income, U.S. alternative minimum, U.S. federal

estate and gift, U.S. state and local, and non-U.S. tax consequences of acquiring, owning, and disposing of our common shares.

Certain U.S. Holders Not Addressed

This summary does not address the U.S. federal income tax considerations applicable U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders that:

- are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts;
- are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies;
- are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method;
- have a “functional currency” other than the U.S. dollar;
- own common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position;
- acquired common shares in connection with the exercise of employee stock options or otherwise as compensation for services;
- hold common shares other than as a capital asset within the meaning of section 1221 of the Code (generally, property held for investment purposes);
- are partnerships or other “pass-through” entities for U.S. federal income tax purposes (or investors in such partnerships or entities);
- own, have owned, or will own (directly, indirectly, or by attribution) 10% or more of the total combined voting power of the outstanding shares of your company;
- are U.S. expatriates who are former citizens or long-term residents of the United States;
- have been, are, or will be residents or deemed to be residents in Canada for purposes of the Income Tax Act (Canada) (the “Tax Act”);
- use or hold, will use or hold, or that are or will be deemed to use or hold common shares in connection with carrying on a business in Canada;
- are persons whose common shares constitute “taxable Canadian property” under the Tax Act; or
- have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention.

U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal income, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences of acquiring, owning, and disposing of our common shares.

The following summary is not a substitute for careful tax planning and advice. U.S. Holders of common shares are urged to consult their own tax advisors concerning the U.S. federal income tax consequences of the issues discussed herein, in light of their particular circumstances, as well as any considerations arising under the laws of any foreign, state, local, or other taxing jurisdiction.

General Rules Applicable to the Ownership and Disposition of Common Shares

The following discussion describes the general rules applicable to the ownership and disposition of the common shares but is subject in its entirety to the special rules described below under the headings entitled “Tax Consequences if We Are a Passive Foreign Investment Company” and “Tax Consequences if We are a Controlled Foreign Corporation.”

Distributions on Common Shares

The gross amount of any distribution (including amounts, if any, withheld in respect of Canadian withholding tax) actually or constructively received by a U.S. Holder with respect to our common shares will be taxable to the U.S. Holder as a dividend to the extent of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. Distributions to a U.S. Holder in excess of earnings and profits will be treated first as a return of capital that reduces a U.S. Holder’s tax basis in such common shares (thereby increasing the amount of gain or decreasing the amount of loss that a U.S. Holder would recognize on a subsequent disposition of our common shares), and then as gain from the sale or exchange of such common shares (see “Sale or Other Taxable Disposition of Our Common Shares”). The amount of any distribution of property other than cash will be the fair market value of that property on the date of distribution. In the event we make distributions to holders of common shares, we may or may not calculate our earnings and profits under U.S. federal income tax principles. If we do not do so, any distribution may be required to be regarded as a dividend, even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain. The amount of the dividend will generally be treated as foreign-source dividend income to U.S. Holders.

Non-corporate U.S. Holders, including individuals, will generally be eligible for the preferential U.S. federal rate on “qualified dividend income,” provided that we are a “qualified foreign corporation,” the stock on which the dividend is paid is held for a minimum holding period, and other requirements are satisfied. A “qualified foreign corporation” includes a foreign corporation that is not a PFIC in the year of the distribution or in the prior taxable year and that is eligible for the benefits of an income tax treaty with the United States that contains an exchange of information provision and has been determined by the United States Treasury Department to be satisfactory for purposes of the legislation (such as the Canada-U.S. Tax Convention).

Distributions to U.S. Holders generally will not be eligible for the “dividends received deduction” generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Sale or Other Taxable Disposition of Our Common Shares

Upon the sale, exchange, or other taxable disposition of our common shares, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, or other disposition and such U.S. Holder’s tax basis in such common shares sold or otherwise disposed of. If the U.S. holder receives Canadian dollars in the transaction, the amount realized will be the U.S. dollar value of the Canadian dollars received, which is determined for cash basis taxpayers on the settlement date for the transaction and for accrual basis taxpayers on the trade date (although accrual basis taxpayers can also elect the settlement date). A U.S. Holder’s tax basis in common shares generally will be such holder’s U.S. dollar cost for such common shares. Gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the common shares have been held for more than one year.

Preferential tax rates currently apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a corporate U.S. Holder. Deductions for capital losses are subject to significant limitations under the Code. The gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes.

Additional Medicare Tax on Net Investment Income

Certain U.S. Holders that are individuals, estates, or trusts (other than trusts that are exempt from tax) are subject to a tax of 3.8% on “net investment income” (or undistributed “net investment income,” in the case of estates and trusts) for each taxable year, with such tax applying to the lesser of such income or the excess of such person’s adjusted gross income (with certain adjustments) over a specified amount. Net investment income includes dividends on the common shares and net gains from the disposition of the common shares.

U.S. Holders that are individuals, estates, or trusts should consult their own tax advisors regarding the applicability of this tax to any of their income or gains in respect of the common shares.

Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or on the sale, exchange, or other taxable disposition of common shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). If the foreign currency received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Foreign Tax Credit

Subject to the PFIC rules discussed below, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the common shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder’s U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder’s income that is subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder’s U.S. federal income tax liability that such U.S. Holder’s “foreign source” taxable income bears to such U.S. Holder’s worldwide taxable income. In applying this limitation, a U.S. Holder’s various items of income and deduction must be classified, under complex rules, as either “foreign source” or “U.S. source.” Generally, dividends paid by a foreign corporation (including constructive dividends) should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. However, the amount of a distribution with respect to the common shares that is treated as a “dividend” may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisors regarding the foreign tax credit rules.

Information Reporting and Backup Withholding

Under U.S. federal income tax law, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, certain U.S. Holders who hold certain “specified foreign financial assets” that exceed certain thresholds are required to report information relating to such assets. The definition of “specified foreign financial assets” generally includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person, and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their

common shares are held in an account at certain financial institutions. Significant penalties may apply for failure to satisfy applicable reporting obligations.

Distributions paid with respect to common shares and proceeds from a sale, exchange, or redemption of common shares made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting to the IRS and possible U.S. backup withholding (at a rate of 28%). Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct U.S. taxpayer identification number and makes any other required certification on IRS Form W-9 or that is a corporation or other entity that is otherwise exempt from backup withholding. Each U.S. Holder should consult its own tax advisors regarding the application of the U.S. information reporting and backup withholding rules. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability, and such holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS and furnishing any required information in a timely manner.

The discussion of reporting requirements set forth above is not intended to constitute a complete description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period during which the IRS can assess a tax and, under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirement. U.S. Holders should consult with their own tax advisors regarding their reporting obligations, if any, as a result of their acquisition, ownership, or disposition of our common shares.

Tax Consequences if We are a Passive Foreign Investment Company

A foreign corporation generally will be treated as a PFIC if, after applying certain "look-through" rules, either (i) 75% or more of its gross income is passive income or (ii) 50% or more of the average value of its assets is attributable to assets that produce or are held to produce passive income. Passive income for this purpose generally includes dividends, interest, rents, royalties and gains from securities and commodities transactions. The look-through rules require a foreign corporation that owns at least 25% by value of the stock of another corporation to treat a proportionate amount of assets and income as held or received directly by the foreign corporation.

We have not made the analysis necessary to determine whether or not we are currently a PFIC or whether we have ever been a PFIC. There can be no assurance that we are not, have never been or will not in the future be a PFIC. If we were to be treated as a PFIC, any gain recognized by a U.S. shareholder upon the sale (or certain other dispositions) of our common shares (or the receipt of certain distributions) generally would be treated as ordinary income, and a U.S. shareholder may be required, in certain circumstances, to pay an interest charge together with tax calculated at maximum rates on certain "excess distributions," including any gain on the sale or certain dispositions of our common shares. In order to avoid this tax consequence, a U.S. shareholder (i) may be permitted to make a "qualified electing fund" election, in which case, in lieu of such treatment, such shareholder would be required to include in its taxable income certain undistributed amounts of our income or (ii) may elect to mark-to-market our common shares and recognize ordinary income (or possible ordinary loss) each year with respect to such investment and on the sale or other disposition of the common shares. Additionally, if we are deemed to be a PFIC, a U.S. shareholder who acquires our common shares from a decedent will be denied the normally available step-up in tax basis to fair market value for the common shares at the date of the death and instead will have a tax basis equal to the decedent's tax basis if lower than fair market value. Neither we nor our advisors have the duty to or will undertake to inform U.S. shareholders of changes in circumstances that would cause us to become a PFIC. U.S. shareholders should consult their own tax advisors regarding the application of the PFIC rules including eligibility for and the manner and advisability of making certain elections in the event we are determined to be a PFIC at any point in time. We intend to take the action necessary for a U.S. shareholder to make a "qualified electing fund" election in the event we are a PFIC.

Further, excess distributions treated as dividends, gains treated as excess distributions and mark-to-market inclusions and deductions, all under the PFIC rules discussed above, are all included in the calculation of net investment income for purposes of the 3.8% tax described above under the subheading entitled "Additional Medicare Tax on Net Investment Income". United States Treasury Regulations provide, subject to the election described in the following paragraph, that solely for purposes of this additional tax, distributions of previously taxed income will be treated as dividends and included in net investment income subject to the additional 3.8% tax. Additionally, to determine the amount of any capital gain from the sale or other taxable disposition of common shares that will be subject to the additional tax on net investment

income, a U.S. Holder who has made a “qualified electing fund” election will be required to recalculate its basis in the common shares excluding basis adjustments resulting from the “qualified electing fund” election. Alternatively, a U.S. Holder may make an election which will be effective with respect to all interests in a PFIC for which a “qualified electing fund” election has been made and which is held in that year or acquired in future years. Under this election, a U.S. Holder pays the additional 3.8% tax on income inclusions resulting from the “qualified electing fund” election and on gains calculated after giving effect to related tax basis adjustments.

Tax Consequences if We are a Controlled Foreign Corporation

A foreign corporation will be treated as a “controlled foreign corporation” (“CFC”) for U.S. federal income tax purposes if, on any day during the taxable year of such foreign corporation, more than 50% of the equity interests in such corporation, measured by reference to the combined voting power or value of the equity of the corporation, is owned directly or by application of the attribution and constructive ownership rules of Sections 958(a) and 958(b) of the Code by United States Shareholders. For this purpose, a “United States Shareholder” is any United States person that possesses directly, or by application of the attribution and constructive ownership rules of Sections 958(a) and 958(b) of the Code, 10% or more of the combined voting power of all classes of equity in such corporation or 10% or more of the total value of shares of all classes in such corporation. If a foreign corporation is a CFC on any day during any taxable year, each United States Shareholder of our Company who owns, directly or indirectly, our common shares on the last day of the taxable year on which we are a CFC will be required to include in its gross income for United States federal income tax purposes its pro rata share of our “Subpart F income,” even if the Subpart F income is not distributed. Subpart F income generally includes passive income but also includes certain related party sales, manufacturing and services income.

In addition to the inclusion of “Subpart F income” of a CFC in the gross income of a United States Shareholder, there may be exposure to an additional tax under the recently enacted Global Intangible Low Tax Income regime (“GILTI”). Specifically, the GILTI rules impose an annual minimum tax on U.S. Holders of their share of GILTI income generated through CFCs. This GILTI income very generally equals a CFC’s income over a 10% return on the CFCs tangible depreciable trade or business assets. The GILTI tax is 10.5% (until 2026 and 13.12% for tax years after) on U.S. Holders who are C corporations, as they are entitled to a 50% deduction (37.5% after 2025) of the GILTI income as well as a reduced foreign tax credit on foreign taxes paid on the GILTI income. U.S. Holders who are individuals, estates or trusts may pay substantially more tax on GILTI income, as they are subject to ordinary tax rates (ranging from 10% to 37% plus the net investment income tax of 3.8%). Such U.S. Holders are not entitled to a deduction on GILTI income or a reduced foreign tax credit. There is, however, an election available to such U.S. Holders to mitigate the tax impact.

If we are a CFC, the PFIC rules set forth above, even if we are otherwise considered to be a PFIC, will not be applicable.

United States persons who might, directly, indirectly or constructively, acquire 10% or more of our common shares, and therefore might be a United States Shareholder, should consider the possible application of the CFC rules and GILTI rules and consult a tax advisor with respect to such matters.

Material Canadian Federal Income Tax Considerations

Non-Residents of Canada

The following portion of the summary is generally applicable to a U.S. Holder. Special rules, which are not discussed in this summary, may apply to a U.S. Holder that is an insurer that carries on an insurance business in Canada and elsewhere.

Disposition of Common Shares

Upon the disposition by a U.S. Holder of common shares in our Company, the U.S. Holder will not be subject to tax under the Tax Act in respect of any capital gain realized unless the common shares disposed of constitutes “taxable Canadian property” of the U.S. Holder and the U.S. Holder is not entitled to relief under an applicable tax treaty or convention. Common shares will generally not constitute “taxable Canadian property” of such U.S. Holder unless at any time in the preceding 60 months both of the following statements were true: (a) the U.S. Holder, together with either (i) persons with whom the U.S. Holder does not deal at arm’s length or (ii) partnerships in which the U.S. Holder or a person in (a) directly or indirectly hold membership interests, held shares and/or rights to acquire shares representing 25% or more of the issued shares of any class of our capital stock; and (b) more than 50% of the fair market value of our common stock was derived

directly or indirectly from one or any combination of (i) real or immovable property situated in Canada, (ii) Canadian resource properties, (iii) timber resource properties, and (iv) options in respect of, or interests in, or for civil law rights in, property described in any of (i) to (iii).

U.S. Holders whose common shares constitute “taxable Canadian property” should consult their own tax advisors for advice having regard to their particular circumstances.

Dividends Paid on Common Shares

Dividends paid, credited or deemed to have been paid or credited on our common shares held by a U.S. Holder will be subject to a Canadian withholding tax under the Tax Act at a rate of 25% of the gross amount of the dividends, subject to reduction by any applicable tax convention. Under the tax convention between Canada and the United States (the “Tax Treaty”), the rate of withholding tax on dividends generally applicable to U.S. Holders who beneficially own the dividends is reduced to 15%. In the case of U.S. Holders that are corporations that beneficially own at least 10% of our voting shares, the rate of withholding tax on dividends generally is reduced to 5%. So-called “fiscally transparent” entities, such as United States limited liability companies, or LLCs, are not entitled to rely on the terms of the Tax Treaty, however a member of such entity will be considered to have received the dividend directly and to benefit from the reduced rates under the Tax Treaty, where the member is considered under U.S. taxation law to have derived the dividend through that entity and by reason of the entity being a fiscally transparent entity, the treatment of the dividend is the same as its treatment would be if the amount had been derived directly by the member. Members of such entities are regarded as holding their proportionate share of our common shares held by the entity for the purposes of the Tax Treaty.

Item 6. Reserved

Not applicable.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Caution Concerning Forward-Looking Statements

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing at the end of this Annual Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report, including information with respect to our plans and strategy for our business, includes forward looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the sections entitled “Cautionary Note Regarding Forward-Looking Statements” and “Item 1A - Risk Factors” of this Annual Report, our actual results could differ materially from the results described in, or implied by, the forward-looking statements contained in the following discussion and analysis.

Overview

We are a commercial-stage biopharmaceutical company focused on our only product candidate PEDMARK[®]. On September 20, 2022, we received approval from the FDA for PEDMARK[®] (sodium thiosulfate injection) to reduce the risk of ototoxicity associated with cisplatin in pediatric patients one month of age and older with localized, non-metastatic solid tumors. This approval makes PEDMARK[®] the first and only treatment approved by the FDA in this area of unmet medical need. On October 17, 2022, we announced commercial availability of PEDMARK[®] in the U.S. In addition, in January 2023, PEDMARK[®] was included in the National Comprehensive Cancer Network (“NCCN”) clinical practice guidelines for Adolescent and Young Adult (“AYA”) Oncology with a category 2A recommendation.

In June 2023, we received European Commission Marketing Authorization for PEDMARQSI[®] (known as PEDMARK[®] in the U.S.) Further, the decision included the receipt of a PUMA in the EU with up to 8 years of data exclusivity plus 2 years of market protection. In March 2024, the Company announced an exclusive licensing agreement with Norgine, which will commercialize PEDMARQSI[®] in Europe, Australia and New Zealand. The licensing agreement provided us with approximately \$43,200 up front and may provide us with up to approximately \$230,000 in milestone and royalty payments in the future. Norgine announced the launch of Germany and the U.K. in early 2025.

In the U.S., we sell PEDMARK® through an experienced field force and medical science liaisons who are helping to educate the medical communities and patients about cisplatin induced ototoxicity and our programs supporting patient access to PEDMARK®.

We received Orphan Drug Exclusivity for PEDMARK® in January 2023, which provides seven years of market exclusivity from its FDA approval on September 20, 2022, until September 20, 2029. We currently have six patents listed for PEDMARK® in the FDA Orange Book. In September 2022, the USPTO issued Patent No. 11,291,728 (the “US ‘728 Patent”), in December 2022, the USPTO issued Patent No. 11,510,984 (“US ‘984 Patent”) and in April 2023, the USPTO issued Patent No. 11,671,793 (“US ‘793 Patent”) that covers PEDMARK® pharmaceutical formulation. Further, additional issued patents included US 11,964,018 Patent (the “US ‘018 Patent) and US 11,992,530 Patent (the “US ‘530 Patent”) and US 11,998,604 Patent (the “US ‘604 Patent”) covering methods of using our PEDMARK® product to reduce ototoxicity in a patient receiving a platinum based chemotherapeutic for the treatment of a cancer. The US ‘728, US ‘984 US ‘793, US ‘018, US ‘530 and US ‘604 patents will expire in 2039. We are also pursuing additional patent applications in both the U.S. and internationally for PEDMARK®.

PEDMARK® Product Overview

PEDMARK® has been studied by co-operative groups in two Phase 3 clinical studies of survival and reduction of ototoxicity, COG ACCL0431 and SIOPEL 6. Both studies have been completed. The COG ACCL0431 protocol enrolled childhood cancer patients typically treated with intensive cisplatin therapy for localized and disseminated disease, including newly diagnosed hepatoblastoma, germ cell tumor, osteosarcoma, neuroblastoma, medulloblastoma, and other solid tumors. SIOPEL 6 enrolled only hepatoblastoma patients with localized tumors.

In the United States, PEDMARK® is the first and only therapy approved to mitigate the risk of ototoxicity associated with cisplatin in pediatric patients aged one month and older with localized, non-metastatic solid tumors. Further, the National Comprehensive Cancer Network (NCCN) recommend the use of PEDMARK® to reduce the risk of cisplatin-induced ototoxicity in patients with localized, non-metastatic solid tumors (category 2A) for Adolescent and Young Adult (AYA) Oncology. As of January 2025, all medical compendia have incorporated Fennec’s clinical updates, and AHFS, the largest online platform for pharmacists, has updated its content to reflect and differentiate PEDMARK® in accordance with its labeling.

PEDMARK® is the first and only FDA- and EMA-approved agent designed to reduce the risk of cisplatin-induced hearing loss (CIO) in children with localized solid tumors. The strategic imperatives driving the execution of PEDMARK®’s strategy include increasing awareness of unmet patient needs and emphasizing the importance of preventing CIO among oncologists. A key goal is to establish PEDMARK® as the standard of care (SOC) for all CIO prevention. Additionally, efforts focus on expanding adoption beyond oncologists by ensuring healthcare providers (HCPs) gain confidence in and have positive experiences with PEDMARK®. Ensuring seamless access for advocacy groups, payers, and providers is also a priority, along with activating patients and caregivers through disease education to drive demand for PEDMARK®. Key activities supporting these objectives include an expanded sales team with a strong track record in both academic and community settings, partnerships with group purchasing organizations, and specialty pharmacy offerings such as home infusions, white bag delivery, and direct billing. Furthermore, digital materials, a digital speaker bureau to engage pediatric oncologists, audiologists, nurses, and pharmacists, along with a patient access services hub and ongoing support from advocacy groups, are all integral components of the strategy.

In the U.S. and Europe, it is estimated that more than 10,000 pediatric may receive platinum-based chemotherapy on an annual basis. The incidence of ototoxicity depends upon the dose and duration of chemotherapy, and many of these children require lifelong hearing aids. PEDMARK® is the first and only therapy approved to mitigate the risk of ototoxicity associated with cisplatin, a form of platinum based chemotherapy, in pediatric patients aged one month and older with localized, non-metastatic solid tumors. Beyond the use of PEDMARK®, only expensive, technically difficult, and sub-optimal cochlear (inner ear) implants have been shown to provide some benefit. Infants and young children that suffer ototoxicity at critical stages of development lack speech language development and literacy, and older children and adolescents lack social-emotional development and educational achievement.

The U.S. pediatric oncology landscape includes approximately 200 targeted pediatric hospital centers, such as those within the Children's Oncology Group (COG), National Cancer Institute (NCI), and National Comprehensive Cancer Network (NCCN) institutions. Around 80% of pediatric cancer patients receive treatment at these key centers.

The Adolescent and Young Adult (AYA) oncology patient is defined as an individual between the ages of 15 and 39 at the time of initial cancer diagnosis. In the U.S., Fennec estimates that approximately 20,000 cisplatin chemotherapy patients are treated annually with the primary tumor types of thyroid cancer, breast cancer, germ cell cancer and testicular cancer.

The U.S. Adolescent and Young Adult (AYA) oncology landscape is shaped by a combination of academic and community centers across the nation. Academic institutions play a critical role in establishing the treatment framework, with 72 NCI-designated academic centers treating approximately 20% of AYA oncology patients. In contrast, around 80% of patients are treated at 3,750 community centers throughout the country.

Cisplatin Induced Ototoxicity (“CIO”)

Cisplatin and other platinum compounds are essential chemotherapeutic agents for the treatment of many pediatric and adult malignancies. Unfortunately, platinum-based therapies can cause ototoxicity, or hearing loss, which is permanent, irreversible, and particularly harmful to the survivors of pediatric cancer.

The incidence of ototoxicity depends upon the dose and duration of chemotherapy, and many of these patients require lifelong hearing aids or cochlear implants, which can be helpful for some, but do not reverse the hearing loss and can be costly over time. Infants and young children that are affected by ototoxicity at critical stages of development lack speech and language development and literacy, and older children and adolescents often lack social-emotional development and educational achievement.

It is estimated that greater than 50% of pediatric patients may suffer permanent hearing loss as a result of CIO and approximately 40-80% of adult patients may suffer permanent hearing loss as a result of CIO.

European Commission Marketing Authorization

PEDMARQSI® (PEDMARK® brand name in Europe.) received European Commission Marketing Authorization in June 2023 and received U.K. approval in October 2023.

As previously noted, in March 2024, we entered into an agreement with Norgine, a leading European specialist pharmaceutical company. This is an exclusive licensing agreement under which Norgine will commercialize PEDMARQSI® in Europe, Australia and New Zealand. PEDMARQSI® is the first and only approved therapy in the EU and U.K. for the prevention of ototoxicity (hearing loss) induced by cisplatin chemotherapy in patients 1 month to < 18 years of age with localized, non-metastatic solid tumors.

Under the terms of the licensing agreement, Fennec received approximately \$43 million in upfront consideration and may receive up to approximately \$230 million in additional commercial and regulatory milestone payments and double-digit tiered royalties on net sales of PEDMARQSI® in the licensed territories up to the mid-twenties. Norgine will be responsible for all commercialization activities in the licensed territories and will hold all marketing authorizations in the licensed territories.

Most recently, in December 2024, PEDMARQSI received positive final draft guidance from the National Institute for Health and Care Excellence (NICE). Further, in early 2025, Norgine announced the launch of PEDMARQSI in Germany.

Results of Operations

Fiscal 2024 versus Fiscal 2023

In thousands of U.S. Dollars	Fiscal Year Ended December 31, 2024	%	Fiscal Year Ended December 31, 2023	%	Increase (Decrease)
Product sales, net	\$ 29,580		\$ 21,252		\$ 8,328
Licensing revenue	17,958		—		17,958
Total revenue	47,538		21,252		26,286
Operating expenses:					
Cost of product sales	3,184	7 %	1,259	3 %	1,925
Research and development	307	1 %	56	- %	251
Selling and marketing	18,426	41 %	12,123	36 %	6,303
General and administrative	23,053	51 %	20,585	61 %	2,468
Total operating expense	44,970	100 %	34,023	100 %	10,947
Income / (loss) from operations	2,568		(12,771)		15,339
Unrealized loss on securities	(81)		(39)		(42)
Amortization expense	(89)		(287)		198
Interest expense	(4,069)		(3,394)		(675)
Unrealized foreign exchange (loss)/gain	(82)		5		(87)
Interest income	1,682		441		1,241
Loss before income tax	(71)		(16,045)		15,974
Income tax	(365)		—		(365)
Net loss	\$ (436)		\$ (16,045)		\$ (14,704)

- The Company recorded net product sales of \$29.6 million in fiscal 2024 compared to \$21.3 million in 2023 as the Company increased market penetration and access for PEDMARK as the Company expanded its focus to the adolescent and young adult (AYA) population. Further, the Company recorded \$18.0 million in licensing revenue related to the Norgine transaction. The Company recorded discounts and allowances against sales in the amount of \$9.3 million and cost of products sold of approximately \$3.2 million in 2024.
- Research and development expense increased by \$0.3 million in fiscal 2024 as compared to fiscal 2023. Our research and development activities for this period consisted of costs associated with investigator initiated clinical trials.
- Selling and marketing expenses include distribution costs, logistics, shipping and insurance, advertising, wages commissions and out-of-pocket expenses. We recorded \$18.4 million in selling and marketing expenses for 2024, compared to \$12.1 million for 2023. The increase is largely related to increased payroll and additional marketing expenses in the comparable period as we focused on expanding our outreach to community oncology centers and AYA population.
- There was a \$2.8 million increase in general and administrative expenses 2024 compared to 2023. There was an increase in consulting and professional costs compared to same period in 2023 which is largely attributable to increased European pre-commercialization related expenses and expenses associated with the Norgine transaction and intellectual property expenses related to ongoing litigation.
- The value of our Processa shares declined by \$0.01 million for the year ended December 31, 2024. For year ended December 31, 2023, there was a loss of \$0.04 million.
- Amortization expense decreased \$0.2 million in fiscal 2024.

- Interest expense increased by \$0.7 million in fiscal 2024 compared to fiscal 2023. The increase was driven mainly by higher average debt balances and higher interest rates on long-term debt. Prospective interest expense is expected to decline as a result of the Company's debt paydown of \$13 million in December 2024.
- Interest income increased in fiscal 2024 as compared to fiscal 2023 by \$1.2 million, due to higher cash balances and higher rates on money market accounts for the comparable periods.
- Income tax expense increased due to the Company's income inclusion from Norgine licensing transaction in March 2024.

Selected Asset and Liability Data (thousands):	As at December 31, 2024	As at December 31, 2023
Cash and equivalents	\$ 26,634	\$ 13,269
Other current assets	17,490	13,589
Current liabilities	6,919	7,553
Working capital ⁽¹⁾	37,205	19,305
⁽¹⁾ [Current assets – current liabilities]		
Selected Equity:		
Common stock and additional paid in capital	212,566	206,380
Accumulated deficit	(219,681)	(219,245)
Shareholders' deficit	(5,872)	(11,622)

Liquidity and Capital Resources

- There was a \$13.4 million net increase in cash and cash equivalents between December 31, 2024, and December 31, 2023. The net increase was primarily the result of cash inflows of \$43.2 million from the Norgine licensing transaction, cash collections on product sales and proceeds from the exercise of options which were offset by \$13.0 million paid off on the Petrichor Financing note and cash operating expenses.
- The increase in other current assets of \$3.8 million between December 31, 2023, and December 31, 2024, primarily relates to an increase of \$4.1 million in accounts receivable, an decrease of \$1.1 million in inventory and an increase of \$0.5 million in prepaid expenses.
- Current liabilities at December 31, 2024 decreased \$0.6 million compared to December 31, 2023.
- Working capital increased by \$17.8 million between December 31, 2024, and December 31, 2023. The increase was primarily as a result of cash inflows from the Norgine licensing transaction and cash collections on product sales offset by cash used in operations for the commercialization of PEDMARK and the paydown of the Petrichor notes.

Selected Cash Flow Data (dollars and shares in thousands)	Year Ended December 31, 2024	Year Ended December 31, 2023
Net cash provided by / (used in) operating activities	\$ 26,980	\$ (17,143)
Net cash provided by investing activities	—	—
Net cash (used in) / provided by financing activities	(13,615)	6,638
Net cash flow	<u>\$ 13,365</u>	<u>\$ (10,505)</u>

The net cash flow from operating activities for the year ended December 31, 2024 was approximately \$27.0 million as compared to \$17.1 million net cash used from operating activities in 2023. There was a decrease in net loss of \$15.6 million in fiscal 2024 compared to fiscal 2023. In 2024, non-cash items added back to net loss increased by \$4.7 million over fiscal 2023 and net changes in balance sheet accounts added \$23.4 million in fiscal 2024. Net financing activities in fiscal 2024 provided approximately \$20.3 million less than in fiscal 2023. This was mainly from \$5 million being borrowed in 2023 and \$13 million being paid back in 2024 on the Petrichor notes, net of fees, and approximately \$0.5 million less arising from various option exercises in 2024 versus 2023.

We continue to pursue various strategic alternatives including collaborations with other pharmaceutical and biotechnology companies. Our projections of further capital requirements are subject to substantial uncertainty. Our working capital requirements may fluctuate in future periods depending upon numerous factors, including: our ability to obtain additional financial resources; our ability to enter into collaborations that provide us with up-front payments, milestones or other payments; results of our research and development activities; progress or lack of progress in our preclinical studies or clinical trials; unfavorable toxicology in our clinical programs, our drug substance requirements to support clinical programs; change in the focus, direction, or costs of our research and development programs; headcount expense; the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing our patent claims; competitive and technological advances; the potential need to develop, acquire or license new technologies and products; our business development activities; new regulatory requirements implemented by regulatory authorities; the timing and outcome of any regulatory review process; and commercialization activities, if any.

We had cash and cash equivalents of approximately \$26.6 million as of December 31, 2024. We currently anticipate that our available capital resources, including our existing cash and cash equivalents and the accounts receivable balances will be sufficient to meet our expected working capital and capital expenditure requirements as our business is currently conducted for at least the next 12 months.

Financial Instruments

We invest excess cash and cash equivalents in high credit quality investments held by financial institutions in accordance with our investment policy designed to protect the principal investment. At December 31, 2024, we had approximately \$26.6 million in our cash accounts and \$24.6 million in savings and money market accounts. While we have never experienced any loss or write down of our money market investments since our inception, the amounts we hold in money market accounts are substantially above the \$0.25 million amount insured by the FDIC and may lose value.

Our investment policy is to manage investments to achieve, in the order of importance, the financial objectives of preservation of principal, liquidity and return on investment. Investments may be made in U.S. or Canadian obligations and bank securities, commercial paper of U.S. or Canadian industrial companies, utilities, financial institutions and consumer loan companies, and securities of foreign banks provided the obligations are guaranteed or carry ratings appropriate to the policy. Securities must have a minimum Dun & Bradstreet rating of A for bonds or R1 low for commercial paper. The policy also provides for investment limits on concentrations of securities by issuer and maximum-weighted average time to maturity of twelve months. This policy applies to all of our financial resources. The policy risks are primarily the opportunity cost of the conservative nature of the allowable investments. Until the company is cash flow positive from operations, we have chosen to avoid investments of a trading or speculative nature.

We classify investments with original maturities at the date of purchase greater than three months which mature at or less than twelve months as current. We carry investments at their fair value with unrealized gains and losses included in other comprehensive income (loss); however, we have not held any instruments that were classified as short-term investments during the periods presented in this Annual Report.

Off-Balance Sheet Arrangements

Since our inception, we have not had any material off-balance sheet arrangements.

Contractual Obligations and Commitments

None, other than the OHSU Agreement, lease agreements, and the severance amounts described in notes to our consolidated financial statements contained elsewhere in this Annual Report.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expense during the reporting period. These estimates are based on assumptions and judgments that may be affected by commercial, economic and other factors. Actual results could differ from these estimates.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements. The following description of critical accounting policies, judgments and estimates should be read in conjunction with our December 31, 2024 consolidated financial statements.

Credit Losses

The Company estimates and records a provision for its expected credit losses related to its trade receivables. The Company considers historical collection rates, the current financial status of its customers, macroeconomic factors, and other industry-specific factors when evaluating for current expected credit losses. Forward-looking information is also considered in the evaluation of current expected credit losses. However, because of the short time to the expected receipt of accounts receivable, the Company believes that the carrying value, net of expected losses, approximates fair value and therefore, relies more on historical and current analysis of its trade receivables.

To determine the provision for credit losses for accounts receivable, the Company has disaggregated its accounts receivable by class of customer, as the Company determined that risk profile of its customers is consistent based on the life sciences industry. Each class of customer component is analyzed for estimated credit losses individually. In doing so, the Company establishes a customer profile, based on the previous collections of accounts receivable by the age of such receivables, and evaluates the current and forecasted financial position of its customers, as available. Further, the Company considers macroeconomic factors and the status of the life sciences industry to estimate if there are current expected credit losses within its trade receivables based on the trends and the Company's expectation of the future status of such economic and industry-specific factors. Also, specific allowance amounts are established based on review of outstanding invoices to record the appropriate provision for customers that have a higher probability of default.

Revenue Recognition

Under Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers, the Company recognizes revenue when its customers obtain control of promised goods or services, in an amount that reflects the consideration which the Company determines it expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the Company satisfies its performance obligation(s). As part of the accounting for these arrangements, the Company must make significant judgments, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation.

License Agreements

The Company generates revenue from license or similar agreements with pharmaceutical companies for the commercialization of its product. Such agreements may include the transfer of intellectual property rights in the form of

licenses. Payments made by the customers may include non-refundable upfront fees, payments based upon the achievement of defined milestones, and royalties on sales of product.

If a license to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes the transaction price allocated to the license as revenue upon transfer of control of the license. All other promised goods or services in the agreement are evaluated to determine if they are distinct. If they are not distinct, they are combined with other promised goods or services to create a bundle of promised goods or services that is distinct. Optional future services where any additional consideration paid to the Company reflects their standalone selling prices do not provide the customer with a material right and, therefore, are not considered performance obligations. If optional future services are priced in a manner which provides the customer with a significant or incremental discount, they are material rights, and are accounted for as separate performance obligations.

Contingent milestones at contract inception are estimated at the amount which is not probable of a material reversal and included in the transaction price using the most likely amount method. Milestone payments that are not within the Company's control, such as regulatory approvals, are not considered probable of being achieved until those approvals are received and therefore the variable consideration is constrained. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis, for which the Company recognizes revenue as or when the performance obligations under the contract are satisfied. At the end of each reporting period, the Company re-evaluates the probability of achieving development or sales-based milestone payments that may not be subject to a material reversal and, if necessary, adjust the estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect license and other revenue, as well as earnings, in the period of adjustment.

For arrangements that include sales-based royalties, including sales-based milestone payments, and a license of intellectual property that is deemed to be the predominant item to which the royalties relate, revenue is recognized at the later of when the related sales occur or when the performance obligation to which some or all of the royalties have been allocated has been satisfied (or partially satisfied).

Stock-based Compensation

The calculation of the fair values of our stock-based compensation plans requires estimates that require management's judgments. Under ASC 718, the fair value of each stock option is estimated on the grant date using the Black-Scholes option-pricing model. The valuation models require assumptions and estimates to determine expected volatility, expected life, expected dividends and expected risk-free interest rates. The expected volatility was determined using historical volatility of our stock based on the contractual life of the award. The risk-free interest rate assumption was based on the yield on zero-coupon U.S. Treasury strips at the award grant date. We also used historical data to estimate forfeiture experience. In valuing options granted in the fiscal years ended December 31, 2024 and 2023, we used the following weighted average assumptions:

	Year Ended December 31, 2024		Year Ended December 31, 2023	
Expected dividend	—	%	—	%
Risk-free interest rate	3.64 - 5.15	%	3.58 - 5.31	%
Expected volatility	55 - 162	%	59 - 167	%
Expected life	1.5 - 6.0 years		1.5 - 6.0 years	

Common shares and warrants

Common shares are recorded as the net proceeds received on issuance after deducting all share issuance costs and the relative fair value of investor warrants. Warrants are recorded at relative fair value and are deducted from the proceeds of common shares and recorded on the consolidated statements of shareholders' equity as additional paid-in capital.

Outstanding Share Information

Our outstanding comparative share data at December 31, 2024 and December 31, 2023 is as follows (in thousands):

Outstanding Share Type	December 31, 2024	December 31, 2023	Change
Common shares	27,527	27,027	500
Warrants	150	150	—
Stock options	5,855	4,798	1,057
Total	<u>33,532</u>	<u>31,975</u>	<u>1,557</u>

Newly Adopted and Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (“FASB”) issued amended guidance for improvements to reportable segment disclosures (ASU) No. 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures,” that requires a public entity disclose significant segment expenses regularly reviewed by the chief operating decision maker (CODM), including public entities with a single reportable segment. The amended guidance is effective for fiscal years beginning January 1, 2024, and interim periods beginning January 1, 2025 and should be applied on a retrospective basis. The Company adopted the annual and interim disclosure requirements of ASU 2023-07 effective December 31, 2024 (refer to *Note 11. Segment Reporting*). The adoption of this ASU only affects the Company’s disclosures, with no impact to its financial condition and results of operations.

In December 2023, the FASB issued Accounting Standards Update (ASU) No. 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures,” which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. This guidance will be effective for the annual periods beginning the year ended December 31, 2025. The Company is currently evaluating the effect the adoption of this ASU will have on its consolidated financial statements.

On March 21, 2024, the FASB issued Accounting Standards Update (ASU) 2024-01, Compensation-Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards, which provides illustrative guidance to help entities determine whether profits interest and similar awards should be accounted for as share-based payment arrangements within the scope of FASB Accounting Standards Codification (FASB ASC) 718, Compensation-Stock Compensation. *This guidance will be effective for the annual periods beginning the year ended December 31, 2025.* The Company believes that ASU 2024-01 will not have a material impact on the Company’s consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, “Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses,” which requires disclosure of additional disaggregated information about significant expenses within relevant income statement captions, such as purchases of inventory, employee compensation, depreciation, amortization and depletion. The new guidance is effective for annual periods beginning after December 15, 2026, and interim periods within annual periods beginning after December 15, 2027. We are currently evaluating the impact of this standard on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Money Market Investments

We maintain an investment portfolio consisting of U.S. or Canadian obligations and bank securities and money market investments in compliance with our investment policy. We do not hold any mortgaged-backed investments in our investment portfolio. Securities must have a minimum Dun & Bradstreet rating of A for bonds or R1 low for commercial paper. The policy also provides for investment limits on concentrations of securities by issuer and maximum-weighted average time to maturity of twelve months. This policy applies to all of our financial resources.

At December 31, 2024, we had \$24.6 million in money market investments and savings accounts as compared to \$11.9 million at December 31, 2023; these investments typically have minimal risk. We have not experienced any loss or write

down of our money market investments for the years ended December 31, 2024 and 2023; however, the amounts we hold in money market accounts are substantially above the \$250,000 amount insured by the FDIC and may lose value.

Our investment policy is to manage investments to achieve, in the order of importance, the financial objectives of preservation of principal, liquidity and return on investment. Our risk associated with fluctuating interest rates on our investments is minimal and not significant to the results of operations. We currently do not use interest rate derivative instruments to manage exposure to interest rate changes. As our main purpose is research and development, we have chosen to avoid investments of a trade or speculative nature.

Foreign Currency Exposure

We are subject to foreign currency risks as we purchase goods and services which are denominated in Canadian dollars and Euros. To date, we have not employed the use of derivative instruments; however, we do hold Canadian dollars and Euros which we use to pay vendors in Canada and the EU in addition to other corporate obligations. At December 31, 2024, we held approximately CAD\$0.16 million and €0.24 million.

Item 8. Financial Statements and Supplementary Data

The financial statements required to be filed pursuant to this Item 8 are appended to this Annual Report. A list of the financial statements filed herewith is found at "Index to Financial Statements" on Page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of December 31, 2024. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports the Company files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosures. In designing and evaluating our disclosure controls and procedures, the Company's management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our disclosure controls and procedures have been designed to meet reasonable assurance standards. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints that require the Company's management to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. The design of any disclosure controls and procedures also is 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.

Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2024, the Company's disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's management evaluated the effectiveness of its internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based

on that evaluation, the Company's management has concluded that, as of December 31, 2024, our internal controls over financial reporting were effective.

Changes in Internal Control over Financial Reporting

There were no changes to the Company's internal control over financial reporting during the fourth quarter of 2024 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitation on the Effectiveness of Internal Controls

The effectiveness of any system of internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting can only provide reasonable, not absolute, assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business but cannot assure that such improvements will be sufficient to provide us with effective internal control over financial reporting.

Item 9B. Other Information

Insider Adoption or Termination of Trading Arrangements

Rostislav Raykov, a current member of our Board of Directors, adopted a trading arrangement on September 23, 2024, which is intended to satisfy the Rule 10b5-1 affirmative defense. This trading arrangement covers the disposition of up to 120,000 shares of the Company's common shares, and will terminate on December 31, 2025, unless earlier terminated in accordance with its terms. No additional directors or officers informed us of the adoption, modification or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The Company has an insider trading policy that governs the purchase, sale, and other dispositions of its securities by directors, officers, employees, and contractors, as well as by the Company itself. We believe that the insider trading policy is reasonably designed to promote compliance with insider trading laws, rules, and regulations and applicable listing standards. A copy of our insider trading policy is filed with this Annual Report on Form 10-K as Exhibit 19.

The remaining information required by this Item is incorporated herein by reference from our Proxy Statement for our 2025 Annual Meeting of Stockholders.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference from our Proxy Statement for our 2025 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference from our Proxy Statement for our 2025 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference from our Proxy Statement for our 2025 Annual Meeting of Stockholders.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated herein by reference from our Proxy Statement for our 2025 Annual Meeting of Stockholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are included as part of this Annual Report:

1. Financial Statements – See Index to Financial Statements on page F-1.
2. All schedules are omitted as the information required is inapplicable or the information is presented in the financial statements.
3. Exhibits:

Exhibit No.	Description	Location
3.1	Notice of Articles dated August 25, 2011	Exhibit 3.2I to the Form 8-K of the Company filed August 26, 2011
3.2	Articles dated August 25, 2011	Exhibit 3.2II to the Form 8-K of the Company filed August 26, 2011
3.3	Notice of Alteration Dated September 3, 2014	Exhibit 3.1 to the Form 8-K of the Company filed September 9, 2014
4.1	Fennec Pharmaceuticals, Inc. Description of the Registrant's Securities	Exhibit 4.1 to the Form 10-K of the Company filed March 29, 2024
10.1	Fennec Pharmaceuticals, Inc. 2020 Equity Incentive Plan*	Schedule B to the Management Proxy Circular of the Company filed May 11, 2020
10.2	Executive Employment Agreement dated May 3, 2010 by and between Fennec Pharmaceuticals Inc. and Rostislav Raykov*	Exhibit 10.28 to the Form 10-Q of the Company filed May 14, 2010
10.3	Form of Independent Director Agreement, dated May 3, 2010	Exhibit 10.31 to the Form 10-Q of the Company filed May 14, 2010
10.4	Executive Employment Agreement dated November 12, 2015 by and between Fennec Pharmaceuticals Inc. and Robert Andrade*	Exhibit 10.40 to the Form 10-Q of the Company filed November 12, 2015
10.5	Form of Stock Option Award Agreement under 2020 Equity Incentive Plan*	Filed herewith
10.6	Form of Restricted Stock Award Agreement under 2020 Equity Incentive Plan*	Filed herewith
10.7	Confidential Separation Agreement between Fennec Pharmaceuticals (EU) Limited, Fennec Pharmaceuticals Inc., and Adrian Haigh, dated June 30, 2024*	Exhibit 10.1 to the Form 8-K of the Company filed July 2, 2024
10.8	Confidential Separation Agreement between Fennec Pharmaceuticals, Inc. and Rostislav Raykov, dated August 5, 2024*	Exhibit 10.1 to the Form 8-K of the Company filed August 7, 2024
10.9	Executive Employment Agreement between Fennec Pharmaceuticals, Inc. and Jeffrey S. Hackman, dated August 5, 2024*	Exhibit 10.2 to the Form 8-K of the Company filed August 7, 2024

[Table of Contents](#)

Exhibit No.	Description	Location
10.10	At The Market Offering Agreement, dated October 30, 2020, between Fenec Pharmaceuticals Inc. and H.C. Wainwright & Co., LLC	Exhibit 1.1 to the Form 8-K of the Company filed October 30, 2020
10.11	Securities Purchase Agreement, dated as of August 1, 2022, by and between Fenec Pharmaceuticals Inc. and Petrichor Opportunities Fund I LP	Exhibit 10.1 to the form 8-K of the Company filed August 1, 2022
10.12	First Closing Senior Secured Convertible Note, dated August 19, 2022, by and between Fenec Pharmaceuticals Inc. and Petrichor Opportunities Fund I LP	Exhibit 4.1 to the form 8-K of the Company filed August 22, 2022
10.13	Second Closing Senior Secured Convertible Note, dated September 23, 2022, by and between Fenec Pharmaceuticals Inc. and Petrichor Opportunities Fund I LP	Exhibit 4.1 to the form 8-K of the Company filed September 26, 2022
10.14	First Amendment to Securities Purchase Agreement, dated as of December 4, 2023, between Fenec Pharmaceuticals Inc. and Petrichor Opportunities Fund I LP	Exhibit 10.1 to the Form 8-K of the Company filed December 6, 2023
10.15	Third Closing Senior Secured Convertible Note, dated as of December 4, 2023, between Fenec Pharmaceuticals Inc. and Petrichor Opportunities Fund I LP	Exhibit 4.1 to the Form 8-K of the Company filed December 6, 2023
10.16	License and Supply Agreement, dated March 15, 2024, between Fenec Pharmaceuticals, Inc. and Norgine Pharma UK Limited	Exhibit 10.1 to the Form 8-K of the Company filed March 21, 2024
10.17	Waiver and Redemption Agreement, dated December 18, 2024, between Fenec Pharmaceuticals Inc. and Petrichor Opportunities Fund I LP	Exhibit 10.1 to the Form 8-K of the Company filed December 20, 2024
19	Fenec Pharmaceuticals, Inc. Insider Trading Policy, dated July 11, 2009.	Exhibit 10.16 to the Form 10-K of the Company filed March 29, 2024
21	Subsidiaries	Exhibit 21 to the 10-K of the Company filed February 14, 2020
23.1	Consent of Haskell & White LLP, Independent Registered Public Accounting Firm	Filed herewith
31.1	Certification of Chief Executive Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Chief Financial Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Chief Executive Officer and Chief Financial Officer of the Company in accordance with Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
97	Fenec Pharmaceuticals, Inc. Incentive Compensation Recovery Policy	Exhibit 97 to the Form 10-K of the Company filed March 29, 2024
99.1	Press Release for Fiscal Year Ended December 31, 2022	Filed herewith

Exhibit No.	Description	Location
101.1	Interactive Data File	Filed herewith
104	Cover Page Interactive Data File – The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	Filed herewith

* Indicates a management contract or compensatory plan.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 of 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Fennec Pharmaceuticals Inc.

By: _____ /s/ Jeffrey Hackman
Jeffrey Hackman
Chief Executive Officer

Date: March 26, 2025

We, the undersigned directors and officers of Fennec Pharmaceuticals Inc., do hereby constitute and appoint Jeffrey Hackman, as our true and lawful attorney-in-fact and agent with power of substitution, to do any and all acts and things in our name and behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which such attorney-in-fact and agent may deem necessary or advisable to enable said corporation to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Annual Report on Form 10-K, including specifically but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendments hereto; and we do hereby ratify and confirm all that said attorney-in-fact and agent, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jeffrey Hackman</u> Jeffrey Hackman	Chief Executive Officer (principal executive officer) and Director	March 26, 2025
<u>/s/ Robert Andrade</u> Robert Andrade	Chief Financial Officer (principal financial officer and principal accounting officer)	March 26, 2025
<u>/s/ Dr. Khalid Islam</u> Dr. Khalid Islam	Director	March 26, 2025
<u>/s/ Chris A. Rallis</u> Chris A. Rallis	Director	March 26, 2025
<u>/s/ Marco Brughera</u> Marco Brughera	Director	March 26, 2025
<u>/s/ Rostislav Raykov</u> Rostislav Raykov	Director	March 26, 2025
<u>/s/ Jodi Cook</u> Jodi Cook	Director	March 26, 2025

**FENNEC PHARMACEUTICALS INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

Report of Independent Registered Public Accounting Firm (PCAOB ID : 200)	F-2
Consolidated Balance Sheets	F-7
Consolidated Statements of Operations	F-8
Consolidated Statements of Shareholders' Deficit	F-9
Consolidated Statements of Cash Flows	F-10
Notes to the Consolidated Financial Statements	F-11

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
Fennec Pharmaceuticals Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Fennec Pharmaceuticals Inc. (the “Company”) as of December 31, 2024 and 2023, and the related consolidated statements of operations, shareholders’ deficit, and cash flows for each of the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2024 and 2023, and the consolidated results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments.

The communication of the critical audit matters does not alter in any way our opinion on the consolidated financial statements taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Continued)

Norgine License and Supply Agreement

Critical Audit Matter Description

As described in Note 1 to the consolidated financial statements, the Company entered into a 10-year licensing and supply agreement with Norgine Pharma UK Limited (“Norgine”) to commercialize PEDMARQSI in contractually defined territories. The Company received \$43 million in upfront consideration in connection with this agreement, and the agreement provides for up to \$227 million in additional commercial and regulatory milestone payments and tiered royalties on net sales of PEDMARQSI in the licensed territories. During the year ended December 31, 2024, the Company recognized related licensing revenue of \$18.0 million and product sales revenue of \$813,000, and as of December 31, 2024, the Company has a contract liability of \$24.8 million.

How the Critical Audit Matter was Addressed in the Audit

Accounting for this transaction involved significant estimates and judgments to evaluate the contract’s distinct performance obligations, determine the transaction price, estimate related standalone selling prices of distinct performance obligations, and allocate the transaction price to the distinct performance obligations based on standalone selling price. A high degree of auditor judgment, subjectivity and effort was required in performing procedures and evaluating evidence related to management’s assumptions in these areas. Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others:

- We obtained and read the customer contract to obtain an understanding of the contractual responsibilities of the parties and the terms and conditions of the relationship; we evaluated management’s accounting policies and practices with respect to revenue recognition for compliance with accounting principles generally accepted in the United States of America.
- We tested the Company’s application of the revenue recognition model under Accounting Standards Codification (“ASC”) Topic 606, including its identification of distinct performance obligations (delivery of a functional intellectual property license and a material supply right); we tested management’s determination of the transaction price by evaluating the accounting guidance and contract terms; we assessed the reasonableness of management’s estimates of standalone selling price by testing significant judgments made in the areas of forecasted 10-year sales performance, future market product pricing and sales volumes in the covered territories, market royalty rates, upfront payments and milestone payments in comparable transactions, and discount rates; we evaluated the timing and pattern of revenue recognition for license fees, milestone payments, and supply arrangements; and we considered the impact of potential future sales-based royalty and milestone payments on the Company’s application of ASC Topic 606.
- We reviewed management’s estimates of variable consideration, including the probability of achieving milestone payments and the constraint applied to revenue recognition.
- We assessed the adequacy of the Company’s financial statement disclosures regarding this agreement and related revenue recognition policies.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Continued)

Estimated Product Allowances and Discounts

Critical Audit Matter Description

As described in Note 2 to the consolidated financial statements, the Company recognizes revenues based on the net sales price, which includes estimates of variable consideration for which reserves are established primarily from rebates, chargebacks, discounts, returns, and other allowances. Further, certain distributors provide distinct and estimable services to the Company in exchange for product allowances. The estimated fair value of distinct and estimable services performed by the distributor and the attribution of those amounts to the period of benefit are important factors in the determination of net sales price and requires subjective management assumptions. Allowances provided to distributors in excess of the estimated fair value of services received by the Company are presented as sales discounts. Allowances provided to such distributors during the year ended December 31, 2024 for distinct and estimable distributor services totaled \$8.0 million, of which \$1.7 million is presented as prepaid expenses as of December 31, 2024.

How the Critical Audit Matter was Addressed in the Audit

Auditing estimates of the amount and timing of distinct distributor services provided to the Company was challenging and judgmental because the estimates involve significant measurement uncertainty about the fair value of services received by the Company and the periods that such services were rendered to the Company. A high degree of auditor judgment, subjectivity and effort was required in performing procedures and evaluating evidence related to management's assumptions in these areas. Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others:

- We obtained and read related customer contracts to obtain an understanding of the contractual responsibilities of the parties; we evaluated management's accounting policies and practices with respect to distinct distributor provided services for compliance with accounting principles generally accepted in the United States of America; and we obtained an understanding of management's monitoring and oversight of such services.
- Through interviews, inquiries, observations, and examination of Company-prepared analyses, we obtained an understanding of the significant management assumptions behind the potentially significant components of the distributor allowances, including the nature of each allowance and the amounts estimated by management. Through interviews, inquiries, and observations, we obtained an understanding of the significant management assumptions supporting the fair value estimates of distinct distributor services and the timing of performance of services.
- We assessed the methodologies used to determine the allowances and the fair value of distinct distributor services and tested estimated percentages by corroborating the underlying data used to develop the estimate, which included evaluating the completeness and accuracy of such data. Our testing of allowances included comparing key assumptions to customer contracts, payment data, and other third-party sources, as applicable. Our testing of the fair value of distinct distributor services included evaluating management's estimate of costs to perform necessary services and assessing the reasonableness of estimated timeframes associated with the performance of those services.
- We evaluated information subsequent to the balance sheet date to determine whether there was any new information that would require adjustment to the previously estimated amounts.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Continued)

Estimated Allowances for Expected Credit Losses

Critical Audit Matter Description

As described in Note 2 to the consolidated financial statements, the Company recognizes an allowance for expected credit losses related to trade receivables from customers. The determination of the allowance involves significant management judgment, including assessments of historical collection experience, customer creditworthiness, aging of receivables, macroeconomic conditions, country-specific risks in international markets, and management's expectations of future events. The estimation uncertainty regarding the allowance is exacerbated by the fact that the Company's first commercial sale to a domestic customer occurred in October 2022, and its first commercial sale to a global distributor occurred in March 2023.

The allowance is particularly sensitive to evolving payment behaviors of global distributors and changes in economic conditions that may impact the collectability of receivables of these global distributors. Given the complexity and subjectivity involved in estimating potential uncollectible accounts, especially in emerging markets with heightened credit risk, we identified the evaluation of management's estimate of an allowance for expected credit loss as a critical audit matter. The Company recorded a \$2.5 million credit loss (bad debt) expense during the year ended December 31, 2024, and as of December 31, 2024, the allowance for credit losses totaled \$3.8 million.

How the Critical Audit Matter was Addressed in the Audit

Auditing the Company's estimated allowances was challenging and required significant judgment due to the reliance on subjective management assumptions about the creditworthiness of global distributors. While domestic specialty distributor customers pose a lower credit risk due to their size, established relationships, and payment history, estimating expected credit losses for international customers involves greater estimation uncertainty. These customers have limited credit history with the Company and may lack formal credit ratings, increasing dependence on management's judgment in assessing creditworthiness and potential payment default risk. As a result, auditing these estimates required a high degree of judgment, subjectivity, and effort in evaluating management's assumptions and supporting evidence. Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others:

- We evaluated management's accounting policies and practices for estimating expected credit losses with respect to domestic and international customers for compliance with accounting principles generally accepted in the United States of America.
- Through interviews, inquiries, and observations, we obtained an understanding of the significant management assumptions used in developing the allowance, including evaluating the reasonableness of key assumptions used in estimating expected credit losses and the recoverability of receivables.
- We assessed the historical accuracy of management's estimates by comparing prior year allowances to actual write-offs.
- We evaluated potentially uncollectible accounts on a customer-specific basis, considering each customer's history and unique circumstances. We also inspected available objective support, such as customer communications and cash receipts, to assess whether the evidence (or lack thereof) corroborated or contradicted management's assertions.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Continued)

- We evaluated information subsequent to the balance sheet date to determine whether there was any new information that would require adjustment to the previously estimated amounts.

/s/ Haskell & White LLP
HASKELL & WHITE LLP

We have served as the Company's auditor since 2017.

Irvine, California
March 26, 2025

Fennec Pharmaceuticals Inc.
Consolidated Balance Sheets
(U.S. dollars and shares in thousands)

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 26,634	\$ 13,269
Accounts receivable, net	12,884	8,814
Prepaid expenses	3,080	2,575
Inventory	1,060	2,156
Other current assets	466	44
Total current assets	<u>44,124</u>	<u>26,858</u>
Non-current assets		
Other non-current assets	2,438	816
Other non-current assets amortization	(1,616)	(810)
Total non-current assets	<u>822</u>	<u>6</u>
Total assets	<u>\$ 44,946</u>	<u>\$ 26,864</u>
Liabilities and shareholders' deficit		
Current liabilities:		
Accounts payable	\$ 3,241	\$ 3,778
Accrued liabilities	3,428	3,754
Operating lease liability - current	2	21
Contract liability - current	248	—
Total current liabilities	<u>6,919</u>	<u>7,553</u>
Non-current liabilities		
Term loan	18,206	30,000
PIK interest	1,271	1,219
Debt discount	(139)	(288)
Contract liability - long-term	24,561	2
Total non-current liabilities	<u>43,899</u>	<u>30,933</u>
Total liabilities	<u>50,818</u>	<u>38,486</u>
Commitments and contingencies (Note 7)		
Shareholders' deficit:		
Common stock, no par value; unlimited shares authorized; 27,527 shares issued and outstanding (2023 - 27,027)	145,608	144,307
Additional paid-in capital	66,958	62,073
Accumulated deficit	(219,681)	(219,245)
Accumulated other comprehensive income	1,243	1,243
Total shareholders' deficit	<u>(5,872)</u>	<u>(11,622)</u>
Total liabilities and shareholders' deficit	<u>\$ 44,946</u>	<u>\$ 26,864</u>

(The accompanying notes are an integral part of these consolidated financial statements)

Fennec Pharmaceuticals Inc.
Consolidated Statements of Operations
(U.S. dollars and shares in thousands, except per share information)

	Year Ended	
	December 31, 2024	December 31, 2023
Revenue		
Product sales, net	\$ 29,580	\$ 21,252
Licensing revenue	17,958	—
Total net revenues	47,538	21,252
Operating expenses:		
Cost of product sales	3,184	1,259
Research and development	307	56
Selling and marketing	18,426	12,123
General and administrative	23,053	20,585
Total operating expenses	44,970	34,023
Income / (Loss) from operations	2,568	(12,771)
Other (expense)/income		
Unrealized foreign exchange (loss)/gain	(82)	5
Amortization expense	(89)	(287)
Unrealized loss on securities	(81)	(39)
Interest income	1,682	441
Interest expense	(4,069)	(3,394)
Total other expense	(2,639)	(3,274)
Loss before income tax	(71)	(16,045)
Income tax	(365)	—
Net loss	\$ (436)	\$ (16,045)
Basic net loss per common share	\$ (0.02)	\$ (0.60)
Diluted net loss per common share	\$ (0.02)	\$ (0.60)
Weighted-average number of common shares outstanding basic	27,294	26,574
Weighted-average number of common shares outstanding diluted	27,294	26,574

(The accompanying notes are an integral part of these consolidated financial statements)

Fennec Pharmaceuticals Inc.
Consolidated Statements of Shareholders' Deficit
(U.S. dollars and shares in thousands)

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Number (Note 6)</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Deficit</u>	<u>Other</u>	<u>Shareholders'</u>
			<u>Capital</u>		<u>Comprehensive</u>	<u>Deficit</u>
					<u>Income</u>	
Balance at December 31, 2022	26,361	\$ 142,591	\$ 56,797	\$ (203,200)	\$ 1,243	\$ (2,569)
Stock options issued to employees	—	—	5,354	—	—	5,354
Exercise of stock options	588	1,716	—	—	—	1,716
Restricted stock release	78	—	(78)	—	—	(78)
Net loss	—	—	—	(16,045)	—	(16,045)
Balance at December 31, 2023	27,027	144,307	62,073	(219,245)	1,243	(11,622)
Stock options issued to employees	—	—	5,061	—	—	5,061
Exercise of stock options	342	1,301	—	—	—	1,301
Restricted stock release	158	—	(176)	—	—	(176)
Net loss	—	—	—	(436)	—	(436)
Balance at December 31, 2024	27,527	\$ 145,608	\$ 66,958	\$ (219,681)	\$ 1,243	\$ (5,872)

(The accompanying notes are an integral part of these consolidated financial statements)

Fennec Pharmaceuticals Inc.
Consolidated Statements of Cash Flows
(U.S. dollars in thousands)

	Year Ended	
	December 31, 2024	December 31, 2023
Cash flows provided by (used in):		
Operating activities:		
Net loss	\$ (436)	\$ (16,045)
Adjustments to reconcile net loss to net cash provided by / (used in) operating activities:		
Inventory reserve	517	—
Allowance for credit losses	3,803	—
Amortization of contract asset	800	—
Amortization of debt access fees	21	221
Amortization of debt discount	138	66
Unrealized loss on securities	81	39
Stock-based compensation	5,061	5,354
PIK interest	52	—
Changes in operating assets and liabilities:		
Accounts receivable	(7,873)	(7,269)
Prepaid expenses	(505)	104
Inventory	579	(1,580)
Other assets	796	3
Accounts payable	(537)	1,388
Accrued liabilities	(326)	576
Contract liability	24,809	—
Net cash provided by / (used in) operating activities	26,980	(17,143)
Financing activities:		
Issuance of shares, options exercise	1,301	1,716
Payment of long-term debt	(13,000)	4,997
Debt discount	—	3
Cash paid for taxes on restricted share release	(176)	(78)
Deferred issuance costs	(1,740)	—
Net cash (used in) / provided by financing activities	(13,615)	6,638
Increase/(decrease) in cash and cash equivalents	13,365	(10,505)
Cash and cash equivalents - Beginning of year	13,269	23,774
Cash and cash equivalents - End of year	\$ 26,634	\$ 13,269
Supplemental disclosures of cash flow information:		
Non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 2	\$ —
Financed insurance policy	\$ 386	\$ 403

(The accompanying notes are an integral part of these consolidated financial statements)

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

1. Nature of Business and Liquidity

Fennec Pharmaceuticals Inc., a corporation existing under the laws of British Columbia (“Fennec,” “the Company,” “we,” “us,” or “our”) was originally formed as a British Columbia corporation under the name Adherex Technologies Inc. and subsequently changed its name on September 3, 2014. Fennec, together with its wholly owned subsidiaries Oxiquant, Inc. and Fennec Pharmaceuticals, Inc., both Delaware corporations, Cadherin Biomedical Inc., a Canadian corporation, and Fennec Pharmaceuticals (EU) Limited, an Ireland company (“Fennec Limited”), collectively referred to herein as the “Company,” is a biopharmaceutical company with one FDA approved product developed to reduce the risk of ototoxicity associated with cisplatin in pediatric patients one month of age and older with localized, non-metastatic solid tumors. With the exception of Fennec Pharmaceuticals, Inc., all subsidiaries are inactive.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”) that are applicable to a going concern which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

During the year ended December 31, 2024, the Company earned a net income from operations of \$2,568. At December 31, 2024, it had an accumulated deficit of \$219,681 and had experienced positive cash flows from operating activities in the amount of \$26,980 for the year ended December 31, 2024.

On August 1, 2022, the Company entered into a Securities Purchase Agreement (the “SPA”) with Petrichor Opportunities Fund I LP (the “Petrichor”) in connection with the issuance of up to \$45,000 of senior secured floating rate convertible notes (the “Notes”), issuable in multiple tranches (the “Note Financing”). The notes are due in August 2027. On August 19, 2022, the Company closed on the initial tranche of \$5,000 (the “First Closing Note”) which has an Initial Conversion Price equal to \$8.11 per share, which was calculated based on a 20% premium of the 5-day volume weighted average price of the Company’s common shares as traded on the Nasdaq Capital Market (the “VWAP”) immediately prior to the announcement of the Securities Purchase Agreement (“SPA”) dated August 1, 2022. In connection with the first closing, the Company repaid in full its secured indebtedness with Bridge Bank in the amount of \$5,000.

On September 23, 2022, the Company closed on the second tranche of the Note Financing in the amount of \$20,000 (the “Second Closing Note”), which has an Initial Conversion Price equal to \$7.89 per share, which was calculated based on a 20% premium of the 5-day VWAP immediately prior to September 20, 2022, which was the date the Company obtained FDA approval of PEDMARK®.

A commitment fee of 2.0% of the Notes was payable under the SPA. Half of such fee was paid by the issuance on the first closing of warrants to purchase 55,498 Fennec common shares (“First Closing Warrant”) and half was payable in cash or warrants of 55,498 Fennec common shares (“Second Closing Warrant”), at our election, on the second closing. The warrants are exercisable at a price per share of \$8.11 and have a term of five years from the date of the grant. The Company elected to have all the commitment fee of the Notes payable in warrants.

On December 4, 2023, the Company closed a third tranche under the SPA in the amount of \$5,000 (the “Third Closing Note”), which has an Initial Conversion Price equal to \$7.89 per share, which was calculated based on a 20% premium of the 5-day VWAP immediately prior to September 20, 2022, which was the date the Company obtained FDA approval of PEDMARK®.

Also on December 4, 2023, the Company entered into a First Amendment to the Securities Purchase Agreement (the “SPA Amendment”) with Petrichor, which, among other things, extends the period that the Company may draw the remaining \$15,000 under the SPA from December 31, 2023, to December 31, 2024. The ability to draw the remaining \$15,000 under the SPA expired on December 31, 2024.

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

On December 18, 2024, the Company entered into a Waiver and Redemption Agreement (the “Redemption Agreement”) with Petrichor, pursuant to which the Company repurchased and redeemed Notes in an aggregate principal amount of \$13,000 (consisting of approximately \$11,794 of original principal balance and approximately \$1,206 in PIK interest) (collectively, the “Note Redemptions”).

As a result of the Note Redemptions, the First and Third Closing Notes were repurchased and redeemed in full, and, as of December 19, 2024, there remains outstanding Second Closing Notes in the aggregate principal amount (inclusive of PIK interest) of approximately \$19,500.

In March of 2024, the Company announced that it had secured an exclusive licensing agreement with Norgine to commercialize PEDMARQSI in Europe, Australia and New Zealand. The deal provided the Company with approximately \$43,000 up front, with the potential of approximately another \$230,000 in future royalties and milestone payments.

The Company believes current funds, which include funds from the upfront payment from Norgine Pharma UK Limited (“Norgine”), provide sufficient funding for the Company to carry out its planned activities, including the continuation of commercialization efforts for at least the next twelve months of PEDMARK®.

These financial statements do not reflect the potentially material adjustments in the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications used, that would be necessary if the going concern assumption were not appropriate.

2. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Fennec and of all its wholly-owned subsidiaries. All inter-company transactions and balances have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting period. Significant estimates include revenue recognition, amount and timing of marketing and other services performed by certain distributors, allowance against trade receivables, and measurement of stock-based compensation over the next twelve months from the date of issuance of the consolidated financial statements. Actual results could differ from those estimates.

Credit Losses

The Company estimates and records a provision for its expected credit losses related to its trade receivables. The Company considers historical collection rates, the current financial status of its customers, macroeconomic factors, and other industry-specific factors when evaluating for current expected credit losses. Forward-looking information is also considered in the evaluation of current expected credit losses.

To determine the provision for credit losses for accounts receivable, the Company has disaggregated its accounts receivable by class of customer, as the Company determined that risk profile of its customers may vary based on certain characteristics such as credit history, past payment history and geography. Each class of customer component is analyzed for estimated credit losses individually. In doing so, the Company establishes a customer profile, based on the previous collections of accounts receivable by the age of such receivables, and evaluates the current and forecasted financial position of its customers, as available. Further, the Company considers macroeconomic factors and the status of the life sciences industry to estimate if there are current expected credit losses within its trade receivables based on the trends and the Company’s expectation of the future status of such economic and industry-specific factors. Also,

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

specific allowance amounts are established based on review of outstanding invoices to record the appropriate provision for customers that have a higher probability of default.

Segment and Geographic Information

Operating segments are defined as components of an enterprise engaging in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business in one operating segment and employees are supporting only one operating segment which is the production and commercialization of PEDMARK.

Stock-Based Compensation

Under the Company's stock-based compensation programs, the Company periodically grants stock options and restricted stock to employees, directors and consultants. The Company also issues shares under an employee stock purchase plan. The fair value of each award is recognized in the Company's statements of operations over the requisite service period for such award.

The Company uses the Black-Scholes option pricing model to value stock option awards without market conditions, which requires the Company to make certain assumptions regarding the expected volatility of its common stock price, the expected term of the option grants, the risk-free interest rate and the dividend yield with respect to its common stock. The Company calculates volatility using its historical stock price data. Due to the lack of the Company's own historical data, the Company elected to use the "simplified" method for "plain vanilla" options to estimate the expected term of the Company's stock option grants. Under this approach, the weighted-average expected life is presumed to be the average of the vesting term and the contractual term of the option. The risk-free interest rate used for each grant is based on the United States Treasury yield curve in effect at the time of grant for instruments with a similar expected life. The Company utilizes a dividend yield of zero based on the fact that the Company has never paid cash dividends and at present, has no intention to pay cash dividends.

Inventory

Inventories are valued under a standard costing methodology on a first-in, first-out basis and are stated at the lower of cost or net realizable value. The Company capitalizes inventory costs related to products to be sold in the ordinary course of business. The Company makes a determination of capitalizing inventory costs for a product based on, among other factors, status of regulatory approval, information regarding safety, efficacy and expectations relating to commercial sales and recoverability of costs. Capitalized costs of inventories mainly include third party manufacturing, logistics and distribution costs. The Company assesses recoverability of inventory each reporting period to determine any write down to net realizable value resulting from excess or obsolete inventories. The manufacturing costs for PEDMARK® prior to regulatory approval were not capitalized as inventory but were expensed as research and development costs. The Company expensed pre-launch inventory as it could not reasonably anticipate FDA approval of PEDMARK®.

Revenue Recognition

Under Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers, the Company recognizes revenue when its customers obtain control of promised goods or services, in an amount that reflects the consideration which the Company determines it expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the Company satisfies its performance obligation(s). As part of the accounting for these arrangements, the Company must make significant judgments, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation.

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

License Agreements

The Company generates revenue from license or similar agreements with pharmaceutical companies for the commercialization of its product. Such agreements may include the transfer of intellectual property rights in the form of licenses. Payments made by the customers may include non-refundable upfront fees, payments based upon the achievement of defined milestones, and royalties on sales of product.

If a license to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes the transaction price allocated to the license as revenue upon transfer of control of the license. All other promised goods or services in the agreement are evaluated to determine if they are distinct. If they are not distinct, they are combined with other promised goods or services to create a bundle of promised goods or services that is distinct. Optional future services where any additional consideration paid to the Company reflects their standalone selling prices do not provide the customer with a material right and, therefore, are not considered performance obligations. If optional future services are priced in a manner which provides the customer with a significant or incremental discount, they are material rights, and are accounted for as separate performance obligations.

Contingent milestones at contract inception are estimated at the amount which is not probable of a material reversal and included in the transaction price using the most likely amount method. Milestone payments that are not within the Company's control, such as regulatory approvals, are not considered probable of being achieved until those approvals are received and therefore the variable consideration is constrained. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis, for which the Company recognizes revenue as or when the performance obligations under the contract are satisfied. At the end of each reporting period, the Company re-evaluates the probability of achieving development or sales-based milestone payments that may not be subject to a material reversal and, if necessary, adjust the estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect license and other revenue, as well as earnings, in the period of adjustment.

For arrangements that include sales-based royalties, including sales-based milestone payments, and a license of intellectual property that is deemed to be the predominant item to which the royalties relate, revenue is recognized at the later of when the related sales occur or when the performance obligation to which some or all of the royalties have been allocated has been satisfied (or partially satisfied).

Net Product Revenue

On September 20, 2022, the FDA approved PEDMARK[®] in the United States to reduce the risk of ototoxicity associated with cisplatin in pediatric patients one month of age and older with localized, non-metastatic solid tumors. PEDMARK[®] became commercially available on October 17, 2022. PEDMARK[®] is the Company's first commercial product. The Company sells its products through select specialty distributors in the U.S. and through distributors purchasing PEDMARK product globally. These Customers subsequently resell the Company's products to health care providers and patients. In addition to distribution agreements with Customers, the Company enters into arrangements with health care providers and payors that provide for government-mandated and/or privately-negotiated rebates, chargebacks and discounts with respect to the purchase of the Company's products. Revenues from product sales are recognized when the Customer obtains control of the Company's product, which occurs at a point in time, typically upon delivery to the Customer.

Product Sales Discounts and Allowances

The Company records U.S. based revenues from product sales at the net sales price (transaction price), which includes estimates of variable consideration for which reserves are established primarily from discounts, chargebacks, rebates, co-pay assistance, returns and other allowances that are offered within contracts between the Company and its Customers, health care providers, payors and other indirect customers relating to the sales of its products. These reserves are based on the amounts to be claimed on the related sales and are classified as a contra-asset or a current liability. Where appropriate, these estimates take into consideration a range of possible outcomes that are probability-weighted for relevant factors such as current contractual and statutory requirements, specific known market events and trends, industry data, forecasted Customer buying and payment patterns, and the Company's historical experience that will develop over time as PEDMARK[®] is the Company's first commercial product. Overall, these reserves reflect the Company's best estimates of

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

the amount of consideration to which it is entitled based on the terms of its contracts. The amount of variable consideration that is included in the transaction price may be constrained, and is included in the net sales price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. Actual amounts of consideration ultimately received may differ from the Company's estimates. If actual results in the future vary from the Company's estimates, the Company will adjust these estimates, which would affect net product revenues and earnings in the period such variances become known.

The Company also utilizes select distributors to introduce its product into global markets. These distributors take on the function of shipping, storage, marketing and other services related to the sale of our product. We record distribution and other fees paid to these distributors as a reduction of revenue, unless the payment is for a distinct good or service from the customer and we can reasonably estimate the fair value of the goods or services received. If both conditions are met, we record the consideration paid to the distributor as an operating expense. These costs are typically known at the time of sale, resulting in minimal adjustments subsequent to the period of sale.

Chargebacks: Chargebacks are discounts that occur when contracted customers purchase directly from a specialty distributor. Contracted customers, which currently consist of Public Health Service institutions and Federal government entities purchasing via the Federal Supply Schedule, generally purchase the product at a discounted price. The specialty distributor, in turn, charges back to the Company the difference between the price initially paid by the specialty distributor and the discounted price paid to the specialty distributor by its contracted customer. The allowance for chargebacks is based on actual chargebacks received and an estimate of sales by the specialty distributor to its contracted customers.

Discounts for Prompt Payment: The Customers receive a discount of for prompt payment which may range from 0.5% to 2.0%. The Company expects its customers will earn 100% of their prompt payment discounts and, therefore, the Company deducts the full amount of these discounts from total product sales when revenues are recognized.

Rebates: Allowances for rebates include mandated discounts under the Medicaid Drug Rebate Program and other government programs. Rebate amounts owed after the final dispensing of the product to a benefit plan participant are based upon contractual agreements or legal requirements with public sector benefit providers, such as Medicaid. The allowance for rebates is based on statutory or contractual discount rates and expected utilization. The Company's estimates for the expected utilization of rebates are based on Customer and payer data received from the specialty distributors and historical utilization rates that will develop over time as PEDMARK[®] is the Company's first commercial product. Rebates are generally invoiced by the payor and paid in arrears, such that the accrual balance consists of an estimate of the amount expected to be incurred for the current quarter's shipments to the Customers, plus an accrual balance for known prior quarters' unpaid rebates. If actual future rebates vary from estimates, the Company may need to adjust its accruals, which would affect net product revenues in the period of adjustment.

Co-payment Assistance: Patients who have commercial insurance and meet certain eligibility requirements may receive co-payment assistance. The Company accrues a liability for co-payment assistance based on actual program participation and estimates of program redemption using Customer data provided by the third party that administers the copay program.

Other Customer Credits: The Company pays fees to its Customers for account management, data management and other administrative services. To the extent the services received are distinct from the sale of products to its Customers, the Company classifies these payments in selling and marketing expenses in its Consolidated Statements of Operations.

Distribution and Other Fees: We pay distribution and other fees to certain customers in connection with the sales of our products. We record distribution and other fees paid to our customers as a reduction of revenue, unless the payment is for a distinct good or service from the customer and we can reasonably estimate the fair value of the goods or services received. If both conditions are met, we record the consideration paid to the customer as an operating expense. These costs are typically known at the time of sale, resulting in minimal adjustments subsequent to the period of sale.

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

The following table summarizes net product revenues for PEDMARK[®] in the years ended December 31, 2024, and 2023, respectively:

	Year Ended	
	December 31, 2024	December 31, 2023
Product revenues:		
Gross product revenues	\$ 38,910	\$ 23,782
Discounts and allowances	(9,330)	(2,530)
Net product revenues	<u>\$ 29,580</u>	<u>\$ 21,252</u>

For the years ended December 31, 2024 and 2023, the Company had four distributors and three distributors that represented more than 10% of net sales, respectively.

The activities and ending allowance balances for each significant category of discounts and allowances for PEDMARK[®] (which constitute variable consideration) for the year ended December 31, 2024, and 2023 were as follows:

In thousands	Chargebacks, Discounts for Prompt Pay and Other Allowances	Rebates, Customer Fees/Credits and Co-Pay Assistance	Totals
Balance at December 31, 2022	\$ 71	\$ 163	\$ 234
Provision related to sales made in:			
Current period	1,164	600	1,764
Prior periods	—	—	—
Payments and customer credits issued	(870)	(333)	(1,203)
Balance at December 31, 2023	<u>365</u>	<u>430</u>	<u>795</u>
Provision related to sales made in:			
Current period	1,909	6,573	8,482
Prior periods	—	—	-
Payments and customer credits issued	(1,998)	(6,296)	(8,294)
Balance at December 31, 2024	<u>\$ 276</u>	<u>\$ 707</u>	<u>\$ 983</u>

The allowances for chargebacks, fees due to customers, rebates and discounts for prompt payment are recorded as a contra-asset to accounts receivable, while Medicaid rebates and return allowances are in accrued liabilities in the accompanying Consolidated Balance Sheets.

Trade Receivables

The Company records gross trade receivables at the time of product sale to its customers, both specialty and other select global distributors. Amounts estimated for the associated chargebacks, cash discounts for prompt payment and any allowances for credit losses are booked as a reserve against accounts receivable and reduction of revenue. The Company determines its allowance methodology by pooling receivable balances at the customer level. The Company considers various factors, including loss history, individual credit risk associated with each customer, and the current and future condition of the general economy. These credit risk factors are monitored on a quarterly basis and updated as necessary. To the extent that any individual debtor is identified whose credit quality has deteriorated, the Company establishes allowances based on the individual risk characteristics of such a customer. For Customers that are large specialty distributors, the Company considered the risk of potential credit losses to be low. Sales to other select global distributors have the potential for losses. The Company evaluates the risk of credit losses on sales on an individual basis using the above-mentioned criteria. The Company had an allowance for credit losses of \$3,803 as of December 31, 2024.

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

Cost of Products Sold

Cost of products sold is related to the Company's product revenues for PEDMARK[®] and consists primarily of product production costs associated with finished goods inventory and royalty (1% of net sales) payments the Company is required to pay to Oregon Health & Science University ("OHSU") on all net sales of PEDMARK[®]. Cost of products sold also consists of shipping and other third-party logistics and distribution costs for the Company's product. The manufacturing costs for PEDMARK[®] incurred prior to regulatory approval were not capitalized as inventory but were expensed as research and development costs. After FDA approval in September 2022, the Company had various lots of PEDMARK[®] in various stages of production in connection with the fourth quarter product launch. As of December 31, 2024, the Company capitalized approximately \$1,060 of costs as inventory, net of obsolescence reserve, on the consolidated balance sheet. Of the items capitalized, \$377 was capitalized as raw materials and \$1,201 was capitalized into finished goods. There was a reserve against finished goods valuation for inventory which the Company believes will expire before it is sold in the amount of \$518.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities at the date of purchase of three months or less.

The Company places its cash and cash equivalents in investments held by highly rated financial institutions in accordance with its investment policy designed to protect the principal investment. As of December 31, 2024, the Company had \$26,634 in cash and money market accounts (2023 - \$13,269). Money market investments typically have minimal risks. While the Company has not experienced any loss or write-down of its money market investments, the amounts it holds in money market accounts are substantially above the \$250 amount insured by the FDIC and may lose value.

Financial Instruments

Financial instruments recognized on the balance sheets at December 31, 2024 and 2023, consist of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and term loans, the carrying values of which approximate fair value due to their relatively short time to maturity or interest rates that approximate market interest rates. The Company does not hold or issue financial instruments for trading.

The Company's investment policy is to manage investments to achieve, in the order of importance, the financial objectives of preservation of principal, liquidity and return on investment. Investments, when made, are made in U.S. or Canadian bank securities, commercial paper of U.S. or Canadian industrial companies, utilities, financial institutions and consumer loan companies, and securities of foreign banks provided the obligations are guaranteed or carry ratings appropriate to the policy. Securities must have a minimum Dun & Bradstreet rating of A for bonds or R1 low for commercial paper.

The policy risks are primarily the opportunity cost of the conservative nature of the allowable investments. The Company has chosen to avoid investments of a trading or speculative nature to preserve cash.

Common Shares and Warrants

At December 31, 2024, the Company had 150 warrants with a weighted average strike price of \$7.71 outstanding to purchase common shares that have a weighted average life of 3.05 years.

Research and Development Costs and Investment Tax Credits

Research costs, including employee compensation, laboratory fees, lab supplies, and research and testing performed under contract by third parties, are expensed as incurred. Development costs, including drug substance costs, clinical study expenses and regulatory expenses are expensed as incurred.

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

Investment tax credits, which are earned as a result of qualifying research and development expenditures, are recognized when the expenditures are made and their realization is reasonably assured. They are applied to reduce related capital costs and research and development expenses in the year recognized.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk primarily consist of cash and cash equivalents, and accounts receivable. The Company maintains deposits in highly-rated, federally-insured financial institutions in excess of federally insured limits. The Company's investment strategy is focused on capital preservation. The Company invests in instruments that meet the high credit quality standards outlined in the Company's investment policy. This policy also limits the amount of credit exposure to any one issue or type of instrument.

The Company's trade receivables includes amounts billed to customers for product sales of PEDMARK[®]. In the U.S., the customers are a limited group of specialty distributors, and accordingly, the Company considers the risk of potential credit losses to be low. The Company also sells to a select group of global distributors. These global distributors are established companies and although the Company regards credit losses with these distributors to be remote, it does recognize the potential for credit losses with this group.

Income Taxes

The Company accounts for income taxes using the asset and liability method to compute the differences between the tax basis of assets and liabilities and the related financial amounts, using currently enacted tax rates. The Company has deferred tax assets, which are subject to periodic recoverability assessments. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that more likely than not will be realized. As of December 31, 2024, and 2023, we maintained a full valuation allowance against our deferred tax assets.

The provisions of the Financial Accounting Standards Board ("FASB") ASC 740-10, Uncertainty in Income Taxes, address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740-10, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position.

Foreign Currency Transaction

The U.S. dollar is the functional currency for the Company's consolidated operations. All gains and losses from currency transactions are included in results of operations.

Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding during the year. Diluted net loss per share is computed using the same method, except the weighted-average number of common shares outstanding includes convertible debentures, restricted share units, stock options and warrants, if dilutive, as determined using the if-converted method and treasury methods. Accordingly, warrants to purchase 0.2 million of our common shares, restricted share units of 0.3 million to obtain our common shares, and options to purchase 5.9 million of our common shares at December 31, 2024, were not included in loss per share. Such options would have an antidilutive effect. At December 31, 2023, warrants to purchase 0.2 million of our common shares, restricted share units to obtain 0.2 million of our common shares and options to purchase 4.8 million common shares were excluded from the computation of loss per share as their inclusion would have been antidilutive.

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (“FASB”) issued amended guidance for improvements to reportable segment disclosures (ASU) No. 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures,” that requires a public entity disclose significant segment expenses regularly reviewed by the chief operating decision maker (CODM), including public entities with a single reportable segment. The amended guidance is effective for fiscal years beginning January 1, 2024, and interim periods beginning January 1, 2025 and should be applied on a retrospective basis. The Company adopted the annual and interim disclosure requirements of ASU 2023-07 effective December 31, 2024 (refer to *Note 11. Segment Reporting*). The adoption of this ASU only affects the Company’s disclosures, with no impact to its financial condition and results of operations.

In December 2023, the FASB issued Accounting Standards Update (ASU) No. 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures,” which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. This guidance will be effective for the annual periods beginning the year ended December 31, 2025. The Company is currently evaluating the effect the adoption of this ASU will have on its consolidated financial statements.

On March 21, 2024, the FASB issued Accounting Standards Update (ASU) 2024-01, “Compensation-Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards”, which provides illustrative guidance to help entities determine whether profits interest and similar awards should be accounted for as share-based payment arrangements within the scope of FASB Accounting Standards Codification (FASB ASC) 718, Compensation-Stock Compensation. This guidance will be effective for the annual periods beginning the year ended December 31, 2025. The Company believes that ASU 2024-01 will not have a material impact on the Company’s consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, “Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses,” which requires disclosure of additional disaggregated information about significant expenses within relevant income statement captions, such as purchases of inventory, employee compensation, depreciation, amortization and depletion. The new guidance is effective for annual periods beginning after December 15, 2026, and interim periods within annual periods beginning after December 15, 2027. We are currently evaluating the impact of this standard on our consolidated financial statements.

3. Loss per Share

Loss per common share is presented under two formats: basic loss per common share and diluted loss per common share. Basic loss per common share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the period, plus the potentially dilutive impact of common shares equivalents (e.g. stock options and warrants). Dilutive common share equivalents consist of the incremental common shares issuable upon exercise of stock options and warrants. The following table sets forth the computation of basic and diluted net loss per share (in thousands except per share data):

	<u>Year Ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Numerator:		
Net loss	\$ (436)	\$ (16,045)
Denominator:		
Weighted-average common shares, basic	27,294	26,574
Weighted-average common shares, diluted	27,294	26,574
Net loss per share, basic and diluted	\$ (0.02)	\$ (0.60)

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

The following outstanding options, restricted share units, and warrants were excluded from the computation of basic and diluted net loss per share for the periods presented because including them would have had an anti-dilutive effect (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Options to purchase common shares	5,855	4,798
Restricted share units to obtain common shares	324	218
Warrants to purchase common shares	150	150

4. Stock Options

The Compensation Committee of the Board of Directors administers the Company’s 2020 Equity Incentive Plan (the “Plan”). The Compensation Committee designates eligible participants to be included under the Plan and approves the number of options, restricted stock, and other awards to be granted from time to time under the Plan. The maximum number of common shares issuable under the Plan is the number of shares that represents twenty-five percent (25%) of the total number of all the Company’s issued and outstanding common shares. Based upon the current shares outstanding, a maximum of 6.9 million of our common shares are authorized for issuance under the Plan. The option exercise price for all options issued under the Plan is based on the fair value of the underlying shares on the date of grant. All options vest within three years or less and are exercisable for a period of ten years from the date of grant. The Plan allows the issuance of Canadian and U.S. dollar grants. A summary of the stock option transactions, U.S. dollar grants, for the years ended December 31, 2024 and 2023 is below. Unrecognized stock-based compensation at December 31, 2024 was \$5,020 that will be recognized over a weighted-average service period of 2.3 years. There are no outstanding \$CAD denominated options.

Summary of \$USD Option Activity

	<u>Number of Options (in thousands)</u>	<u>Range</u>		<u>Weighted Average</u>
		<u>\$</u>	<u>\$</u>	
Outstanding and exercisable at December 31, 2022	4,539	\$ 0.45	– 12.59	\$ 5.43
Granted	1,245	7.35 - 9.05		8.25
Exercised	(586)	0.72 - 7.99		3.18
Forfeited	(400)	4.08 - 8.32		7.45
Outstanding and exercisable at December 31, 2023	4,798	4.08-10.96		6.27
Granted	1,825	4.23-7.29		5.84
Exercised	(342)	2.36-5.81		3.25
Forfeited	(426)	7.12-8.00		7.60
Outstanding and exercisable at December 31, 2024	5,855	\$ 2.36	– 8.00	\$ 6.22

Summary of \$USD Option Remaining Life

<u>Number Outstanding and Exercisable at December 31, 2024</u>	<u>Weighted Average Strike Price December 31, 2024</u>	<u>Weighted Average Remaining Life</u>
<u>(in thousands)</u>	<u>US Dollars</u>	<u>(years)</u>
5,855	\$6.22	6.19

Stock compensation expense for the years ended December 31, 2024, and 2023 was \$5,061 and \$5,354, respectively. These amounts have been included in general and administrative expenses for the respective periods. The weighted average fair value per share of options granted and or vested during the years ended December 31, 2024, and 2023 was \$4.55 and \$4.73, respectively. The intrinsic value (being the difference between the share price at December 31, 2024 and exercise price) of stock options exercisable at December 31, 2024 was \$3,331. The intrinsic value of options exercised during the year ended December 31, 2024, was \$1,820.

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

The fair value of all options vested during the year ended December 31, 2024, was \$2,622. The fair values of options granted in years ended December 31, 2024 and 2023 were estimated on the date the options were granted based on the Black-Scholes option-pricing model, using the following weighted average assumptions for all options with a ten-year expiration:

	Year Ended December 31, 2024		Year Ended December 31, 2023	
Expected dividend	-	%	-	%
Risk-free interest rate	3.64 - 5.15	%	3.58 - 5.31	%
Expected volatility	55 - 162	%	59 - 167	%
Expected life	1.50 - 6 years		1.50 - 6 years	

The Company uses the historical volatility and adjusts for available relevant market information pertaining to the Company's share price.

Restricted Share Units Activity

The Plan allows for the issuance of restricted share units ("RSUs"). The following is a summary of RSU activity for the years ended December 31, 2024, and 2023. Prior to June 2021, there was no activity involving RSUs. During the year ended December 31, 2024, 316 RSUs were awarded, 30 were forfeited and 180 were released from restriction. The Company recognized \$1,382 in RSU expense for the year ended December 31, 2024, and \$1,300 for the same period in 2023. Standard vesting of RSUs is over three years with 1/3 vesting on the first anniversary date of the grant and then 1/24 on the last day of each subsequent month. The Compensation Committee may also award RSUs with alternative vesting.

US Denominated RSU's	Number of Restricted Share Units (thousands)
Outstanding at December 31, 2022	35
Awarded	365
Forfeited	(96)
Released	(86)
Outstanding at December 31, 2023	218
Awarded	316
Forfeited	(180)
Released	(30)
Outstanding at December 31, 2024	324

5. Fair Value Measurements

The Company has adopted ASC 820 Fair Value Measurements and Disclosure Topic of the FASB. This Topic applies to certain assets and liabilities that are being measured and reported on a fair value basis. The Fair Value Measurements Topic defines fair value, establishes a framework for measuring fair value in accordance with US GAAP, and expands disclosure about fair value measurements. This Topic enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The Topic requires that financial assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

Financial assets and liabilities are classified in their entirety within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The Company measures the fair value of the Processa Pharmaceuticals Inc. (“Processa”) common shares held by the Company by taking into consideration valuations obtained from public financial markets. The Company uses Yahoo Finance to obtain share price data and Oanda for foreign currency pricing services to estimate fair value. These inputs include reported trades of and broker- dealer quotes on the same or similar securities, issuer credit spreads, benchmark securities and other observable inputs.

As of December 31, 2024, the Company had financial assets valued based on Level 1 inputs consisting of cash and cash equivalents and had financial assets based on Level 2 inputs consisting of Processa common shares. During the year ended December 31, 2024, the Company did not have any transfers of financial assets between Levels 1 and 2.

Assets/Liabilities Measured at Fair Value on a Recurring Basis

	Fair Value Measurement at December 31, 2024 and December 31, 2023							
	(in thousands)							
	Quoted Price in Active Market for Identical Instruments Level 1		Significant Other Observable Inputs Level 2		Significant Unobservable Inputs Level 3		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Assets								
Cash and cash equivalents	\$ 2,020 ⁽¹⁾	\$1,340 ⁽¹⁾	\$24,614	\$11,929	—	—	\$26,634	\$13,269
Processa common shares	2 ⁽²⁾	17	—	—	—	—	2	17

(1) The Company held approximately, \$2,020 in cash as of December 31, 2024, of which approximately \$110 was in Canadian funds and \$245 in Euro (both translated into U.S. dollars). As of December 31, 2023, the Company held approximately \$1,340 in cash, of which approximately \$33 was in Canadian funds (translated into U.S. dollars).

(2) The Company has 51 unrestricted common shares of Processa (Nasdaq: PCSA).

6. Stockholders’ Equity

Authorized Capital Stock

The Company’s authorized capital stock consists of an unlimited number of shares of no-par common shares.

Warrants to Purchase Common Shares

At December 31, 2024, the Company had warrants outstanding to purchase 150 common shares at a weighted average exercise price of \$7.71.

The following table summarizes our warrant activity for the years ended December 31, 2024 and 2023.

	Number of Warrants (in thousands)	Range	Weighted Average
Outstanding and exercisable at December 31, 2022	\$ 150	\$ 7.71	\$ 7.71
Granted	—	—	—
Outstanding and exercisable at December 31, 2023	\$ 150	\$ 7.71	\$ 7.71
Granted	—	—	—
Outstanding and exercisable at December 31, 2024	\$ 150	\$ 7.71	\$ 7.71

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

7. Commitments and Contingencies

Oregon Health & Science University (“OHSU”) Agreement

On February 20, 2013, Fennec entered into an exclusive license agreement with OHSU for exclusive worldwide license rights to intellectual property directed to thiol-based compounds, including PEDMARK[®] and their use in oncology (the “OHSU Agreement”). OHSU will receive certain milestone payments, royalty on net sales for licensed products and a royalty on any consideration received from sublicensing of the licensed technology.

On May 18, 2015, Fennec negotiated an amendment (“Amendment 1”) to the OHSU Agreement, which expands Fennec's exclusive license to include the use of N-acetylcysteine as a standalone therapy and/or in combination with PEDMARK[®] for the prevention of ototoxicity induced by chemotherapeutic agents to treat cancers. Further, Amendment 1 adjusts select milestone payments entered in the OHSU Agreement including but not limited to the royalty rate on net sales for licensed products, royalty rate from sublicensing of the licensed technology and the fee payable upon the regulatory approval of a licensed product. Certain milestone payments are due upon FDA approval and achievement of sufficient positive EBITDA over a specified period. PEDMARK[®] received FDA approval in September 2022. The Company has accrued \$201 based on EBITDA targets as of December 31, 2024.

The term of the OHSU Agreement as amended by Amendment 1 expires on the date of the last to expire claim(s) covered in the patents licensed to Fennec or 8 years, whichever is later. The OHSU Agreement is terminable by either Fennec or OHSU in the event of a material breach of the agreement by either party after 45 days prior written notice. Fennec also has the right to terminate the OHSU Agreement at any time upon 60 days prior written notice and payment of all fees due to OHSU under the OHSU Agreement. The Company had accrued approximately \$576 (1% net sales) in royalty expense to OHSU at December 31, 2024.

Litigation

CIPLA Litigation

On December 1, 2022, we received a letter dated November 30, 2022, notifying us that CIPLA Ltd. and CIPLA USA (“CIPLA”) submitted to the FDA an ANDA (ANDA No. 218028) for a generic version of PEDMARK[®] (sodium thiosulfate solution) that contained Paragraph IV Certifications on two of our patents covering PEDMARK[®]: the OHSU licensed ‘190 Patent, expiration date January 2038; and our US 11,291,728 Patent (the “‘728 Patent”), expiration date July 2039. On January 6, 2023, we received a letter dated January 5, 2023, notifying us that CIPLA submitted to the FDA a Paragraph IV Certification on our newly issued US 11,510,984 Patent (the “‘984 Patent”). These patents are listed in FDA’s list of Approved Drug Products with Therapeutic Equivalence Evaluations, commonly referred to as the Orange Book, for PEDMARK[®]. The certifications allege these patents are invalid or will not be infringed by the manufacture, use, or sale of CIPLA’s sodium thiosulfate solution.

Under the Food, Drug, and Cosmetic Act, as amended by the Drug Price Competition and Patent Term Restoration Act of 1984, as amended, after receipt of a valid Paragraph IV notice, the Company may bring a patent infringement suit in a federal district court against CIPLA within 45 days from the receipt of the Notice Letter and if such a suit is commenced within the 45-day period, the Company is entitled to a 30 month stay on the FDA’s ability to give final approval to any proposed products that reference PEDMARK. In addition to the 30-month stay, because we have received Orphan Drug Exclusivity, the FDA may not approve CIPLA’s ANDA for at least 7 years from PEDMARK’s FDA approval date of September 20, 2022, which is September 20, 2029.

On January 10, 2023, we filed suit against the CIPLA entities in the United States District Court for the District of New Jersey (Case No. 2:23-cv-00123), for infringement of the US ‘190 Patent, the US ‘728 Patent, and the US ‘984 Patent. On April 20, 2023, we filed an Amended Complaint to assert infringement of the US ‘728 Patent and the US ‘984 Patent. On April 4, 2023, we were granted US 11,617,793 Patent (the “US ‘793 Patent”) covering the formulation of the PEDMARK product, which was listed in the Orange Book on or around April 17, 2023, and has an expiration date of July 2039. On May 11, 2023, we received written notice of CIPLA’s Paragraph IV Certification as to the US ‘793 Patent, which was dated May 10, 2023, along with an enclosed statement of alleged factual and legal bases for stating that the US ‘793 Patent is invalid, unenforceable, and/or will not be infringed by CIPLA’s ANDA Product. On July 27, 2023, we filed a Second

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

Amended Complaint to assert the US '793 Patent. CIPLA filed an Answer to the Second Amended Complaint on August 31, 2023.

On April 23, 2024, we were granted US 11,964,018 Patent (the "US '018 Patent") covering a method of using our PEDMARK product to reduce ototoxicity in a patient receiving a platinum based chemotherapeutic for the treatment of a cancer, which was listed in the Orange Book on or around May 8, 2024, and has an expiration date of July 2039. On May 28, 2024, we were granted US 11,992,530 Patent (the "US '530 Patent") covering a method of using our PEDMARK product to reduce ototoxicity in a patient receiving a platinum based chemotherapeutic for the treatment of a cancer, which was listed in the Orange Book on or around June 20, 2024, and has an expiration date of July 2039. On June 4, 2024, we were granted US 11,998,604 Patent (the "US '604 Patent") covering a method of using our PEDMARK product to reduce ototoxicity in a patient receiving a platinum based chemotherapeutic for the treatment of a cancer, which was listed in the Orange Book on or around June 24, 2024, and has an expiration date of July 2039.

On June 13, 2024, we filed a Motion for Leave to File a Third Amended Complaint to focus the ANDA litigation against CIPLA on the US '018 Patent and the US '793 Patent only. The non-asserted patents remain listed in the Orange Book. On July 22, 2024, CIPLA filed a response indicating that they do not oppose our Motion for Leave to File a Third Amended Complaint. On July 30, 2024, the court granted us leave to file the Third Amended Complaint, which we filed on September 16, 2024.

In coordination with the Third Amended Complaint, we entered into a covenant not to sue CIPLA on the US '363 Patent, US '728 Patent, US '984 Patent, US '530 Patent, and US '604 Patent, subject to the limitation that such shall not apply to the extent CIPLA alters the product or formulation described in its FDA ANDA application.

The suit is ongoing.

Executive Severance

In the event of termination of Mr. Hackman's (Chief Executive Officer) employment with the Company other than for cause, the Company will be obligated to pay him a one-time severance payment equal to twelve months of salary (currently \$550). In the event of termination of Mr. Andrade's (Chief Financial Officer) employment with the Company other than for cause, the Company will be obligated to pay him a one-time severance payment equal to nine months of salary which is equivalent to \$331. Further, certain other Executive Employment Agreements generally provide that if employment is terminated without "Cause" (as defined in the applicable Executive Employment Agreement) and other conditions are satisfied, then such executive officer shall receive as severance an amount equal to their then current base salary for a period of nine (9) months, less standard withholdings for tax and social security purposes.

Leases

The Company has an operating lease in Research Triangle Park, North Carolina utilizing a small space within a commercial building. The operating lease has payments of \$0.4 per month with no scheduled increases. This operating lease is terminable with 30 days' notice and has no penalties or contingent payments due.

On January 23, 2020, the Company entered into an Office Service Agreement (the "Office Service Agreement") with Regus to lease office space in Hoboken, New Jersey. Per the terms of the Office Service Agreement, the monthly rent payments are \$1. The Company was required to pay a security deposit of \$2, which is the equivalent to two months of rent. The Office Service Agreement commenced on January 27, 2020, and terminated on July 31, 2020, thereafter the lease has been continuing on a month-to-month basis with either party being able to terminate the agreement by providing one months' advance written notice of termination.

On August 1, 2023, the Company entered into a second Office Service Agreement (the "Second Office Service Agreement") with Regus to lease office space in Dublin, Ireland. Per the terms of the Second Office Service Agreement, the monthly rent payments are \$2. The Company was required to pay a security deposit of \$5, which is the equivalent of two months rent. The Second Office Service Agreement commenced on August 1, 2023 and terminates on January 31, 2025, thereafter the lease may continue on a month-to-month basis with either party being able to terminate the agreement by providing one month's advance written notice of termination. This lease was terminated.

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

The Second Office Service Agreement does not provide an implicit rate, and therefore the Company uses its incremental borrowing rate as the discount rate when measuring the operating lease liability. The incremental borrowing rate represents an estimate of the interest rate the Company would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of the lease within a particular currency environment. The Company uses an incremental borrowing rate consisting of the current prime rate plus 150 basis points for operating leases that commenced after August 2023. The depreciable lives of operating leases and leasehold improvements are limited by the expected lease term.

	December 31, 2024
Remaining lease terms (in months)	1
Discount rate	10 %
Maturities of lease liabilities as of December 31, 2024 were as follows (in thousands):	
Year Ending December 31,	
2025	2
	2
Less imputed interest	2
Total lease liabilities	\$ 2
Current operating lease liabilities	\$ 2
Non-current operating lease liabilities	-
Total lease liabilities	\$ 2

Employee Benefit Plan

In May 2021, the Company established the Fennec Pharmaceuticals, Inc. 401(k) Plan (the “401(k) Plan”) for its employees, which is designed to be qualified under Section 401(k) of the Code. Eligible employees are permitted to contribute to the 401(k) Plan within statutory and 401(k) Plan limits. As of December 31, 2024, the Company does not offer matching contributions.

8. Term Loans

On August 1, 2022, the Company entered into the SPA with the Petrichor in connection with the issuance of up to \$45,000 of Notes, issuable in multiple tranches. On August 19, 2022, the Company closed on the initial tranche of \$5,000, which has an Initial Conversion Price equal to \$8.11 per share, which was calculated based on a 20% premium of the 5-day VWAP immediately prior to the announcement of the SPA. In connection with the first closing, the Company repaid in full its secured indebtedness with Bridge Bank in the amount of \$5,000. The Notes become due on the maturity date, which is August 19, 2027.

On September 23, 2022, the Company closed on the second tranche of the Note Financing in the amount of \$20,000 (the “Second Closing Note”), which has an Initial Conversion Price equal to \$7.89 per share, which was calculated based on a 20% premium of the 5-day VWAP immediately prior to September 20, 2022, which was the date the Company obtained FDA approval of PEDMARK®.

A commitment fee of 2.0% of the Notes was payable under the SPA. Half of such fee was paid by the issuance on the first closing of warrants to purchase 55,498 Fennec common shares (“First Closing Warrant”) and half was payable in cash or warrants of 55,498 Fennec common shares (“Second Closing Warrant”), at our election, on the second closing. The warrants are exercisable at a price per share of \$8.11 and have a term of five years from the date of the grant. The Company elected to have all the commitment fee of the Notes payable in warrants.

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

On December 4, 2023, the Company closed a third tranche under the SPA in the amount of \$5,000 (the “Third Closing Note”), which has an Initial Conversion Price equal to \$7.89 per share, which was calculated based on a 20% premium of the 5-day VWAP immediately prior to September 20, 2022, which was the date the Company obtained FDA approval of PEDMARK®.

Also on December 4, 2023, the Company entered into a First Amendment to the Securities Purchase Agreement (the “SPA Amendment”) with the Petrichor, which, among other things, extends the period that the Company may draw the remaining \$15,000 under the SPA from December 31, 2023, to December 31, 2024. The ability for subsequent draws expired on December 31, 2024.

On December 18, 2024, the Company entered into a Waiver and Redemption Agreement (the “Redemption Agreement”) with Petrichor, pursuant to which the Company repurchased and redeemed Notes in an aggregate principal amount of \$13,000 (consisting of approximately \$11,800 of original principal balance and approximately \$1,270 in PIK interest) (collectively, the “Note Redemptions”).

As a result of the Note Redemptions, the First and Third Closing Notes were repurchased and redeemed in full, and, as of December 19, 2024, there remains outstanding Second Closing Notes in the aggregate principal amount (inclusive of PIK interest) of approximately \$19,477.

Cash interest on outstanding principal shall accrue at a rate of prime, plus 4.5% per annum, from the date of funding (12% and 13% at December 31, 2024 and 2023, respectively). Cash interest is due on the first business day of each calendar quarter (“Interest Date”). Payment-in-kind (“PIK”) interest will commence on funding date and accrue at a rate of 3.5% per annum. PIK interest stopped accruing on August 24, 2024. All accrued PIK interest shall remain outstanding and was payable on each Interest Date and added to the outstanding principal amount. The Company has accrued \$1,271 in PIK interest and has classified the PIK interest in long-term liabilities.

The SPA notes are convertible into fully paid, non-assessable share of common shares at any point after their issuance dates and before the maturity date. Any amount of the SPA notes may be converted into common shares so long as it does not create partial shares. The conversion rate is determined by dividing the conversion amount by the conversion price. Provisions of the PSA create legal, valid and enforceable liens on, and security interests in, all of the Company’s and each of its subsidiaries’ assets.

Aggregate annual payments due on the SPA as of December 31, 2024, are as follows (in thousands):

Years Ending December 31,	Amount
2025	\$ —
2026	—
2027	18,206
Payment in kind interest	1,271
Total future payments	19,477
Less: unamortized debt discount	(139)
Total term loan, net of debt discount	\$ 19,338

In the event of default or change of control, all unpaid principal and all accrued and unpaid interest amounts (if any) become immediately due and payable. Events of default include, but are not limited to, a payment default, a material adverse change, and insolvency. The SPA facility is secured by all of the Company’s assets, including all capital stock held by the Company.

Debt issuance costs of \$175 were paid in cash for legal fees and to the Petrichor in 2022 and warrants valued at \$441 were granted the Petrichor to secure access to the SPA. These amounts were capitalized and are being amortized over the access period of the SPA. Upon drawing under the First Closing Note, the Second Closing Note, and the Third Closing Note, the Company recorded a debt discount of \$314, which was based on a pro-rata allocation of the issue costs to secure the SPA,

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

reducing the capitalized amount by the same amount. The debt discount is being amortized over the life of the SPA.

9. Income Taxes

The Company operates in U.S., Canadian and Ireland tax jurisdictions. Its income is subject to varying rates of tax and losses incurred in one jurisdiction cannot be used to offset income taxes payable in another. A reconciliation of the combined Canadian federal and provincial income tax rate with the Company's effective tax rate is as follows (in thousands except for percentage rates):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Domestic loss	\$ (12,128)	\$ (12,301)
Foreign income/(loss)	12,088	(3,744)
Loss before income taxes	\$ (40)	\$ (16,045)
Expected statutory rate	26.50 %	26.50 %
Expected provision for (recovery of) income tax	(11)	(4,252)
Permanent differences	1,629	1,553
Change in valuation allowance	20,020	2,038
Effect of tax rate changes and other	(22,034)	661
Provision for income taxes	\$ (396)	\$ —

The Canadian statutory income tax rate of 26.5 percent is comprised of federal income tax at approximately 15.0 percent and provincial income tax at approximately 11.5 percent.

The primary temporary differences which gave rise to future income taxes (recovery) at December 31, 2024 and December 31, 2023:

	December 31, 2024	December 31, 2023
Future tax assets:		
	\$ 2,086	\$ 2,086
Income tax loss carryforwards	13,219	37,143
Non-refundable investment tax credits	197	297
Share issue costs	38	73
Fixed and intangible assets	30,750	1,083
Debt discount	27	62
Other	6,067	—
	52,384	40,744
Less: valuation allowance	(52,358)	(40,718)
Net future tax assets	\$ 26	\$ 26

Tax Cuts and Jobs Act

On December 22, 2017, the then President of the United States signed into law an Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 (commonly known as "the Tax Cuts and Jobs Act" ("TCJA")), which introduced a comprehensive set of tax reforms. The Tax Cuts and Jobs Act significantly revises U.S. tax law by, among other provisions, lowering the Company's corporate tax rate from 34% to 21% and eliminating or reducing certain income tax deductions.

In December 2017, in accordance with the SEC Staff Accounting Bulletin ("SAB") 118—"Income Tax Accounting Implications of the TCJA", the Company recorded tax effects on a provisional basis based on a reasonable estimate. The TCJA did not have a material impact on the Company's financial statements because its deferred temporary differences

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

are fully offset by a valuation allowance and the Company does not have any offshore earnings from which to record the mandatory transition tax. During 2018, the Company completed its analysis under SAB 118 and no additional tax effects due to rate-remeasurement were required to be recorded.

There are no current income taxes owed, but the Norgine deal will cause the Company to be closer to using its historical tax losses. Once those losses are used up, the Company will owe income taxes. As of December 31, 2024, the Company has unclaimed Scientific Research and Experimental Development ("SR&ED") expenditures, income tax loss carry-forwards and non-refundable investment tax credits. The unclaimed amounts and their expiry dates are as listed below:

	Federal	Province/ State
SR&ED expenditures (no expiry)	\$ 7,872	\$ —
Income tax loss carryforwards (expiry date):		
2025	26,994	699,617
2026	65,621	789,105
2027	20,150	651,278
2028	16,990	655,415
2029	650	616,910
2030	358	941,126
2031	1,017	1,013,499
2032	730	1,637,844
2033	365	2,159,126
2034	160	3,737,889
2035	805	9,215,474
2036	578	8,214,367
2037	—	1,298,877
2038	—	208,948
2039	—	—
2040	—	—
2041	3,971,821	—
2042	6,191,764	—
2043	6,456,029	—
2044	—	—
No expiration	33,198,560	—
Investment tax credits (expiry date):		
2024	53	—
2025	82	—
2026	86	—
2027	47	—

10. License Agreement

License Agreement with Norgine Pharma UK Limited

On March 17, 2024, the Company announced that, through its wholly-owned subsidiary, Fennec Pharmaceuticals, Inc. entered into a License and Supply Agreement (the "Agreement") with Norgine Pharma UK Limited ("Norgine"), pursuant to which Norgine is granted an exclusive license to commercialize the Company's product PEDMARQSI[®] (known as PEDMARK in the United States) for all human indications in the European Economic Area, Switzerland, the United Kingdom, Australia and New Zealand (collectively, the "Territory"). On July 26, 2024, Norgine and Fennec amended the exclusive licensing agreement. The amended agreement maintains all principal payment terms with the primary addition of Norgine assuming responsibility for packaging and labeling of PEDMARQSI[®].

Pursuant to the terms of the Agreement, Fennec shall receive the following payments from Norgine: (i) an upfront payment in the amount of €40,000 or approximately \$43,200, which was paid to Fennec on March 15, 2024, (ii) up to €210,000 (or

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

approximately \$230,000) upon the achievement of certain regulatory and commercial milestones, and (iii) tiered royalty payments based on net sales of PEDMARQSI® in the Territory, which royalty payment range from mid-teen percent to mid-twenty percent based on the aggregate net sales of PEDMARQSI® in the Territory. The tiered royalty payments are subject to material reduction if an alternative or generic version of PEDMARQSI® becomes available in any respective country or jurisdiction within the Territory.

Subject to customary rights of each party to earlier terminate the Agreement, the term of the Agreement continues for the longer of: (i) March 15, 2034, or (ii) with respect to any particular country in the Territory, (a) the expiration of regulatory market exclusivity for PEDMARQSI® in such country, or (b) the last-to-expire of all patents for PEDMARQSI® in such country. The term of the Agreement shall be automatically renewed for additional three-year periods unless either party provides the other party written notice of its intent not to renew the Agreement at least one year prior to the applicable termination date of the Agreement.

The Company evaluated the Agreement under ASC 606 and concluded that Norgine represents a customer in the transaction. There were two performance obligations: a license of functional IP and a material right for future supply. The Company will allocate the transaction price, including currently unrecognized variable consideration, to the two performance obligations based on estimated standalone selling price, which was estimated using projected cash flows. The initial transaction price consisted of the non-refundable upfront payment, a portion of which was allocated to and recognized as License Revenue in the first quarter of 2024 as the requirements for revenue recognition under ASC 606 were met. The portion of the transaction price associated with the material right is deferred and reflected as deferred revenue in the condensed consolidated balance sheets. Deferred revenue associated with the material right is recognized as contract liabilities under the supply arrangement are made. The remaining forms of consideration are variable because they are dependent on the achievement of sales-based or other milestones. The Company evaluated the constraint on variable consideration and concluded that the milestone payments are dependent on regulatory approvals and actions of third parties, and thus are highly susceptible to factors outside the Company's influence. Therefore, at contract inception, the milestones are not included in the transaction price as it is not probable that a significant reversal of revenue would not occur. Sales-based milestones will be recognized as revenue or deferred as part of the material right in the period when the related sales threshold is met. All other milestones will be recognized as revenue or deferred as part of the material right immediately in the period the underlying milestone is achieved. Any consideration related to sales-based royalties will be recognized as revenue or deferred as part of the material right when the related sales occur. For year ended December 31, 2024, the Company did not recognize any milestone or royalty revenue payments from Norgine sales of PEDMARQSI® pursuant to the Agreement.

In conjunction with entering into the Agreement, the Company paid approximately \$1,700 in incremental costs, which were capitalized and recorded within other non-current assets. The Company amortizes the asset over the period of expected benefit using a systematic basis that reflects the pattern of transfer to the customer. A portion that represents the license was recognized immediately and is recorded within selling and marketing expense in the condensed consolidated statements of operations. As of December 31, 2024, \$819 in incremental cost was capitalized.

11. Segment Reporting

Operating segments are defined as components of an enterprise engaging in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business in one operating segment principally in the United States.

Fennec's chief operating decision maker is the senior executive team that includes the chief executive officer and chief financial officer. The chief operating decision maker uses net loss to evaluate income generated from segment assets (return on assets) in deciding whether to reinvest profits into the single segment or any other part of the entity, such as for acquisitions or to pay dividends.

The accounting policies of the operating segment are the same as those described in Note 2, Significant Accounting Policies. The chief operating decision maker evaluates the performance of the operating segment and allocates resources

Fennec Pharmaceuticals Inc.
Notes to the Consolidated Financial Statements
(U.S. dollars and shares in thousands, except per share information)

based on net loss that also is reported on the consolidated income statement as net loss. The measure of the operating segment assets is reported on the consolidated balance sheet as total assets.

The chief operating decision maker uses net loss to monitor budget versus actual results and to analyze cash flows in assessing performance of the segment and allocating resources. The significant expenses are presented in the Company's Statements of Operations.

12. Subsequent Events

On February 7, 2024, the Company announced that Norgine Pharmaceuticals Ltd. had commercially launched PEDMARQSI[®] in Germany.



**INCENTIVE STOCK OPTION AGREEMENT
UNDER THE FENNEC PHARMACEUTICAL INC.
2020 EQUITY INCENTIVE PLAN**

FIRST_NAME LAST_NAME
ADDRESS_LINE_1
ADDRESS_LINE_2
CITY - STATE
ZIPCODE
COUNTRY

Grant Number

Pursuant to the Fennec Pharmaceuticals Inc. 2020 Equity Incentive Plan as amended through the date hereof (the "Plan"), Fennec Pharmaceuticals Inc. (the "Company") hereby grants to the Optionee named above an option (the "Stock Option") to purchase on or prior to the Expiration Date specified above all or part of the number of Common Shares, no par value (the "Shares"), of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein and in the Plan.

Date of Grant
Vesting Commencement Date
Exercise Price per Share
Total Number of Shares Granted
Total Exercise Price
Type of Option:
Term: 10 Years

SECTION 1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become exercisable. Except as set forth below, and subject to the discretion of the Administrator (as defined in Section 2 of the Plan) to accelerate the exercisability schedule hereunder, this Stock Option shall be exercisable with respect to the following number of Option Shares on the dates indicated so long as the Optionee remains an employee of the Company or a Subsidiary on such dates:

Vesting Schedule: Subject to accelerated vesting as set forth in the Plan or in the Stock Option Agreement:

- 1/3 of the shares vest and may be exercised as of 1 year after grant (the Vesting Commencement Date).
- 1/24 of the shares subject to this option shall vest and may be exercised as of the last day of each month following the Vesting Commencement Date.
- As of the third anniversary of the Date of Grant and thereafter, 100% of the total number of shares subject to this option shall be vested.

Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

SECTION 2. Exercise.

(a) Manner of Exercise. The Optionee may exercise this Stock Option only in the following manner:

(i) Notice. from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

(ii) Payment. Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (1) in cash, by certified or bank check or other instrument acceptable to the Administrator; (2) through the delivery (or attestation to the ownership) of Shares that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; or (3) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; or (4) a combination of (1), (2) and (3) above. Payment instruments will be received subject to collection.

(iii) Conditions of Exercise. The issuance to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (1) the Company's receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (2) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (3) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Shares to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the Shares will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously-owned Shares through the attestation method, the number of Shares issued to the Optionee upon the exercise of the Stock Option shall be net of the Shares attested to.

(b) Not a Shareholder until Duly Exercised. The Shares purchased upon exercise of this Stock Option shall be issued to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any Shares subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have issued the Shares to the Optionee, and the Optionee's name shall have been entered as the shareholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such Shares.

(c) Minimum Exercise. The minimum number of shares with respect to which this Stock Option may be exercised at any one time shall be 100 shares, unless the number of shares with respect to which this Stock Option is being exercised is the total number of Shares underlying this Stock Option at the time.

(d) Expiry. Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

SECTION 3. Termination of Service Relationship. If the Optionee's Service Relationship by the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's Service Relationship terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of death, may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of death shall terminate immediately and be of no further force or effect.

(b) Termination Due to Disability. If the Optionee's Service Relationship terminates by reason of the Optionee's disability (as determined by the Administrator), any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of such termination of Service Relationship, may thereafter be exercised by the Optionee for a period of 12 months from the date of disability or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of disability shall terminate immediately and be of no further force or effect.

(c) Termination for Cause. If the Optionee's Service Relationship terminates for Cause, any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect. For

purposes hereof, "Cause" shall mean, unless otherwise provided in an employment agreement (or similar services agreements) between the Company and the Optionee, a determination by the Administrator that the Optionee shall be dismissed as a result of (i) any material breach by the Optionee of any agreement between the Optionee and the Company; (ii) the conviction of, indictment for or plea of nolo contendere by the Optionee to a felony or a crime involving moral turpitude; or (iii) any material misconduct or willful and deliberate non-performance (other than by reason of disability) by the Optionee of the Optionee's duties to the Company.

(d) Other Termination. If the Optionee's Service Relationship terminates for any reason other than the Optionee's death, the Optionee's disability, or Cause, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of termination shall terminate immediately and be of no further force or effect.

The Administrator's determination of the reason for termination of the Optionee's Service Relationship shall be conclusive and binding on the Optionee and his or her representatives or legatees.

SECTION 4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

SECTION 5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

SECTION 6. Status of the Stock Option. This Stock Option is intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), but the Company does not represent or warrant that this Stock Option qualifies as such. The Optionee should consult with his or her own tax advisors regarding the tax effects of this Stock Option and the requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements. To the extent any portion of this Stock Option does not so qualify as an "incentive stock option," such portion shall be deemed to be a non-qualified stock option. If the Optionee intends to dispose or does dispose (whether by sale, gift, transfer or otherwise) of any Option Shares within the one-year period beginning on the date after the transfer of such shares to him or her, or within the two-year period beginning on the day after the grant of this Stock Option, he or she will so notify the Company within 30 days after such disposition.

SECTION 7. Tax Withholding. The Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause the required tax withholding obligation to be satisfied, in whole or in part, by withholding from Shares to be issued to the Optionee a number of Shares with an aggregate Fair Market Value that would satisfy the withholding amount due; provided, however, that the amount withheld does not exceed the maximum statutory tax rate or such lesser amount as is necessary to avoid adverse accounting treatment or as determined by the Administrator.

SECTION 8. No Obligation to Continue Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Optionee's Service Relationship and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Service Relationship of the Optionee at any time.

SECTION 9. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Stock Option and supersedes all prior agreements and discussions between the parties concerning such subject matter.

SECTION 10. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social

Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan or this Agreement (the "Relevant Information"). By entering into this Agreement, the Optionee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Optionee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Optionee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

SECTION 11. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

FENNEC PHARMACEUTICALS INC.

By: _____
Name: _____
Title: _____

The foregoing Agreement is hereby accepted, and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Grantee (including through an online acceptance process) is acceptable.

Dated: _____

Grantee's Signature



**RESTRICTED STOCK UNIT AWARD AGREEMENT
UNDER THE FENNEC PHARMACEUTICALS INC.
2020 EQUITY INCENTIVE PLAN**

FIRST NAME, LAST NAME
ADDRESS LINE 1
CITY, STATE ZIPCODE
COUNTRY

Grant Number

Pursuant to the Fennec Pharmaceuticals Inc. 2020 Equity Incentive Plan as amended through the date hereof (the "Plan"), Fennec Pharmaceuticals Inc. (the "Company") hereby grants an award of the number of Restricted Stock Units listed above (an "Award") to the Grantee named above. Each Restricted Stock Unit shall relate to one Common Share (each a "Share" and collectively the "Shares") of the Company.

Date of Grant

Total Number of Shares Granted

SECTION 1. Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any Shares issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Paragraph 2 of this Agreement and (ii) Shares have been issued to the Grantee in accordance with the terms of the Plan and this Agreement.

SECTION 2. Vesting of Restricted Stock Units. The restrictions and conditions of Paragraph 1 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule so long as the Grantee continues to have a Service Relationship with the Company or a Subsidiary on such dates. If a series of Vesting Dates is specified, then the restrictions and conditions in Paragraph 1 shall lapse only with respect to the percentage of Restricted Stock Units specified as vested on such date.

<u>Portion of Restricted Stock Units Vested</u>	<u>Vesting Date</u>
1/3 rd	First Anniversary of Grant Date
1/24 th	End of Each Calendar Month following the First Anniversary of the Grant Date,

such that all Restricted Stock Units are vested as of the third anniversary of the Grant Date. The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 2.

SECTION 3. Termination of Service Relationship. If the Grantee's Service Relationship with the Company and its Subsidiaries terminates for any reason (including death or disability) prior to the satisfaction of the vesting conditions set forth in Paragraph 2 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate and be forfeited, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units.

SECTION 4. Issuance of Shares. As soon as practicable following each Vesting Date (but in no event later than two and one-half months after the end of the year in which the Vesting Date occurs), the Company shall issue to the Grantee the number of Shares equal to the aggregate number of Restricted Stock Units that



have vested pursuant to Paragraph 2 of this Agreement on such date and the Grantee shall thereafter have all the rights of a shareholder of the Company with respect to such shares.

SECTION 5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

SECTION 6. Tax Withholding. The Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause the required tax withholding obligation to be satisfied, in whole or in part, by withholding from Shares to be issued to the Grantee a number of Shares with an aggregate Fair Market Value that would satisfy the withholding amount due; provided, however, that the amount withheld does not exceed the maximum statutory tax rate or such lesser amount as is necessary to avoid adverse accounting treatment or as determined by the Administrator.

SECTION 7. Section 409A of the Code. This Agreement shall be interpreted in such a manner that all provisions relating to the settlement of the Award are exempt from the requirements of Section 409A of the Code as "short-term deferrals" as described in Section 409A of the Code.

SECTION 8. No Obligation to Continue Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee in the Service Relationship and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Service Relationship of the Grantee at any time.

SECTION 9. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Award and supersedes all prior agreements and discussions between the parties concerning such subject matter.

SECTION 10. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan or this Agreement (the "Relevant Information"). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

SECTION 11. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

FENNEC PHARMACEUTICALS INC.

By:

Name: _____
Title: _____

The foregoing Agreement is hereby accepted, and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Grantee (including through an online acceptance process) is acceptable.

Dated: _____

Grantee's Signature

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-221091 and 333-232353) and the Registration Statements on Form S-3 (File Nos. 333-219884, 333-268632, and 333-275452) of Fenec Pharmaceuticals Inc. (the “Company”) of our report dated March 26, 2025, relating to the consolidated financial statements as of December 31, 2024 and 2023 and for each of the years then ended, which appear in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

/s/ Haskell & White LLP
HASKELL & WHITE LLP

Irvine, California
March 26, 2025

**FENNEC PHARMACEUTICALS INC
CERTIFICATION**

I, Jeffrey Hackman, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended December 31, 2024 of Fennec Pharmaceuticals Inc.;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Annual Report based on such evaluation; and
 - (d) Disclosed in this Annual Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2025

By: /s/ Jeffrey Hackman
Jeffrey Hackman
Chief Executive Officer

**FENNEC PHARMACEUTICALS INC.
CERTIFICATION**

I, Robert Andrade, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended December 31, 2024 of Fennec Pharmaceuticals Inc.;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Annual Report based on such evaluation; and
 - (d) Disclosed in this Annual Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2025

By: /s/ Robert Andrade

Robert Andrade
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Fennec Pharmaceuticals Inc. (the "Company") on Form 10-K for the period ended December 31, 2024 (the "Report"), each of the undersigned, Jeffrey Hackman, Chief Executive Officer of the Company, and Robert Andrade, Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 26, 2025

By: /s/ Jeffrey Hackman

Jeffrey Hackman
Chief Executive Officer

Date: March 26, 2025

By: /s/ Robert Andrade

Robert Andrade
Chief Financial Officer



FENNEC PHARMACEUTICALS REPORTS FOURTH QUARTER AND FULL-YEAR 2024 FINANCIAL RESULTS AND PROVIDES BUSINESS UPDATE

~ Achieved Full-Year PEDMARK® Net Product Sales of \$29.6 Million, Up 40% Year-Over-Year, and Generated PEDMARK® Q4 2024 Net Product Sales of \$7.9 Million ~

~ Continued Momentum in the Adolescent and Young Adult (AYA) Segment and Academic Setting Following Strategic Investments to Drive Awareness of Ototoxicity & Adoption of PEDMARK® ~

~ Completed Early Repayment of \$13 Million of the Company's Approximately \$32 Million Outstanding Convertible Debt Facility ~

~ Delivered Q4 2024 EBITDA Loss of \$1.0 Million and Company Has \$26.6 Million in Cash, Cash Equivalents and Short-Term Investments ~

~ PEDMARQSI® Now Commercially Available to Patients and Healthcare Providers in the United Kingdom and Germany ~

~ Management to Host Conference Call Today at 8:30 a.m. ET ~

Research Triangle Park, NC, March 10, 2025 – Fen nec Pharmaceuticals Inc. (NASDAQ:FENC; TSX: FRX), a specialty pharmaceutical company, today reported its financial results for the fiscal year ended December 31, 2024 and provided a business update.

“2024 marked the beginning of a foundational transformation for Fen nec, setting the stage for the PEDMARK® strategy that we are utilizing throughout 2025 to realize our next phase of growth. With key management and commercial hires in Q3 and Q4, we strengthened our leadership team and with this enhanced expertise, we are now well-positioned to drive execution and excellence in the field. We are seeing encouraging momentum in early 2025, particularly with adoption by academic institutions and new patient segments, reinforcing the value and need for PEDMARK®,” said Jeff Hackman, chief executive officer of Fen nec Pharmaceuticals. “Global access to PEDMARK® has also expanded meaningfully, with recent PEDMARQSI® commercial launches in the United Kingdom and Germany in 2025. With the right foundational strategies now in place, we are confident that our strong and focused execution will translate into shareholder value in 2025 and beyond.”

Business Highlights:

- **U.S. Clinical Compendia Update:** All medical compendia have incorporated Fen nec’s clinical updates, and AHFS, the largest online platform for pharmacists, has updated its content to reflect and differentiate PEDMARK® in accordance with its labeling. We also continue to advance our efforts to have PEDMARK added to the NCCN Drug and Biologics Compendium®, a key step in further expanding access and reimbursement pathways.
 - **PEDMARQSI® Commercial Launch in Europe:** In December 2024, Norgine received positive guidance from National Institute for Health and Care Excellence (NICE) recommending PEDMARQSI® for the prevention of cisplatin-induced hearing loss in patients (aged 1 month to 17 years) with localized, non-
-

metastatic, solid tumors and PEDMARQSI is currently available in the U.K. In February 2025, Norgine announced that it has commercially launched PEDMARQSI in Germany. Both milestones mark an important step in achieving Fennec's mission of expanding access to PEDMARQSI to cancer patients across the globe at risk of hearing loss.

- **Ex-U.S. Opportunities for PEDMARK[®]:** In Japan, the investigator-initiated clinical trial (STS-J01) in Japan evaluating PEDMARK[®] fully enrolled in Q4 2024 and the results of the trial are expected in the second half of 2025 with the potential evaluation for registration of PEDMARK in Japan thereafter. Further, Fennec has partnered with Inpharmus for the distribution of PEDMARK in Turkey and Gulf Cooperation Council Countries.
- **Early Repayment of \$13 Million of the Company's Approximately \$32 Million Outstanding Convertible Debt Facility:** In December 2024, Fennec announced the early partial repayment of a significant portion of its debt to Petrichor in a financial and strategic action that optimizes the Company's balance sheet and overall capital structure, while effectively saving approximately \$1.5 million in future annual interest payments and eliminating potential dilutive shares.

Financial Results for the Fourth Quarter and Fiscal Year Ended December 31, 2024

- **Net Product Sales** – For the fourth quarter of 2024, the Company recorded net product sales of \$7.9 million compared to \$7.0 million in the third quarter of 2024, representing an increase of approximately 13%. For the full fiscal year (FY) 2024, the Company recorded \$29.6 million compared to \$21.3 million in 2023, representing an increase of approximately 39%. The increase in sales in both the quarter and year reflects strong growth in accounts and increased penetration in the AYA market opportunity.
 - **Cash Position** – Cash and cash equivalents were \$26.6 million as of December 31, 2024. Of note, for the fourth quarter of 2024, our cash flow from operations decreased by \$0.9 million compared to the fourth quarter of 2023. For the FY 2024, there was a \$13.4 million increase in cash and cash equivalents between December 31, 2023 and December 31, 2024. The increase in cash was primarily due to the \$43 million from the Norgine transaction offset by operating expenses and the \$13 million debt paydown in December 2024.
 - **Selling and Marketing Expenses** – The Company recorded \$3.9 million in selling and marketing expenses in the fourth quarter of 2024 compared to \$4.6 million in the third quarter of 2024. For the FY 2024, the Company recorded \$18.4 million in selling and marketing compared to \$12.1 million in fiscal year 2023. The increase is largely related to increased payroll and additional marketing expenses in the comparable period as we focused on expanding our outreach to community oncology centers and the adolescent and young adult (AYA) population.
 - **General and Administrative (G&A) Expenses** – The Company recorded \$4.2 million in G&A expenses fourth quarter of 2024 compared to \$6.1 million in the third quarter of 2024. For the FY 2024, the Company recorded \$23.1 million in G&A expenses compared to \$20.6 million in fiscal year 2023. For the fourth quarter of 2024, G&A expenses decreased due to higher European pre commercialization related expenses in 2023. For the full year G&A expenses were higher both due to European pre-commercialization related expenses and expenses associated with the Norgine transaction and intellectual property expenses related to ongoing litigation.
 - **Net Earnings** – There was a net loss for the fourth quarter and year ended December 31, 2024, of \$1.6 million or (\$0.06 per share) and net loss of \$0.01 million or \$0.00 per share, respectively, compared to a net
-

loss of \$2.7 million (\$0.10 per share) and a net loss of \$16.0 million or (\$0.60 per share), respectively, for the same periods in 2023.

Fourth Quarter and Full-Year 2024 Conference Call Information

Date: Monday, March 10, 2025

Time: 8:30 a.m. ET

Link: <https://edge.media-server.com/mmc/p/7bafbd7q>

To access the live webcast link, log onto www.fennecpharma.com and proceed to the News & Events/Event Calendar page under the Investors & Media heading. Please connect to the company's website at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to listen to the webcast. A webcast replay of the conference call will also be archived on www.fennecpharma.com for thirty days.

Financial Update

The selected financial data presented below is derived from our unaudited condensed consolidated financial statements, which were prepared in accordance with U.S. generally accepted accounting principles. The complete unaudited condensed consolidated financial statements for the period ended December 31, 2024 and management's discussion and analysis of financial condition and results of operations will be available via www.sec.gov and www.sedar.com. All values are presented in thousands unless otherwise noted.

Audited Consolidated
Statements of Operations:
(U.S. Dollars in thousands except per share amounts)

	Three Months Ended		Twelve Months Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Revenue				
Product sales, net	\$ 7,925	\$ 9,735	\$ 29,580	\$ 21,252
Licensing revenue	—	—	17,958	—
Total revenue	7,925	9,735	47,538	21,252
Operating expenses:				
Cost of product sales	669	685	3,184	1,259
Research and development	50	32	307	56
Selling and marketing	3,944	3,868	18,426	12,123
General and administrative	4,196	6,968	23,053	20,585
Total operating expenses	8,859	11,553	44,970	34,023
Loss from operations	(934)	(1,818)	2,568	(12,771)
Other (expense)/income				
Realized foreign exchange (loss)/gain	(27)	2	(82)	5
Amortization expense	(25)	(70)	(89)	(287)
Unrealized loss on securities	(66)	4	(80)	(39)
Interest income	399	115	1,682	441
Interest expense	(966)	(915)	(4,069)	(3,394)
Total other (expense)/income	(685)	(864)	(2,638)	(3,274)

Net (loss) / income	<u>\$ (1,619)</u>	<u>\$ (2,682)</u>	<u>\$ (70)</u>	<u>\$ (16,045)</u>
Basic net loss per common share	<u>\$ (0.06)</u>	<u>\$ (0.10)</u>	<u>\$ (0.00)</u>	<u>\$ (0.60)</u>
Diluted net loss per common share	<u>\$ (0.06)</u>	<u>\$ (0.10)</u>	<u>\$ (0.00)</u>	<u>\$ (0.60)</u>
Weighted-average number of common shares outstanding basic	<u>27,460</u>	<u>26,833</u>	<u>27,294</u>	<u>26,574</u>
Weighted-average number of common shares outstanding diluted	<u>27,460</u>	<u>26,833</u>	<u>27,294</u>	<u>26,574</u>

Audited Consolidated Balance Sheets:
(U.S. Dollars in thousands)

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 26,634	\$ 13,269
Accounts receivable, net	12,884	8,814
Prepaid expenses	3,080	583
Inventory	1,060	2,156
Other current assets	364	21
Total current assets	<u>44,022</u>	<u>24,843</u>
Non-current assets		
Other non-current assets, net of amortization	924	2,021
Total non-current assets	<u>924</u>	<u>2,021</u>
Total assets	<u>\$ 44,946</u>	<u>\$ 26,864</u>
Liabilities and shareholders' (deficit) equity		
Current liabilities:		
Accounts payable	\$ 2,875	\$ 3,778
Accrued liabilities	3,428	3,754
Operating lease liability - current	248	21
Contract liability - current	2	—
Total current liabilities	<u>6,553</u>	<u>7,553</u>

Long term liabilities		
Term loan	18,206	30,000
PIK interest	1,271	1,219
Debt discount	(139)	(288)
Contract liability - long-term	24,561	2
Total long term liabilities	43,899	30,933
Total liabilities	50,452	38,486

Commitments and Contingencies

Shareholders' (deficit) equity:

Common stock, no par value; unlimited shares authorized; 27,292 shares issued and outstanding (2023 -26,361)		
	145,608	144,307
Additional paid-in capital	66,958	62,073
Accumulated deficit	(219,315)	(219,245)
Accumulated other comprehensive income	1,243	1,243
Total shareholders' (deficit) equity	(5,506)	(11,622)
Total liabilities and shareholders' (deficit) equity	\$ 44,946	\$ 26,864

Working capital	Fiscal Year Ended	
	December 31, 2024	December 31, 2023
Selected Asset and Liability Data:		
(U.S. Dollars in thousands)		
Cash and equivalents	\$ 26,634	\$ 13,269
Other current assets	17,388	11,574
Current liabilities	6,553	7,553
Working capital	\$ 37,469	\$ 17,290

Selected Equity:

Common stock and additional paid in capital	212,566	206,380
Accumulated deficit	(219,315)	(219,245)
Shareholders' equity	(5,506)	(11,622)

About Cisplatin-Induced Ototoxicity

Cisplatin and other platinum compounds are essential chemotherapeutic agents for the treatment of many malignancies. Unfortunately, platinum-based therapies can cause ototoxicity, or hearing loss, which is permanent, irreversible, and particularly harmful to the survivors of pediatric cancer.ⁱ

The incidence of ototoxicity depends upon the dose and duration of chemotherapy, and many of these children require lifelong hearing aids or cochlear implants, which can be helpful for some, but do not reverse the hearing loss and can be costly over time.ⁱⁱ Infants and young children that are affected by ototoxicity at critical stages of

development lack speech and language development and literacy, and older children and adolescents often lack social-emotional development and educational achievement.ⁱⁱⁱ

PEDMARK® (sodium thiosulfate injection)

PEDMARK® is the first and only U.S. Food and Drug Administration (FDA) approved therapy indicated to reduce the risk of ototoxicity associated with cisplatin treatment in pediatric patients with localized, non-metastatic, solid tumors. It is a unique formulation of sodium thiosulfate in single-dose, ready-to-use vials for intravenous use in pediatric patients. PEDMARK is also the first and only therapeutic agent with proven efficacy and safety data with an established dosing regimen, across two open-label, randomized Phase 3 clinical studies, the Children's Oncology Group (COG) Protocol ACCL0431 and SIOPEL 6.

As a reminder, PEDMARK is indicated to reduce the risk of ototoxicity associated with cisplatin in pediatric patients 1 month of age and older with localized, non-metastatic solid tumors. PEDMARK is recommended for the AYA population by the National Comprehensive Cancer Network, or NCCN, with a 2A endorsement.

In the U.S. and Europe, it is estimated that, annually, more than 10,000 children may receive platinum-based chemotherapy. The incidence of ototoxicity depends upon the dose and duration of chemotherapy, and many of these children require lifelong hearing aids. There is currently no established preventive agent for this hearing loss and only expensive, technically difficult, and sub-optimal cochlear (inner ear) implants have been shown to provide some benefit. Infants and young children that suffer ototoxicity at critical stages of development lack speech language development and literacy, and older children and adolescents lack social-emotional development and educational achievement.

PEDMARK has been studied by co-operative groups in two Phase 3 clinical studies of survival and reduction of ototoxicity, COG ACCL0431 and SIOPEL 6. Both studies have been completed. The COG ACCL0431 protocol enrolled childhood cancers typically treated with intensive cisplatin therapy for localized and disseminated disease, including newly diagnosed hepatoblastoma, germ cell tumor, osteosarcoma, neuroblastoma, medulloblastoma, and other solid tumors. SIOPEL 6 enrolled only hepatoblastoma patients with localized tumors.

Indications and Usage

PEDMARK® (sodium thiosulfate injection) is indicated to reduce the risk of ototoxicity associated with cisplatin in pediatric patients 1 month of age and older with localized, non-metastatic solid tumors.

Limitations of Use

The safety and efficacy of PEDMARK have not been established when administered following cisplatin infusions longer than 6 hours. PEDMARK may not reduce the risk of ototoxicity when administered following longer cisplatin infusions, because irreversible ototoxicity may have already occurred.

Important Safety Information

PEDMARK is contraindicated in patients with history of a severe hypersensitivity to sodium thiosulfate or any of its components.

Hypersensitivity reactions occurred in 8% to 13% of patients in clinical trials. Monitor patients for hypersensitivity reactions. Immediately discontinue PEDMARK and institute appropriate care if a hypersensitivity reaction occurs. Administer antihistamines or glucocorticoids (if appropriate) before each subsequent administration of PEDMARK. PEDMARK may contain sodium sulfite; patients with sulfite sensitivity may have hypersensitivity reactions, including anaphylactic symptoms and life-threatening or severe asthma episodes. Sulfite sensitivity is seen more frequently in people with asthma.

PEDMARK is not indicated for use in pediatric patients less than 1 month of age due to the increased risk of hypernatremia or in pediatric patients with metastatic cancers.

Hypertremia occurred in 12% to 26% of patients in clinical trials, including a single Grade 3 case. Hypokalemia occurred in 15% to 27% of patients in clinical trials, with Grade 3 or 4 occurring in 9% to 27% of patients. Monitor serum sodium and potassium levels at baseline and as clinically indicated. Withhold PEDMARK in patients with baseline serum sodium greater than 145 mmol/L.

Monitor for signs and symptoms of hypertremia and hypokalemia more closely if the glomerular filtration rate (GFR) falls below 60 mL/min/1.73m².

Administer antiemetics prior to each PEDMARK administration. Provide additional antiemetics and supportive care as appropriate.

The most common adverse reactions ($\geq 25\%$ with difference between arms of $>5\%$ compared to cisplatin alone) in SIOPEL 6 were vomiting, nausea, decreased hemoglobin, and hypertremia. The most common adverse reaction ($\geq 25\%$ with difference between arms of $>5\%$ compared to cisplatin alone) in COG ACCL0431 was hypokalemia.

Please see full Prescribing Information for PEDMARK[®] at: www.PEDMARK.com.

About Fennec Pharmaceuticals

Fennec Pharmaceuticals Inc. is a specialty pharmaceutical company focused on the development and commercialization of PEDMARK[®] to reduce the risk of platinum-induced ototoxicity in pediatric patients. Further, PEDMARK received FDA approval in September 2022 and European Commission approval in June 2023 and U.K. approval in October 2023 under the brand name PEDMARQSI[®]. PEDMARK has received Orphan Drug Exclusivity in the U.S. and PEDMARQSI has received Pediatric Use Marketing Authorization in Europe which includes eight years plus two years of data and market protection. For more information, please visit www.fennecpharma.com.

Forward Looking Statements

Except for historical information described in this press release, all other statements are forward-looking. Words such as “believe,” “anticipate,” “plan,” “expect,” “estimate,” “intend,” “may,” “will,” or the negative of those terms, and similar expressions, are intended to identify forward-looking statements. These forward-looking statements include statements about our business strategy, timeline and other goals, plans and prospects, including our commercialization plans respecting PEDMARK[®]/PEDMARQSI[®], the market opportunity for and market impact of PEDMARK[®]/ PEDMARQSI[®], its potential impact on patients and anticipated benefits associated with its use, future commercial and regulatory milestone and royalty payments from Norgine, and potential access to further funding after the date of this release. Forward-looking statements are subject to certain risks and uncertainties inherent in the Company’s business that could cause actual results to vary, including the risks and uncertainties that regulatory and guideline developments may change, scientific data and/or manufacturing capabilities may not be sufficient to meet regulatory standards or receipt of required regulatory clearances or approvals, clinical results may not be replicated in actual patient settings, unforeseen global instability, including political instability, or instability from an outbreak of pandemic or contagious disease, such as the novel coronavirus (COVID-19), or surrounding the duration and severity of an outbreak, protection offered by the Company’s patents and patent applications may be challenged, invalidated or circumvented by its competitors, the available market for the Company’s products will not be as large as expected, the Company’s products will not be able to penetrate one or more targeted markets, revenues will not be sufficient to fund further development and clinical studies, our ability to obtain necessary capital when needed on acceptable terms or at all, the Company may not meet its future capital requirements in different countries and municipalities, and other risks detailed from time to time in the Company’s filings with the Securities and Exchange Commission including its Annual Report on Form 10-K for the year ended December 31, 2023. Fennec disclaims any obligation to update these forward-looking statements except as required by law.

For a more detailed discussion of related risk factors, please refer to our public filings available at www.sec.gov and www.sedar.com.

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