MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2024

cipher™ PHARMACEUTICALS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the operating results and financial position of Cipher Pharmaceuticals Inc. and its subsidiaries ("Cipher" or "the Company") as at and for the three and six months ended June 30, 2024. This document should be read in conjunction with the unaudited condensed interim consolidated financial statements of Cipher for the three and six months ended June 30, 2024 and the accompanying notes, and Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2023. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. Additional information about the Company, including the Audited Annual Financial Statements and Annual Information Form for the year ended December 31, 2023, is available on SEDAR+ at www.sedarplus.ca.

The discussion and analysis within this MD&A are prepared as of August 8, 2024. All dollar figures are stated in thousands of U.S. dollars unless otherwise indicated.

Caution Regarding Forward-Looking Statements

This document includes forward-looking statements within the meaning of applicable securities laws. These forward-looking statements include, among others, statements with respect to the timing of the receipt of the topline results from MOB-015 Phase 3 North American study, the expectation of approval of MOB-015 in the U.S. and Canada, our objectives and goals and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "will", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective", "hope" and "continue" (or the negative thereof), and words and expressions of similar import, are intended to identify forward-looking statements.

By their nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. We caution readers not to place undue reliance on these statements as a number of important factors, many of which are beyond our control, could cause our actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the publication of negative results of clinical trials; our ability to enter into development, manufacturing and marketing and distribution agreements with other pharmaceutical companies and keep such agreements in effect; our dependency on a limited number of products; our dependency on protection from patents that will expire; integration difficulties and other risks if we acquire or in-license technologies or product candidates; reliance on third parties for the marketing of certain products; the product approval process by regulators which can be highly unpredictable; the timing of completion of clinical trials, regulatory submissions and regulatory approvals; reliance on third parties to manufacture our products and events outside of our control that could adversely impact the ability of our manufacturing partners to supply products to meet our demands; we may be subject to future product liability claims; unexpected product safety or efficacy concerns may arise; we generate license revenue from a limited number of distribution and supply agreements; the pharmaceutical industry is highly competitive with new competing product entrants; requirements for additional capital to fund future operations; products may be subject to pricing regulation; dependence on key managerial personnel and external collaborators; certain of our products are subject to regulation as controlled substances; limitations on reimbursement in the healthcare industry; the extent and impact of health pandemic outbreaks on our business; unpredictable development goals and projected time frames; rising insurance costs; ability to enforce covenants not to compete; we may be unsuccessful in evaluating material risks involved in completed and future acquisitions; we may be unable to identify, acquire or integrate acquisition targets successfully; compliance with privacy and security regulation; our policies regarding product returns, allowances and chargebacks may reduce revenues; additional regulatory burden and controls over financial reporting; general commercial litigation, class actions, other litigation claims and regulatory actions; the difficulty for shareholders to realize in the United States upon judgments of U.S. courts predicated upon civil liability of the Company and its directors and officers who are not residents of the United States; the potential violation of intellectual property rights of third parties; our efforts to obtain, protect or enforce our patents and other intellectual property rights related to our products; changes in U.S., Canadian or foreign patent laws; inability to protect our trademarks from infringement; shareholders may be further diluted if we issue securities to raise capital; volatility of our share price; the fact that we have a significant shareholder; our operating results may fluctuate significantly; and our debt obligations will have priority over the common shares of the Company in the event of a liquidation, dissolution or winding up.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When reviewing our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Additional information about factors that may cause actual results to differ materially from expectations, and about material factors or

assumptions applied in making forward-looking statements, may be found in the "Risk Factors" section of this MD&A and the Annual Information Form for the year ended December 31, 2023, and elsewhere in our filings with Canadian securities regulators. Except as required by Canadian securities law, we do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf; such statements speak only as of the date made. The forward-looking statements included herein are expressly qualified in their entirety by this cautionary language.

Market Industry Data

The market and industry data contained in this MD&A is based upon information from independent industry and other publications and our knowledge of, and experience in, the industry in which the Company operates. Market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data at any particular point in time, the voluntary nature of the data gathering process or other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this data are not guaranteed. Cipher has not independently verified any of the data from third party sources referred to in this MD&A or ascertained the underlying assumptions relied upon by such sources**.**

Business & Strategy

Cipher (TSX:CPH) (OTCQX:CPHRF) is a specialty pharmaceutical company with a diversified portfolio of commercial and early to late-stage products. Cipher acquires products that fulfill unmet medical needs, manages the required clinical development and regulatory approval process, and currently markets these products either directly or indirectly in North America.

Cipher's corporate strategy is to assemble and manage a portfolio of prescription products mainly focused in dermatology and related indications. The Company's strategy includes the following components:

- Strategically market and distribute its North American commercial assets directly or indirectly;
- Out-license products in markets where Cipher does not have a commercial presence;
- Selectively invest in drug development programs where we see a favourable risk/return profile; and
- Conservatively manage capital and maximize cashflow.

Cipher is actively managing the advancement of our product pipeline development programs including:

- The MOB-015 product for the treatment of nail fungus with our partner Moberg Pharma AB ("Moberg"), presently in a pivotal phase 3 clinical trial in the U.S.
- Completion of proof-of-concept studies for our DTR-001 topical product treatment for the removal of tattoos.
- The Piclidenoson CF-101 ("Piclidenoson") program with our partner Can-Fite BioPharma Ltd. ("Can-Fite").

The Company is actively assessing and sourcing opportunities that would build on the strengths of the organization, including strategic commercial deployment in Canada and the U.S. The execution of any transaction is contingent on the Company being able to negotiate acceptable terms and securing the necessary financing, where required.

Pharmaceutical Business

Distributed by Cipher in Canada		
Product Revenue	**Therapeutic Area**	**Product Description**
epuris®	Dermatology	Epuris® (isotretinoin) is an oral retinoid indicated for the treatment of severe nodular and/or inflammatory acne, acne conglobate and recalcitrant acne in patients 12 years of age and older.
actikerall™	Dermatology	Actikerall is a topical solution indicated for the treatment of slightly palpable and/or moderately thick hyperkeratotic actinic keratosis (Grade I/II) of the face, forehead and balding scalp in immunocompetent adult patients.
VANIQA®	Dermatology	Vaniqa is a topical cream indicated for the slowing of the growth of unwanted facial hair in women.
Durela tramadol hydrochloride	Pain Management	Durela is an opioid analgesic indicated for the management of moderate to moderately severe pain in adults who require continuous treatment for several days or more.
BRINAVESS®	Hospital Acute Cardiovascular Care	Brinavess® (vernakalant hydrochloride) is for the rapid conversion of recent onset atrial fibriallation ("AF") to sinus rhythm in adults, for non-surgery patients with AF of seven days or less and for use in post-cardiac surgery patients with AF of three days or less.
AGGRASTAT®	Hospital Acute Cardiovascular Care	Aggrastat® (tirofiban hydrochloride) is a reversible GP IIb/IIIa inhibitor (an intravenous anti-platelet drug) for use in patients with Acute Coronary Syndrome.

Licensing Revenue	**Therapeutic Area/ Commercial Partner**	**Product Description**
Absorica®	Dermatology Sun Pharmaceutical Industries, Inc.	Absorica® (isotretinoin) is an oral retinoid indicated for the treatment of severe nodular and/or inflammatory acne, acne conglobate and recalcitrant acne in patients 12 years of age and older.
Lipofen®	Cardiovascular ANI Pharmaceuticals, Inc.	Lipofen® is indicated as adjunctive therapy to diet to reduce elevated LDL-C, total-C, triglycerides (TG) and Apo B, and to increase HDL-C in adult patients with primary hypercholesterolemia or mixed dyslipidemia (Fredrickson Types IIa and IIb). Lipofen is also indicated as adjunctive therapy to diet to reduce triglycerides in adult patients with severe hypertriglyceridemia (Fredrickson Types IV and V hyperlipidemia).
ConZip™	Pain Management Vertical Pharmaceuticals, LLC	Conzip is an opioid agonist indicated for the management of moderate to moderately severe chronic pain in adults who require around-the-clock treatment of their pain for an extended period of time.

Key Performance Measures

Key performance measures for the second quarter ended and year-to-date June 30, 2024 and 2023 are presented in the tables below, along with the quarterly information for the preceding three quarters:

Financial Summary	YTD 2024	% Change vs. YTD 2023	Q2 2024	% Change vs. Q2 2023	Q1 2024	Q4 2023	Q3 2023
Licensing revenue	**4,218**	10%	**1,618**	-25%	2,600	1,547	3,090
Product revenue	**6,953**	10%	**3,686**	18%	3,267	3,373	2,978
Net revenue	**11,171**	10%	**5,304**	0%	5,867	4,920	6,068
Gross profit	**9,010**	11%	**4,198**	-1%	4,812	3,965	4,992
EBITDA *	**4,898**	-15%	**2,196**	-29%	2,702	3,399	2,858
Adjusted EBITDA *	**6,632**	6%	**3,064**	0%	3,568	2,864	3,607
Net income	**7,918**	39%	**2,995**	-2%	4,923	7,655	7,031
Basic EPS	**0.33**	43%	**0.12**	0%	0.21	0.32	0.28
Diluted EPS	**0.32**	45%	**0.12**	0%	0.20	0.30	0.27
Total assets	**93,910**	16%	**93,910**	16%	92,552	86,031	90,529
Increase (decrease) in Cash balances for the period	**8,159**		**6,003**		2,156	(2,261)	5,748

Financial Summary	YTD 2023	% Change vs. YTD 2022	Q2 2023	% Change vs. Q2 2022	Q1 2023	Q4 2022	Q3 2022
Licensing revenue	**3,846**	-7%	**2,170**	6%	1,676	1,987	2,013
Product revenue	**6,328**	-7%	**3,118**	-11%	3,210	2,922	2,779
Net revenue	**10,174**	-7%	**5,288**	-5%	4,886	4,909	4,792
Gross profit	**8,136**	-7%	**4,227**	-6%	3,909	3,973	3,932
EBITDA *	**5,781**	-11%	**3,085**	-11%	2,696	3,008	2,476
Adjusted EBITDA *	**6,248**	-6%	**3,077**	-14%	3,171	3,147	2,632
Net income	**5,697**	32%	**3,071**	43%	2,626	19,681	2,654
Basic EPS	**0.23**	35%	**0.12**	50%	0.10	0.78	0.11
Diluted EPS	**0.22**	38%	**0.12**	50%	0.10	0.77	0.10
Total assets	**80,612**	44%	**80,612**	44%	76,960	73,776	57,434
Increase (decrease) in Cash balances for the period	**7,502**		**2,911**		4,591	1,359	3,286

* See “Non-IFRS Financial Measures”

Recent Events

CORPORATE EVENTS

Acquisition of Natroba™ (Spinosad) Global Product Rights

On July 26, 2024, the Company signed a definitive asset purchase agreement with ParaPRO LLC (“ParaPRO”) and closed the acquisition of the global product rights for Natroba™ and it’s authorized generic Spinosad, as well as the commercial sales team in the United States (the “Natroba Acquisition) for total consideration of $89.5 million. The Company paid $80 million in cash, satisfied by $40 million from cash on-hand and $40 million from a new credit facility. The Company additionally issued $9.5 million in common shares of Cipher to ParaPRO, representing 1,474,097 shares at a deemed issue price of CDN$8.91.

Credit Facility with National Bank of Canada

On July 26, 2024, the Company entered into a new credit facility with National Bank of Canada (“National Bank”), a new financial partner, as Lead Arranger and sole Bookrunner of a syndicated credit facility (the "New Credit Facility").

Under the terms of the New Credit Facility, National Bank will provide the Company with access to up to $65 million through a revolving credit facility. In addition, the New Credit Facility contains an optional $25 million accordion feature. The New Credit Facility has an effective date of July 26, 2024 and a maturity of three years from the effective date, with an optional annual extension clause. The New Credit Facility bears interest at market prevailing rates once drawn upon.

The New Credit Facility was partially drawn upon by the Company on July 26, 2024, in the amount of $40 million, to fund the Natroba Acquisition.

Termination of Credit Facility with Royal Bank of Canada

On July 29, 2024, the Company announced the termination of its undrawn $35 million credit facility with Royal Bank of Canada. The credit facility was terminated effective July 25, 2024.

Management Changes

Effective August 10, 2024, and as a result of the Natroba Acquisition, the Company’s Chief Financial Officer, Bryan Jacobs, will assume the title of President of the Company, whereby his mandate will be to manage the transition and integration of the U.S. operations and commercial sales team.

The Company has in turn appointed the Company’s Vice President, Finance, Ryan Mailling, as its Chief Financial Officer, taking over from Mr. Jacobs.

Commencement of OTCQX Trading

On January 29, 2024, the Company announced that its common shares were now trading on the OTCQX® Best Market (“OTCQX”) under the symbol “CPHRF”. The OTCQX is the highest market tier of OTC Markets on which 12,000 U.S. and global securities trade. To qualify for OTCQX, companies must meet prescribed financial standards, follow best practice corporate governance guidelines, and demonstrate compliance with applicable securities laws. Trading on OTCQX is expected to enhance the visibility and accessibility of the Company to U.S. investors. In addition to trading on OTCQX, the Company's common shares continue to trade on the Toronto Stock Exchange under the symbol "CPH".

COMMERCIAL EVENTS

MOB-015 Launched as Terclara® in Sweden

On February 7, 2024, Moberg announced that its partner, Allderma AB, had launched sales of MOB-015 under the Terclara® brand in Sweden, with significant interest for the product from pharmacies. Moberg reported that the majority of pharmacies throughout Sweden have decided to start selling Terclara®.

Update on Terclara® (MOB-015) Launch in Sweden

On April 23, 2024, Moberg reported that since the February 2024 launch of MOB-015 in Sweden under the brand Terclara®, interest for the product has been strong from pharmacists, physicians, and end customers. Interest in the product within Sweden has exceeded

the forecasts of pharmacies, whereby Terclara® has occasionally sold out at several pharmacy chains. Accordingly, pharmacies are increasing their orders to maintain supply of the product on their shelves.

Cipher holds the exclusive Canadian rights to MOB-015. In Canada, the total prescription market for Onychomycosis was approximately CDN$92.4 million at June 30, 2024 according to IQVIA, with a single product having over 97% market share.

MOB-015 Approval in 13 European Countries

On May 6, 2024, Moberg announced that MOB-015 had received national approvals in all 13 European countries included in the decentralized procedure with which Moberg was seeking approval in the European Union ("EU"). MOB-015 was approved in the following EU countries: Austria, Belgium, Czech Republic, Denmark, Finland, France, Hungary, Ireland, Italy, Netherlands, Norway, Spain and Sweden.

Terclara® Market Share in Sweden

On May 20, 2024, Moberg announced that Terclara® was the market leader in Sweden for April 2024, the first full month the product was available after starting consumer marketing. Moberg reported that Terclara® led the market in both value and units during the month of April 2024, with a 36% market share in value and 31% market share in units. Moberg has also reported that since the introduction of Terclara®, the total market in Sweden has grown 52% compared to the same period last year.

Review of Operating Results

REVENUE

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended June 30, 2024**	Three months ended June 30, 2023	**Six months ended June 30, 2024**	Six months ended June 30, 2023
	$	$	**$**	$
Licensing revenue	**1,618**	2,170	**4,218**	3,846
Product revenue	**3,686**	3,118	**6,953**	6,328
Net revenue	**5,304**	5,288	**11,171**	10,174

Total net revenue of $5.3 million for the three months ended June 30, 2024 was materially consistent with the three months ended June 30, 2023. Total net revenue increased by $1.0 million or 10% to $11.2 million for the six months ended June 30, 2024 compared to $10.2 million for the six months ended June 30, 2023.

Licensing Revenue

Licensing revenue decreased by $0.6 million or 25% to $1.6 million for the three months ended June 30, 2024 compared to $2.2 million for the three months ended June 30, 2023. Licensing revenue increased by $0.4 million or 10% to $4.2 million for the six months ended June 30, 2024 compared to $3.8 million for the six months ended June 30, 2023.

Licensing revenue from Absorica in the U.S. was $1.1 million for the three months ended June 30, 2024, a decrease of $0.3 million or 26% compared to $1.4 million for the three months ended June 30, 2023. The overall decrease in licensing revenue on the Absorica portfolio (inclusive of the brand, Authorized Generic (“AG”) and LD products) for the three months ended June 30, 2024 is primarily attributable to lower product shipments by $0.2 million, on which the Company earns revenue from supplying product to its distribution partner. This was further contributed to by lower net sales realized by Cipher’s distribution partner on the Absorica portfolio due to the competitive landscape in the U.S. market, on which the Company earns a net sales royalty, resulting in $0.1 million lower royalty revenue for the three months ended June 30, 2024.

Licensing revenue from Absorica in the U.S. was $3.0 million for the six months ended June 30, 2024, an increase of $0.6 million or 25% compared to $2.4 million for the six months ended June 30, 2023. The overall increase in licensing revenue on the Absorica portfolio for the six months ended June 30, 2024 is primarily attributable to higher product shipments by $0.9 million, partially offset by $0.3 million lower royalty revenue for the six months ended June 30, 2024 due to lower net sales realized by Cipher’s distribution partner on the Absorica portfolio.

The decrease in the net sales royalty included in licensing revenue associated with the overall Absorica portfolio as described above, is representative of the total Absorica portfolio market share which has decreased by 0.9% to 7.0% market share at June 30, 2024, from 7.9% market share at June 30, 2023, according to Symphony Health market data.

Licensing revenue from Lipofen and Lipofen AG was $0.5 million and $1.1 million for the three and six months ended June 30, 2024, respectively. Representing a decrease of $0.1 million and $0.1 million or 22% and 9%, respectively, compared to $0.6 million and $1.2 million for the three and six months ended June 30, 2023, respectively. The decrease in licensing revenue from Lipofen and Lipofen AG for the three and six months ended June 30, 2024 is primarily attributable to lower sales volumes, on which the Company earns a royalty.

Product Revenue

Product revenue increased by $0.6 million or 18% to $3.7 million for the three months ended June 30, 2024 compared to $3.1 million for the three months ended June 30, 2023. Product revenue increased by $0.7 million or 10% to $7.0 million for the six months ended June 30, 2024 compared to $6.3 million for the six months ended June 30, 2023.

Product revenue expressed on a constant currency basis has increased by $0.6 million or 20% and $0.7 million or 11% for the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023.

Product revenue from Epuris was $3.2 million for the three months ended June 30, 2024, an increase of $0.5 million or 18%, from $2.7 million for the three months ended June 30, 2023. Product revenue from Epuris is transacted in Canadian dollars and is therefore subject to foreign exchange rate changes with the U.S. dollar. However, the impact from foreign exchange translation when comparing the three months ended June 30, 2024 to the comparative period, was negligible. Accordingly, the increase in Epuris revenue was primarily attributable to higher sales volumes year-over-year. Market share of Epuris during this same period has decreased by 2.0% to 44.2%

market share at June 30, 2024, from 46.2% market share at June 30, 2023, according to IQVIA market data. However, the total Canadian Isotretinoin market has grown by 13.0% between June 30, 2023 and June 30, 2024, according to IQVIA, of which Epuris has maintained a significant share, contributing to an overall increase in sales volumes.

Product revenue from Epuris was $6.1 million for the six months ended June 30, 2024, an increase of $0.7 million or 13%, from $5.4 million for the six months ended June 30, 2023. The increase in product revenue from Epuris for the six months ended June 30, 2024 is primarily attributable to higher sales volumes.

Product revenue for the remaining portfolio (Actikerall, Brinavess, Aggrastat, Vaniqa and Durela) was $0.5 million for the three months ended June 30, 2024, an increase of $0.1 million or 19%, compared to $0.4 million for the three months ended June 30, 2023. The increase in product revenue was mainly due to increased sales of Acktikerall, which was in turn largely due to timing of sales activity during the quarter.

Product revenue for the remaining portfolio was $0.8 million for the six months ended June 30, 2024, a decrease of $0.1 million or 7%, compared to $0.9 million for the six months ended June 30, 2023. The decrease in product revenue was mainly associated with Aggrastat, which benefitted from a change in the competitive landscape in the comparative period, which did not continue into the current period**.**

OPERATING EXPENSES

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended June 30, 2024**	Three months ended June 30, 2023	**Six months ended June 30, 2024**	Six months ended June 30, 2023
	$	$	**$**	$
Cost of products sold	**1,106**	1,061	**2,161**	2,038
Research and development	**—**	97	**—**	100
Depreciation and amortization	**292**	342	**581**	685
Selling, general and administrative	**1,601**	1,493	**3,069**	2,710
Total operating expenses	**2,999**	2,993	**5,811**	5,533

Total operating expenses remained materially consistent at $3.0 million for the three months ended June 30, 2024 and June 30, 2023.

Total operating expenses increased by $0.3 million or 5% to $5.8 million for the six months ended June 30, 2024 compared to $5.5 million for the six months ended June 30, 2023. The increase in operating expenses for the six months ended June 30, 2024 primarily reflect an increase in selling, general and administrative expenses of $0.4 million.

Cost of Products Sold

Cost of products sold for the three months ended June 30, 2024 was $1.1 million, which was materially consistent with the three months ended June 30, 2023. Gross margin on product revenue increased by 4% to 70% for the three months ended June 30, 2024 compared to 66% for the three months ended June 30, 2023. This increase in gross margin on product revenue is primarily attributable to a reduction in costs from the consolidation of warehousing and distribution service providers for the products sold directly by Cipher in Canada, which was completed during the fourth quarter of 2023. Such costs have not significantly increased, despite the $0.6 million increase in product revenue for the three months ended June 30, 2024, compared to the three months ended June 30, 2023.

Cost of Products sold for the six months ended June 30, 2024 was $2.2 million, an increase of $0.2 million or 6**%,** compared to the six months ended June 30, 2023. Gross margin on product revenue increased by 1% to 69% for the six months ended June 30, 2024 compared to 68% for the six months ended June 30, 2023.

Depreciation and amortization

Depreciation and amortization for the three months ended June 30, 2024 includes $0.3 million for amortization of intangible assets and a nominal amount for depreciation of property and equipment, which is materially consistent with the three months ended June 30, 2023.

Depreciation and amortization for the six months ended June 30, 2024 includes $0.5 million for amortization of intangible assets and a nominal amount for depreciation of property and equipment, compared to $0.6 million for amortization of intangible assets and a nominal amount for depreciation of property and equipment for the six months ended June 30, 2023. The decrease in amortization of intangible assets is due to certain intangible assets having been fully amortized subsequent to June 30, 2023.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expense for the three months ended June 30, 2024 was $1.6 million, an increase of $0.1 million or 7% from $1.5 million for the three months ended June 30, 2023. This increase was primarily due to higher professional fees and acquisition, restructuring and other costs incurred, partially offset by lower non-cash share-based compensation, for the three months ended June 30, 2024.

SG&A expense for the six months ended June 30, 2024 was $3.1 million, an increase of $0.4 million or 13% from $2.7 million for the six months ended June 30, 2023. This increase was primarily due to higher salaries and benefits costs, professional fees and other selling, general and administrative expenses incurred, partially offset by lower non-cash share-based compensation, for the six months ended June 30, 2024.

A further breakdown of SG&A expense for the three months and six months ended June 30, 2024 and 2023 is presented in the table below:

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended June 30, 2024**	Three months ended June 30, 2023	**Six months ended June 30, 2024**	Six months ended June 30, 2023
	$	$	**$**	$
Salaries and benefits	**355**	378	**774**	400
Share-based compensation	**183**	209	**407**	653
Acquisition, restructuring and other costs	**284**	231	**284**	269
Professional fees	**499**	428	**1,002**	904
Other selling, general and administrative	**280**	247	**602**	484
Total selling, general and administrative	**1,601**	1,493	**3,069**	2,710

Salaries and benefits included in SG&A for the three months ended June 30, 2024 was $0.4 million, which was materially consistent with the three months ended June 30, 2023.

Salaries and benefits included in SG&A for the six months ended June 30, 2024 was $0.8 million, an increase of $0.4 million from $0.4 million for the six months ended June 30, 2023. The increased salaries and benefits costs are reflective of a higher employee headcount during the six months ended June 30, 2024, compared to the six months ended June 30, 2023. The Company has hired additional employees since June 30, 2023, in part, to strengthen productivity and the breadth of experience within its various organizational functions.

Share-based compensation expense included in SG&A for the three months ended June 30, 2024 was $0.2 million, which was materially consistent with the three months ended June 30, 2023.

Share-based compensation expense included in SG&A for the six months ended June 30, 2024 was $0.4 million, a decrease of $0.3 million from $0.7 million for the six months ended June 30, 2023. The decrease in share-based compensation expense for the six months ended June 30, 2024 was primarily attributable to certain one-time share-based awards made to certain employees during the six months ended June 30, 2023.

Acquisition, restructuring and other costs included in SG&A for the three and six months ended June 30, 2024 of $0.3 million are comprised primarily of non-recurring legal fees and other professional services fees related to the Company's Natroba Acquisition. Whereas acquisition, restructuring and other costs included in SG&A for the three and six months ended June 30, 2023 related to the severance of certain employees during the period.

Professional fees included in SG&A for the three and six months ended June 30, 2024 were $0.5 million and $1.0 million, respectively, compared to $0.4 million and $0.9 million for the three and six months ended June 30, 2023, respectively. The increase in professional fees of $0.1 million for each of the three and six months ended June 30, 2024 was primarily associated with incremental legal costs.

Other selling, general and administrative expenses included in SG&A are comprised of costs associated with data management and market research, regulatory and pharmacovigilance activities, and various other administrative costs. For the three and six months ended June 30, 2024 other selling, general and administrative costs were $0.3 million and $0.6 million, respectively, compared to $0.2 million and $0.5 million for the three and six months ended June 30, 2023, respectively. This increase is attributable to higher regulatory costs during the period.

OTHER (INCOME) EXPENSES

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended June 30, 2024**	Three months ended June 30, 2023	**Six months ended June 30, 2024**	Six months ended June 30, 2023
	$	$	**$**	$
Interest income	**(611)**	(427)	(1,166)	(782)
Unrealized foreign exchange loss (gain)	**401**	(448)	1,043	(455)
Total other (income) expenses	**(210)**	(875)	(123)	(1,237)

Total other (income) expense for the three and six months ended June 30, 2024 was income of $0.2 million and $0.1 million, respectively, compared to income of $0.9 million and $1.2 million for the three and six months ended June 30, 2023, respectively. The decrease for the three and six months ended June 30, 2024 relates to the impact of significant foreign exchange rate movements on the translation of net assets and certain transactions denominated in Canadian dollars, partially offset by interest income earned on cash and cash equivalents held at financial institutions.

Interest income

Interest income increased by $0.2 million and $0.4 million, respectively, to $0.6 million and $1.2 million for the three and six months ended June 30, 2024, respectively, compared to $0.4 million and $0.8 million for the three and six months ended June 30, 2023, respectively. The increase is due to higher prevailing market interest rates on the Company's higher cash balances on-hand.

Unrealized foreign exchange loss (gain)

The Company is exposed to currency risk through its net assets and certain transactions denominated in Canadian dollars.

Unrealized foreign exchange loss increased by $0.8 million to $0.4 million for the three months ended June 30, 2024, compared to a $0.4 million unrealized foreign exchange gain for the three months ended June 30, 2023. Due to the appreciation of the U.S. dollar relative to the Canadian dollar during the three months ended June 30, 2024, there has been a negative impact on the translation to U.S. dollars of the Company's net assets, as well as the Company's earnings denominated in Canadian dollars.

Unrealized foreign exchange loss increased by $1.5 million to $1.0 million for the six months ended June 30, 2024, compared to a $0.5 million unrealized foreign exchange gain for the six months ended June 30, 2023. Due to the appreciation of the U.S. dollar relative to the Canadian dollar during the six months ended June 30, 2024, there has been a negative impact on the translation to U.S. dollars of the Company's net assets, as well as the Company's earnings denominated in Canadian dollars.

INCOME TAXES

Income tax expense is recognized based on domestic and international statutory income tax rates in the jurisdictions in which the Company operates. These rates are then adjusted to effective tax rates based on management's estimate of the weighted average annual income tax rate expected for the full year in each jurisdiction taking into account taxable income or loss in each jurisdiction and available utilization of deferred tax assets. Deferred tax assets are recognized to the extent that it is probable that the asset can be recovered.

Income tax recovery for the three and six months ended June 30, 2024 was $0.5 million and $2.4 million, respectively, compared to income tax expense of $0.1 million and $0.2 million for the three and six months ended June 30, 2023, respectively. The increase in the income tax recovery is due to a change in the Company's deferred tax assets associated with unused tax loss carryforwards. This change arose from the probable nature of future taxable income projections, for which the loss carryforwards can be applied, as determined by the Company's assessments during the six months ended June 30, 2024.

At each reporting date, the Company assesses whether the realization of future tax benefits is sufficiently probable to recognize a deferred tax asset. This assessment requires the exercise of judgement, which includes a review of various factors including projected taxable income.

As at June 30, 2024, the Company has recognized deferred tax assets in the condensed interim consolidated statement of financial position of $21.6 million, compared to $19.9 million as at December 31, 2023. The Company believes that it is probable that future taxable income will be available against which tax losses can be utilized.

NET INCOME AND INCOME PER COMMON SHARE

(IN THOUSANDS OF U.S. DOLLARS, except for per share amounts)	**Three months ended June 30, 2024**	Three months ended June 30, 2023	**Six months ended June 30, 2024**	Six months ended June 30, 2023
	$	$	**$**	$
Net income and comprehensive income for the period	**2,995**	3,071	**7,918**	5,697
Basic income per share	**0.12**	0.12	**0.33**	0.23
Diluted income per share	**0.12**	0.12	**0.32**	0.22

Basic income per common share is calculated using the weighted average number of common shares outstanding during the period. Diluted income per common share is calculated taking into account dilutive instruments that are outstanding.

The weighted average number of common shares outstanding for the three months ended June 30, 2024 was 24,112,979 (three months ended June 30, 2023 – 25,339,856). The weighted average number of common shares outstanding for the six months ended June 30, 2024 was 24,053,902 (six months ended June 30, 2023 – 25,228,728).

The dilutive weighted average number of common shares outstanding for the three months ended June 30, 2024 was 24,568,461 (three months ended June 30, 2023 – 25,723,082). The dilutive weighted average number of common shares outstanding for the six months ended June 30, 2024 was 24,498,986 (six months ended June 30, 2023 – 25,614,592).

NON-IFRS FINANCIAL MEASURES

This MD&A makes reference to certain non-IFRS measures. These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are unlikely to be comparable to similar measures presented by other companies. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing a further understanding of the Company's results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analyses of the Company's financial information reported under IFRS. Management uses non-IFRS measures such as Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), Adjusted EBITDA, Adjusted EBITDA per share and Compound Rate of Return ("CAGR") to provide investors with supplemental measures of the Company's operating performance and thus highlight trends in the Company's core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also believes that securities analysts, investors, and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess the Company's ability to meet future debt service, capital expenditure, and working capital requirements.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-IFRS financial measures and are presented as additional information to complement IFRS measures by providing a further understanding of operations from management's perspective. The Company defines Adjusted EBITDA as earnings before interest expense, income taxes, depreciation of property and equipment, amortization of intangible assets, non-cash share-based compensation, changes in fair value of derivative financial instruments, provisions for legal settlements, loss on disposal of assets and loss on extinguishment of lease, impairment of intangible assets, acquisition costs, restructuring costs and unrealized foreign exchange gains and losses.

The Company considers Adjusted EBITDA as a key metric in assessing business and management performance and considers Adjusted EBITDA to be an important measure of operating performance and cash flow, providing useful information to investors and analysts. Adjusted EBITDA is a calculation that is not standardized and may not be comparable to similar financial measures disclosed by other issuers.

The following is a summary of how EBITDA and Adjusted EBITDA are calculated:

(IN THOUSANDS OF U.S. DOLLARS, except for per share amounts)	**Three months ended June 30, 2024**	Three months ended June 30, 2023	**Six months ended June 30, 2024**	Six months ended June 30, 2023
	$	$	**$**	$
Net income and comprehensive income	**2,995**	3,071	**7,918**	5,697
Add back:				
Depreciation and amortization	**292**	342	**581**	685
Interest income	**(611)**	(427)	**(1,166)**	(782)
Income taxes	**(480)**	99	**(2,435)**	181
EBITDA	**2,196**	3,085	**4,898**	5,781
Unrealized foreign exchange loss (gain)	**401**	(448)	**1,043**	(455)
Acquisition, restructuring and other costs	**284**	231	**284**	269
Share-based compensation	**183**	209	**407**	653
Adjusted EBITDA	**3,064**	3,077	**6,632**	6,248
Adjusted EBITDA per share – basic	**0.13**	0.12	**0.28**	0.25
Adjusted EBITDA per share – dilutive	**0.12**	0.12	**0.27**	0.24

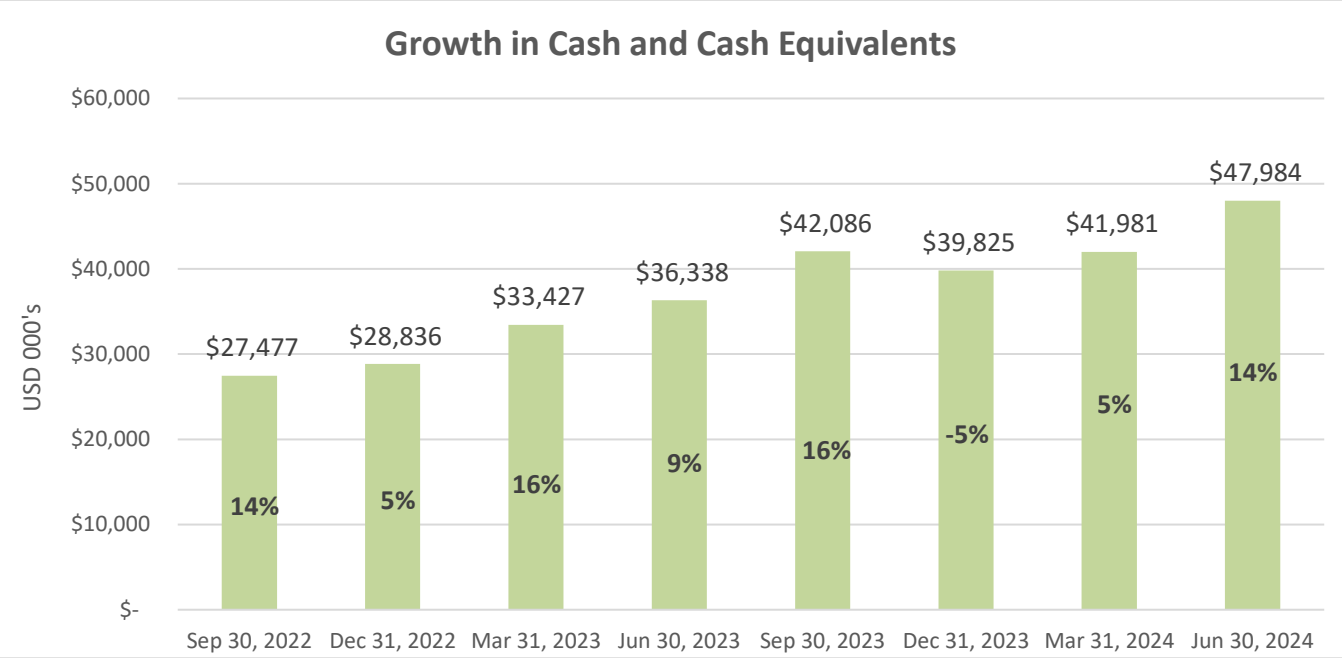
Liquidity and Capital Resources

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended June 30, 2024**	Three months ended June 30, 2023	**Six months ended June 30, 2024**	Six months ended June 30, 2023
	$	$	**$**	$
Cash provided by operating activities	**6,225**	2,946	**8,659**	7,611
Cash used in investing activities	**(11)**	—	**(17)**	—
Cash used in financing activities	**(5)**	(242)	**(106)**	(276)
Net change in cash	**6,209**	2,704	**8,536**	7,335
Impact of foreign exchange on cash	**(206)**	207	**(377)**	167
Cash and cash equivalents, beginning of period	**41,981**	33,427	**39,825**	28,836
Cash and cash equivalents, end of period	**47,984**	36,338	**47,984**	36,338

Cash

As at June 30, 2024, the Company had cash and cash equivalents of $48.0 million compared to $39.8 million as at December 31, 2023.

The following graph illustrates the Company's cash and cash equivalents as at June 30, 2024 and the preceding quarterly periods, as well as the percentage increase (decrease) of cash and cash equivalents over the preceding period.



Cash and cash equivalents of $48.0 million as at June 30, 2024 have increased $8.2 million or 21% compared to $39.8 million as at December 31, 2023. The increase in cash and cash equivalents is due to cash provided by operating activities of $8.7 million, combined with $0.1 million of cash received from the exercise of stock options, partially offset by $0.2 million of cash used for share repurchases under the Normal Course Issuer Bid ("NCIB") and a $0.4 million reduction to Canadian dollar denominated cash balances due to the impact of foreign exchange on the translation of these balances to their U.S. dollar equivalent during the six months ended June 30, 2024.

Operating Activities

Cash provided by operating activities was $8.7 million for the six months ended June 30, 2024 compared to $7.6 million for the six months ended June 30, 2023. Cash provided by operations, excluding working capital was $7.5 million for the six months ended June 30, 2024 compared to $6.6 million for the six months ended June, 2023. The change in cash provided by operating activities reflects a recovery of $1.2 million in working capital for the six months ended June 30, 2024 compared to a recovery in working capital of $1.0 million in the comparative period, primarily attributable to timing differences associated with the purchase of inventory.

Investing Activities

Cash used in investing activities was nominal for the six months ended June 30, 2024, compared to $nil for the six months ended June 30, 2023. Investing activities for the six months ended June 30, 2024 related to the purchase of property and equipment.

Financing Activities

Cash used in financing activities was $0.1 million for the six months ended June 30, 2024 compared to $0.3 million for the six months ended June 30, 2023. The financing activities primarily consisted of the purchase of common shares under the NCIB (refer to Note 4 – "Share capital" of the unaudited condensed interim consolidated financial statements of the Company for the six months ended June 30, 2024, and the "Recent Events – Normal Course Issuer Bid" section of the Company's MD&A for the year ended December 31, 2023, for further details of the NCIB), partially offset by cash received from the exercise of stock options.

Cash used in financing activities for the six months ended June 30, 2024 has decreased compared to the six months ended June 30, 2023, due to a limited timeframe during which the Company was able to purchase common shares under the NCIB during the six months ended June 30, 2024. Due to Canadian securities laws, the Company is precluded from purchasing common shares under the NCIB

when in possession of material non-public information. Such information included the Natroba Acquisition, which was actively being pursued by the Company during the three months ended June 30, 2024, and therefore required the Company to institute a 'blackout' on all trading by Company insiders during this period, including the Company's own purchases of common shares under the NCIB.

The purchase of common shares by the Company under the NCIB during the six months ended June 30, 2024 was limited to a short period during the three months ended March 31, 2024, and the extent of such purchases was 25,685 common shares, compared to 118,182 common shares purchased by the Company under the NCIB during the six months ended June 30, 2023. The common shares purchased by the Company during the six months ended June 30, 2024 occurred at an average price of CDN$9.21 per common share, compared to CDN$3.67 per common share during the six months ended June 30, 2023.

Future cash requirements will depend on a number of factors, including investments in product launches, expenditures on R&D for product candidates, costs associated with obtaining and maintenance of regulatory approvals, the timing of payments received or made under licensing or other collaborative agreements, the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims and other intellectual property rights, defending against patent infringement claims, the acquisition of new products or technologies or licenses thereof, the launch of competitive products and the success of the Company in developing and maintaining markets for its products.

Financial Instruments

As at June 30, 2024, the Company's financial instruments consisted of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, which are measured at amortized cost and their fair values approximate carrying values.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, currency risk, interest rate risk and capital management risk.

Risk Management

In the normal course of business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks are: credit risk, liquidity risk, currency risk, interest rate risk and capital management risk. The Company's overall risk management program and business practices seek to minimize any potential adverse effects on the Company's financial performance.

Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Financial instruments that potentially expose the Company to significant concentration of credit risk consist of cash and cash equivalents, and accounts receivable. The Company's investment policies are designed to mitigate the possibility of a deterioration of principal and enhance the Company's ability to meet its liquidity needs and provide reasonable returns within those parameters. Cash is on deposit with Canadian chartered banks. Management monitors the collectability of accounts receivable and estimates an allowance for doubtful accounts.

The Company has concentration risk, as approximately 88% of total revenue came from four customers during the six months ended June 30, 2024 and 84% of total accounts receivable is due from four customers as at June 30, 2024.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

The Company has financed its cash requirements primarily through operations. The Company controls liquidity risk through management of working capital, cash flows and its available New Credit Facility.

The Company anticipates that its current cash balance and the remaining balance available on its New Credit Facility, together with cash flows generated from operations, will be sufficient to execute its current business plan for the remainder of 2024 and beyond.

Market Risk

The Company is exposed to currency risk related to the fluctuation of foreign exchange rates. The Company operates primarily in U.S. dollars. The Company is exposed to currency risk through its net assets and certain recurring transactions that are denominated in Canadian dollars ("CDN$"). A change of 10 basis points in the U.S./CDN exchange rate on June 30, 2024 would have had a $8 impact on income and comprehensive income for the period. The following is a summary of the financial assets and financial liabilities denominated in Canadian dollars as of June 30, 2024:

	CDN$
Cash and cash equivalents	15,879
Accounts receivable	2,659
Accounts payable and accrued liabilities	(2,245)
Finance lease obligations	(406)
Net financial assets	15,887

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at June 30, 2024, the Company's Credit Facility was undrawn, and therefore not subject to interest rate risk. However, subsequent to June 30, 2024, as disclosed in the "Recent Events – Credit Facility with National Bank of Canada" section above, in connection with the Natroba Acquisition, the New Credit Facility was drawn upon in the amount of $40 million on July 26, 2024. The amount drawn on the New Credit Facility currently bears interest at the U.S. Base Rate and as such is subject to interest rate risk resulting from market fluctuations in interest rates.

Capital Management Risk

The Company's managed capital is comprised of cash, the New Credit Facility, and shareholders' equity. The Company's objective when managing its capital structure is to safeguard its ability to continue as a going concern in order to provide returns for shareholders, finance strategic growth plans and satisfy financial obligations as they become due. In order to maintain or adjust the capital structure, the Company may issue new common shares from time to time. The Company relies on cash on hand, cash flows from operations, the New Credit Facility, and additional debt financing where necessary to finance growth initiatives.

Outstanding Share Data

The Company is authorized to issue an unlimited number of preference shares, issuable in series, and an unlimited number of common shares. As at June 30, 2024, the Company had 24,113,898 common shares issued and outstanding, compared to 23,988,491 common shares as at December 31, 2023. No preference shares were issued and outstanding as at June 30, 2024 or December 31, 2023. Subsequent to June 30, 2024, 557 common shares were issued under the Company's employee and director share purchase plan and 1,474,097 common shares were issued to ParaPRO in connection with the Natroba Acquisition (as further described in the "Recent Events – Acquisition of Natroba™ (Spinosad) Global Product Rights" section above), bringing the total number of common shares issued and outstanding to 25,588,552 as of the date of this MD&A.

During the six months ended June 30, 2024, a total of 29,753 stock options were exercised with a weighted average exercise price of CDN$4.85. As at June 30, 2024, there were 1,015,561 options outstanding of which 313,064 have vested.

During the six months ended June 30, 2024, a total of 117,689 RSUs vested and were settled in common shares. As at June 30, 2024, there were 233,513 RSUs outstanding for which common shares may be issued upon vesting.

Contractual Obligations

In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, leasing contracts, license agreements, information technology agreements and various product, service, data hosting and network access agreements. These indemnification arrangements may require the applicable entity to compensate counterparties for losses incurred by the counterparties as a result of breaches in representations, covenants and warranties provided by the Company or as a result of litigation or other third-party claims or statutory sanctions that may be suffered by the counterparties as a consequence of the relevant transaction. In some instances, the terms of these indemnities are not explicitly defined.

Directors and officers are indemnified by the Company for various items including, but not limited to, costs to settle lawsuits or actions due to their association with the Company, subject to certain restrictions. The Company has purchased directors and officers liability insurance to mitigate the cost of any potential future lawsuits or actions. The term of the indemnification covers the period during which the indemnified party served as a director or officer of the Company.

Certain executive employment agreements allow for additional payments if a change of control occurs or for termination with or without cause.

Development Milestones

The Company has development and regulatory milestone payments of up to $4,050 related to its pipeline product, MOB-015, in Canada. Additionally, MOB-015 has up to $10,000 of potential sales milestones payments if certain sales thresholds are reached.

The Company has development and regulatory milestone payments of CDN$1,000 related to its near-term pipeline product, CF-101, that become payable upon achievement of certain clinical trial and regulatory approval metrics.

Licensing Agreements with Galephar

The Company has entered into the Galephar Agreement (as defined in the “Significant Partnerships” section below) with Galephar Pharmaceutical Research Inc. (“Galephar”). Under the Galephar Agreement, the Company acquired the rights to package, test, obtain regulatory approvals and market CIP-FENOFIBRATE, CIP-ISOTRETINOIN and CIP-TRAMADOL ER (the “CIP Products”) in various countries. In accordance with the Galephar Agreement, the Company retains 50% of all revenue from licensing and distribution arrangements entered into with respect to the CIP Products, with the other 50% due to Galephar. Galephar retains the right to manufacture and supply the CIP Products. With respect to licensing and distribution arrangements, the Company manages the product supply arrangements with commercial partners and Galephar; product is shipped directly from Galephar to the respective commercial partners. Where the Company has opted to market and sell the CIP Product itself, the Company purchases the finished goods from Galephar directly.

With respect to CIP-ISOTRETINOIN, the Company has entered into licensing and distribution arrangements for U.S. and Mexico, while opting to market and sell the product directly in Canada. The Company also has in place various licensing and distribution arrangements with respect to CIP-FENOFIBRATE and CIP-TRAMADOL ER in the U.S. The Company has opted to market and sell CIP-TRAMADOL ER directly in Canada effective April 2022.

Lease Obligation

The Company has an office lease for its corporate operations head office. The term of the lease is five years and commenced on June 1, 2022.

The following table outlines the Company's undiscounted contractual obligations as at June 30, 2024.

Description	Less than one year	Years two and three	Beyond three years	Total
	$	$	$	$
Accounts payable and accrued liabilities	4,308	—	—	4,308
Lease obligations	115	229	—	344
Total	4,423	229	—	4,652

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Selected Quarterly Information

The following amounts are derived from unaudited financial information prepared in accordance with IFRS.

(IN MILLIONS OF U.S. DOLLARS, EXCEPT FOR PER SHARE AMOUNTS)	**Jun 30, 2024**	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022
	$	$	$	$	$	$	$	$
Net revenue	**5.3**	5.9	4.9	6.1	5.3	4.9	4.9	4.8
Net income and comprehensive income for the period	**3.0**	4.9	7.7	7.0	3.1	2.6	19.7	2.7
Basic income per Common Share	**0.12**	0.21	0.32	0.28	0.12	0.10	0.78	0.11
Diluted income per Common Share	**0.12**	0.20	0.30	0.27	0.12	0.10	0.77	0.10

Selected Financial Information

The following information has been prepared in accordance with IFRS.

(IN THOUSANDS OF U.S. DOLLARS, EXCEPT FOR PER SHARE AMOUNTS)	**Three months ended June 30, 2024**	Three months ended June 30, 2023	**Six months ended June 30, 2024**	Six months ended June 30, 2023
	$	$	**$**	$
Period ended				
Net revenue	**5,304**	5,288	**11,171**	10,174
Total operating expenses	**2,999**	2,993	**5,811**	5,533
Total other (income) expenses	**(210)**	(875)	**(123)**	(1,237)
Income for the period	**2,995**	3,071	**7,918**	5,697
Income per share:				
Basic	**0.12**	0.12	**0.33**	0.23
Diluted	**0.12**	0.12	**0.32**	0.22
As at				
Total assets	**93,910**	80,612	**93,910**	80,612
Total non-current liabilities	**200**	282	**200**	282

Significant Partnerships

GALEPHAR

In 2002, the Company entered into a master licensing and clinical supply agreement (the “Galephar Agreement") with Galephar. Under the Galephar Agreement, the Company acquired the rights to package, test, obtain regulatory approvals and market CIP-FENOFIBRATE, CIP-ISOTRETINOIN and CIP-TRAMADOL ER in various territories. In particular, the Company has the rights to sell, market and distribute, on a perpetual basis, as follows:

- exclusive rights throughout the world for Galephar’s capsule formulation of Tramadol;
- exclusive rights in North, South and Central America, the Caribbean and Bermuda for Galephar’s capsule formulation of Isotretinoin and non-exclusive rights in certain other countries; and
- exclusive rights in North, South and Central America, the Caribbean and Bermuda for Galephar’s capsule formulation of Fenofibrate and non-exclusive rights in certain other countries.

Cipher is obliged to pay Galephar 50% of any (i) distribution fees it receives, (ii) net sales revenue less manufacturing costs and (iii) royalties received, except that prior to issuance of a patent for a product, only 30% of royalties are payable. If Cipher or its affiliates are directly selling to wholesalers, 12% of net sales received by Cipher is payable to Galephar, or 7% prior to issuance of a patent. No payments are required with respect to a sale of a product occurring 20 years after the first sale of the product in the country or, if a patent is obtained, when the patents lapse in that country for the product, whichever is later. Galephar also supplies product to Cipher through commercial supply agreements for each product.

Certain of the Company's marketed products utilize drug delivery technologies licensed from Galephar:

- *Oral Lidose® Technology*. Galephar's oral semi-liquid capsule drug delivery technology is a patent-protected drug delivery system. Active ingredients are incorporated in semi-solid or liquid compositions contained in capsules. This delivery system facilitates low manufacturing costs, while delivering super-bioavailability for relatively water-insoluble compounds. CIP-FENOFIBRATE and CIP-ISOTRETINOIN are based on the Lidose drug delivery system.

- *Oral Controlled-Released Bead Technology*. Galephar's multiple particle-controlled release capsule technology ("MPCRC"), is based on unique extrusion and spheronization methods, and produces beads containing up to 80% active ingredient. Each coated bead is a controlled release system in itself, and the multi-particulate system provides smooth consistent plasma levels over an extended period of time. The system is virtually pH-independent enabling the product to be taken with or without food. MPCRC enables CIP-TRAMADOL ER.

Product Pipeline

MOB-015

On September 18, 2018, Cipher acquired the exclusive Canadian rights to commercialize, promote, sell and distribute MOB-015 from Moberg. MOB-015 is a topical formulation of terbinafine for treatment of onychomycosis, a common and destructive nail infection caused predominately by dermatophyte fungi. Approximately 10% of the general population suffer from onychomycosis and a majority of those afflicted go untreated.

In Canada, according to IQVIA, the total prescription market for Onychomycosis was CDN$92.4 million as at June 30, 2024, growing with a five-year CAGR of 8% for the period 2018-2023.

MOB-015 is an internally developed topical formulation of terbinafine based on Moberg's experience from its leading OTC product Kerasal Nail®/Emtrix®. Oral terbinafine is currently the standard of care for treating onychomycosis but is associated with safety issues, including drug interactions and liver damage. For many years, developing a topical terbinafine treatment without the safety issues of oral terbinafine has been highly desirable, but unsuccessful due to insufficient delivery of the active substance through the nail.

In a previous phase 2 study, MOB-015 demonstrated delivery of high microgram levels of terbinafine into the nail and through the nail plate into the nail bed. Mycological cure of 54% and significant clear nail growth was observed in patients who completed the phase 2 study. Plasma levels of terbinafine with MOB-015 were substantially lower than after oral administration, reducing the risk of liver toxicities observed with oral terbinafine.

On December 9, 2019, Moberg announced that MOB-015 met the primary endpoint as well as the key secondary endpoints in the North American Phase 3 study. This clinical trial included 365 patients with mild to moderate toenail onychomycosis (nail fungus) affecting 20-60% of the large toenail. The study was conducted at 32 sites in the U.S. and Canada. Patients received treatment for 48 weeks and had the last follow up assessment at 52 weeks. At week 52, significantly more patients reached complete cure when treated with MOB-015 than when treated with vehicle (p=0.019) following 48 weeks of daily treatment.

The primary endpoint, the proportion of patients achieving complete cure of the target toenail at 52 weeks, was achieved in 4.5 percent of the patients receiving MOB-015 and in none of the patients receiving vehicle (p=0.019). Complete cure is a composite endpoint that requires both a completely clear nail and a mycological cure. Mycological cure is defined as both negative KOH test and a negative dermatophyte culture. Mycological cure was achieved in 70% of the patients treated with MOB-015 (p<0.0001).

On June 25, 2020, Moberg announced that MOB-015 met the primary endpoint in the European Phase 3 study including 452 onychomycosis patients, showing non-inferiority versus topical ciclopirox. Mycological cure was achieved in 84% of patients, which is unprecedented for a topical treatment. The Phase 3 results from this study were consistent with the results from the North American Phase 3 study results with low complete cure rates despite the high mycological cure rates.

On September 22, 2021, Moberg announced that it has received approval of the pediatric plan for MOB-015 from the European Medicines Agency's ("EMA") paediatric committee (PDCO). This approval enables the company to pursue a full marketing authorization application providing up to ten years of exclusivity in Europe following approval.

On November 8, 2021, Moberg announced it had entered into a collaboration with Allderma AB for the launch of MOB-015 in Sweden, Norway and Denmark. In the collaboration, Allderma is responsible for marketing, distribution and sales in Sweden, Denmark and Norway, while Moberg is responsible for the manufacture and delivery of the product.

On May 10, 2022, Moberg announced that patient enrollment started in an additional North American Phase 3 study for MOB-015 (nail fungus treatment). The randomized, multicenter, vehicle-controlled Phase 3 study will include approximately 350 patients in North America. The patients will be evaluated over 52 weeks and the primary endpoint will be the proportion of subjects achieving complete cure of their target nail. The purpose of the new study is to facilitate market approval in the US as well as strengthen the product's clinical evidence and marketing claims globally.

On June 28, 2023, Moberg announced that it had obtained European Union approval for MOB-015, as a result of demonstrating superior levels of mycological cure (76% vs. 42% for comparators) and a significantly better complete cure rate. MOB-015 has been recommended for national approval in 13 European countries with planned commercialization through partners such as Bayer and Allderma.

On October 6, 2023, Moberg announced it had completed the recruitment and enrollment of 384 patients with onychomycosis (nail fungus) for the ongoing MOB-015 Phase 3 study in North America. The patients are evaluated over 52 weeks and the primary endpoint is the proportion of subjects achieving complete cure of their target nail. Moberg expects topline results in January 2025.

On February 7, 2024, Moberg announced that its partner, Allderma AB, had launched sales of MOB-015 under the Terclara® brand in Sweden, with significant interest for the product from pharmacies. Moberg reported that the majority of pharmacies throughout Sweden have decided to start selling Terclara®.

On April 23, 2024, Moberg reported that since the February 2024 launch of MOB-015 in Sweden under the brand Terclara®, interest for the product has been strong from pharmacists, physicians, and end customers. Interest in the product within Sweden has exceeded the forecasts of pharmacies, whereby Terclara® has occasionally sold out at several pharmacy chains. Accordingly, pharmacies are increasing their orders to maintain supply of the product on their shelves.

On May 6, 2024, Moberg announced that MOB-015 had received national approvals in all 13 European countries included in the decentralized procedure with which Moberg was seeking approval in the European Union ("EU"). MOB-015 was approved in the following EU countries: Austria, Belgium, Czech Republic, Denmark, Finland, France, Hungary, Ireland, Italy, Netherlands, Norway, Spain and Sweden.

On May 20, 2024, Moberg announced that Terclara® was the market leader in Sweden for April 2024, the first full month the product was available after starting consumer marketing. Moberg reported that Terclara® led the market in both value and units during the month of April 2024, with a 36% market share in value and 31% market share in units. Moberg has also reported that since the introduction of Terclara®, the total market in Sweden has grown 52% compared to the same period last year.

Piclidenoson CF-101

In March 2015, Cipher entered into an agreement to license the Canadian distribution rights to Piclidenoson, a novel chemical entity being developed by Can-Fite for moderate to severe plaque psoriasis and rheumatoid arthritis ("RA"). The active agent of Piclidenoson is IB-MECA (methyl 1-[N6-(-3-iodobenzyl)-adenin-9-yl]-beta-D-ribofuronamide), that is active by modulating the key signaling proteins such as NF-kB and PI3K, resulting in inhibition of inflammatory cytokine production.

In 2020, Can-Fite discontinued the enrollment of patients into the phase III RA program, ACROBAT, after an interim analysis by the data monitoring committee of the study recommended not to continue patient enrollment. Although Piclidenoson treatment was superior to placebo, Piclidenoson treatment was not "non inferior" to Methotrexate, the comparator treatment arm of the study. Can-Fite made the decision to stop the ACROBAT study and focus on the psoriasis COMFORT study instead.

Approximately one million people in Canada have psoriasis, according to Canadian Dermatology Association in 2018. In moderate to severe cases, the most common treatment options are systemic biologic drugs, which are delivered by injection or intravenous infusion and have well-known shortcomings, including increased risk of infection. Piclidenoson is an oral small molecule drug formulated in a tablet and has an excellent human safety profile, demonstrated in more than 1,000 patients. As of November 2021, the Phase III study has completed patient enrollment. The study is designed to establish Piclidenoson's superiority compared to placebo and non-inferiority compared to apremilast in patients with moderate to severe plaque psoriasis.

Piclidenoson completed a phase II/III double-blind, placebo-controlled study, which was designed to test the efficacy of CF-101 in patients with moderate to severe plaque psoriasis. The study enrolled 326 patients through 17 clinical centers in the U.S., Europe, and Israel. Top-line results from the trial were published by Can-Fite at the end of March 2015. Results from this phase II/III trial and results from the prior phase II trial in psoriasis were both positive, showing that Piclidenoson effectively improved disease symptoms. In addition,

at the end of 2013, Piclidenoson completed a phase IIb study for active RA, and Can-Fite has completed the study design for a phase III program. Can-Fite is commencing two phase III programs, one for RA (ACROBAT) and one for psoriasis (COMFORT).

Can-Fite recently reported topline results from its Phase III COMFORT™ study which met its primary endpoint with statistically significant improvement over placebo in psoriasis patients and an excellent safety profile for Piclidenoson. Can-Fite indicated that the Phase III COMFORT™ data point towards a better safety profile for Piclidenoson as compared to Otezla, the leading oral therapy for psoriasis on the market.

In January 2023, Can-Fite announced that it had submitted its market registration plan to the EMA and stated that a submission to the FDA would follow.

In April 2023, Can-Fite announced that it received a positive opinion from the Committee for Medicinal Products for Human Use of the EMA with respect to the submission of a registration plan for a pivotal Phase III clinical trial of CF-101 for the treatment of moderate to severe psoriasis. The pivotal Phase III study and the safety of the 3 mg twice daily dose of Piclidenoson were accepted by the agency.

In June 2023, Can-Fite announced that it had received a positive view from the FDA with respect to its registration plan for the pivotal Phase III clinical trial of CF-101 for the treatment of moderate to severe psoriasis. Can-Fite stated that the clinical trial is aimed at demonstrating clinical safety and efficacy for the treatment of patients with moderate to severe plaque psoriasis. The FDA requested two Phase III safety and efficacy studies and encouraged Can-Fite to enroll adolescent patients due to the strong safety profile of the drug demonstrated over the development history and prior clinical studies. To align the requests of the EMA and the FDA, Can-Fite confirmed that it plans to conduct two Phase III studies in parallel, including adolescent patients and that upon positive conclusion of the Phase III program, Can-Fite plans to submit a New Drug Application to the FDA and a Marketing Authorization Plan to the EMA.

In December 2023, Can-Fite announced that it had received a positive response from the FDA on its pediatric study plan for the treatment of adolescents suffering from psoriasis with Piclidenoson. Can-Fite believes the inclusion of adolescents in one or both of the Phase III studies with the FDA and the EMA significantly broadens any future market launch potential of the drug.

The timeline for regulatory submissions to Health Canada will be determined by the successful results of the psoriasis clinical trial program.

Under the terms of the agreement with the Company, Can-Fite received an upfront payment of CDN$1.65 million and is eligible for milestone payments of up to CDN$1.0 million and royalties from product sales in Canada. The agreement provides that Can-Fite will deliver finished product to Cipher.

DTR-001

In May 2016, the Company licensed the worldwide rights to develop, market and sell an investigational tattoo removal cream from Dalhousie University. The product candidate, which is applied topically, has shown encouraging results in pre-clinical testing for the removal or reduction of the appearance of tattoos. The product candidate is currently at the pre-clinical stage of development.

Under the terms of the agreement, an upfront payment of CDN$75 thousand was made by Cipher upon execution of the agreement and the agreement contains milestone payments of up to CDN$3.6 million based on future regulatory and commercial sales milestones, as well as royalties on commercial sales. In our tattoo program (“DTR001”), the US patent office issued a Notice of Allowance for the US patent application covering Tattoo dermal compositions (topical, transdermal and intradermal). We have received encouraging results from some proof-of-concept studies and identified a lead candidate compound. Additional in vitro studies were conducted in 2021 to optimize the formulation and demonstrate successful penetration of human skin, further strengthening the proof-of-concept evidence. Further progress was also made in broadening patent protection. In 2021, three patents were granted relating to the Company’s tattoo removal program. A Brazilian patent was issued on January 5, 2021, a Hong Kong patent was issued on January 15, 2021 and a New Zealand patent was issued on August 31, 2021 for “COMPOSITIONS AND METHODS FOR THE REMOVAL OF TATTOOS”. In 2022, two patents were granted related to the Company’s tattoo removal program. A U.S. patent was issued on May 31, 2022 and a Canadian patent was issued on July 12, 2022 for “COMPOSITIONS AND METHODS FOR THE REMOVAL OF TATTOOS”. These patents have a term to 2034 and are part of a larger family that includes granted U.S., Australian and European patents.

Litigation

From time to time, during the ordinary course of business, the Company may be threatened with, or may be named as, a defendant in various legal proceedings, including lawsuits based upon product liability, wrongful dismissal, personal injury, breach of contract and lost profits or other consequential damage claims.

Critical Accounting Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make a number of judgments, estimates and assumptions regarding recognition and measurement of assets, liabilities, revenues and expenses, gains and losses, and disclosures of contingencies. These estimates and assumptions are subject to change based on experience and new information. Management reviews its estimates on an ongoing basis to ensure that the estimated values appropriately reflect changes in the Company's business and new information as it becomes available. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate is made. Critical accounting estimates are also those estimates which, where a different estimate could have been used or where changes in the estimate that are reasonably likely to occur, would have a material impact on the company's financial condition, changes in financial condition or financial performance.

A detailed description of the Company's critical accounting estimates is provided in Note 4 of the consolidated financial statements for the year ended December 31, 2023 and in the "Critical Accounting Estimates and Judgments" section of the Company's annual MD&A for the year ended December 31, 2023, dated March 14, 2024.

Disclosure Controls and Procedures

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P"), as those terms are defined in National Instrument (NI) 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.

Management has designed the DC&P and ICFR, the latter of which was using the framework in Internal Control – Integrated Framework (published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and as revised in 2013) to provide reasonable assurance (i) that material information relating to the Company is made known to the Chief Executive Officer and Chief Financial Officer during the reporting period; (ii) that information required to be disclosed by the Company in its filings under securities legislation is recorded, processed, summarized and reported within the required time periods; (iii) regarding the reliability of financial reporting and preparation of interim consolidated financial statements for external purposes in accordance with IFRS.

There have been no changes in ICFR that occurred during the three month period ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. As a result, management's conclusion on the design effectiveness of the Company's ICFR reporting and its DC&P has not changed.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Because of the inherent limitations in any control system, no evaluation of control can provide absolute assurance that all control weaknesses including, for example, any instances of fraud, have been detected. Inherent limitations include: (i) that management's assumptions and judgements could ultimately prove to be incorrect as conditions and circumstances vary; (ii) the impact of any undetected errors; and (iii) controls may be circumvented through the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of control is also based upon assumptions as to the likelihood of future events and there is no assurance that any design will succeed in achieving its goals under future conditions.

Risk Factors

There have been no changes to the risk factors with respect to the Company and its business as outlined in the Company's most recently filed Annual Information Form for the year ended December 31, 2023 filed on SEDAR+ at www.sedarplus.ca and to related information in other filings with Canadian securities regulatory authorities.