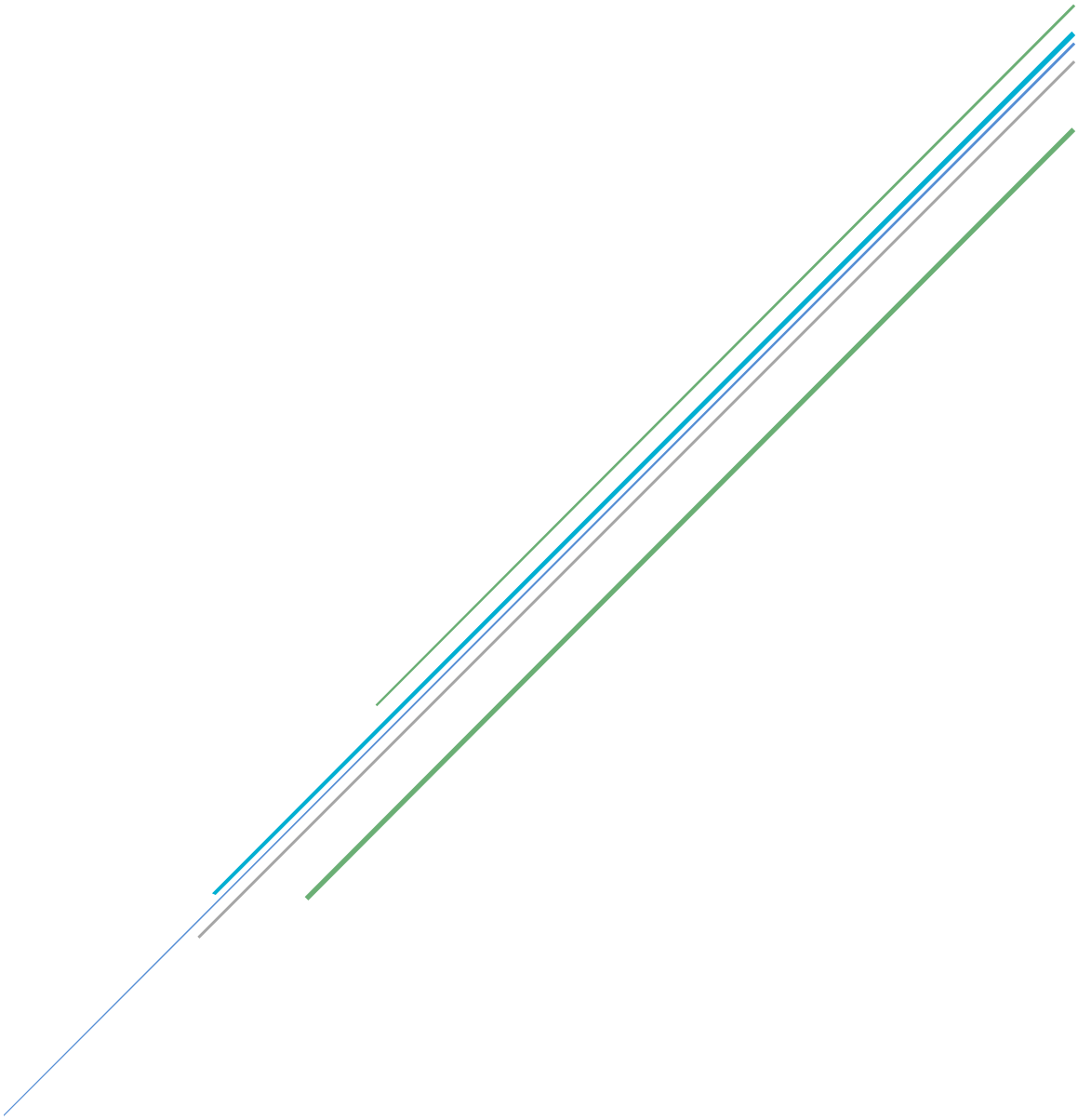
Management's Discussion and Analysis

For the year ended December 31, 2023



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 year ended December 31, 2023. This document should be read in conjunction with the audited annual consolidated financial statements of Cipher for the year ended December 31, 2023 and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Additional information about the Company, including the audited annual financial statements for the year ended December 31, 2023 and the Company's Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.

The discussion and analysis within this Management's Discussion and Analysis ("MD&A") are prepared as of March 14, 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 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; 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 Company's Annual Information Form, 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 directly in Canada or indirectly through partners in the U.S., Canada, and Latin America.

Cipher's corporate strategy is to assemble and manage a portfolio of prescription products across a broad range of therapeutic areas. The Company's strategy includes the following components:

- Strategically market and distribute its Canadian commercial assets indirectly, by way of partnerships;
- Out-license products in markets where Cipher does not have a commercial presence;
- Selectively invest in or in-license drug development programs where we see a favourable risk/return profile;
- Conservatively manage capital and maximize cashflow; and
- Distribute products through established sales organizations using a royalty based model.

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"), which received positive top-line results from its initial Phase 3 COMFORT study of Piclidenoson in the treatment of moderate to severe psoriasis.

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.
ozanex ozenoxacin	Dermatology	Ozanex is indicated for the topical treatment of impetigo in patients aged two months and older.
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 fourth quarter and fiscal year ended December 31, 2023 and 2022 are presented in the tables below, along with the quarterly information for the preceding three quarters:

Financial Summary	FY 2023	% Change vs. FY 2022	Q4 2023	% Change vs. Q4 2022	Q3 2023	Q2 2023	Q1 2023
Licensing revenue	**8,483**	4%	**1,547**	-22%	3,090	2,170	1,676
Product revenue	**12,679**	1%	**3,373**	15%	2,978	3,118	3,210
Net revenue	**21,162**	2%	**4,920**	0%	6,068	5,288	4,886
Gross profit	**17,093**	2%	**3,965**	0%	4,992	4,227	3,909
EBITDA *	**12,038**	0%	**3,399**	13%	2,858	3,085	2,696
Adjusted EBITDA *	**12,719**	2%	**2,864**	-9%	3,607	3,077	3,171
Net income	**20,383**	-23%	**7,655**	-61%	7,031	3,071	2,626
Basic EPS	**0.82**	-22%	**0.32**	-60%	0.28	0.12	0.10
Diluted EPS	**0.80**	-23%	**0.30**	-61%	0.27	0.12	0.10
Total assets	**86,031**	17%	**86,031**	17%	90,529	80,612	76,960
Increase (decrease) in Cash balances for the period	**10,989**		**(2,261)**		5,748	2,911	4,591

Financial Summary	FY 2022	% Change vs. FY 2021	Q4 2022	% Change vs. Q4 2021	Q3 2022	Q2 2022	Q1 2022
Licensing revenue	**8,145**	-22%	**1,987**	-28%	2,013	2,046	2,099
Product revenue	**12,530**	9%	**2,922**	-6%	2,779	3,512	3,317
Net revenue	**20,675**	-6%	**4,909**	-16%	4,792	5,558	5,416
Gross profit	**16,683**	-9%	**3,973**	-19%	3,932	4,486	4,292
EBITDA *	**12,004**	1%	**3,008**	-26%	2,476	3,449	3,071
Adjusted EBITDA *	**12,442**	-11%	**3,147**	-23%	2,632	3,571	3,092
Net income	**26,636**	243%	**19,681**	601%	2,654	2,152	2,149
Basic EPS	**1.05**	250%	**0.78**	612%	0.11	0.08	0.08
Diluted EPS	**1.03**	256%	**0.77**	600%	0.10	0.08	0.08
Total assets	**73,776**	43%	**73,776**	43%	57,434	55,951	53,997
Increase (decrease) in Cash balances for the period	**8,288**		**1,359**		3,286	2,341	1,302

* See “Non-IFRS Financial Measures”

Recent Events

CORPORATE EVENTS

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 ("TSX") under the symbol "CPH".

Change of Auditor

On November 24, 2023, the Company announced it had changed its auditors from Ernst & Young LLP (“EY”) to RSM Canada LLP (“RSM”), effective November 23, 2023. EY resigned as the Company’s auditor, at the request of the Company, and the board of directors of the Company appointed RSM as the Company’s auditor until the next annual general meeting of the Company’s shareholders. There were no reservations in EY’s audit reports for any financial period during which EY was the Company's auditor. There also were no "reportable events" (as the term is defined in National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102")) between the Company and EY.

Normal Course Issuer Bid

On November 15, 2023, the Company announced that it had received approval from the TSX for its intention to commence a normal course issuer bid (the "NCIB") for its common shares. The notice provided that the Company may, during the 12-month period commencing November 20, 2023, and ending no later than November 19, 2024, purchase for cancellation through the facilities of the TSX or alternative Canadian trading systems, up to 1,337,195 of its common shares, representing 10% of its public float of 13,371,956 common shares as of November 10, 2023 (a total of 24,022,338 common shares were issued and outstanding as of such date).

Purchases under the NCIB made on the TSX are made in compliance with the rules of the TSX at a price equal to the market price at the time of purchase or such other price as may be permitted by the TSX. In accordance with TSX rules, any daily repurchases (other than pursuant to a block purchase exception) on the TSX under the NCIB are limited to a maximum of 4,317 common shares, which represents 25% of the average daily trading volume on the TSX of 17,271 for the six months ended October 31, 2023.

On September 21, 2023, the Company’s NCIB that commenced on September 22, 2022, expired (“Expired NCIB”). The Company had sought and received approval from the TSX to repurchase up to 1,403,293 of its common shares under the Expired NCIB. Over the duration of the Expired NCIB, the Company purchased for cancellation an aggregate of 284,843 common shares at an average price of CDN$3.61 per common share.

Substantial Issuer Bid

On September 5, 2023, the Company announced its intention to commence a substantial issuer bid (the “Offer” or “SIB”). The SIB commenced on September 6, 2023, pursuant to which the Company offered to purchase for cancellation up to CDN$6,000 of its outstanding common shares. The Offer was made by way of a ‘modified Dutch auction’, which allowed shareholders who chose to participate in the Offer to individually select the price, within a range of not less than CDN$3.95 per common share and not more than CDN$4.75 per common share (in increments of CDN$0.05 per common share), at which they were willing to sell their common shares.

Upon expiry of the Offer on October 11, 2023, the Company determined the lowest purchase price (which was not to be more than CDN$4.75 per common share and not less than CDN$3.95 per common share) (the "Purchase Price") that allowed it to purchase the maximum number of common shares tendered to the Offer having an aggregate purchase price not exceeding CDN$6,000. Following the expiry of the SIB, the Company took up and paid for 1,290,321 common shares at a Purchase Price of CDN$4.65 per common

share, representing an aggregate purchase price of CDN$6,000. The common shares taken up by the Company, representing 5.1% of the total issued and outstanding common shares prior to commencing the SIB, were purchased for cancellation.

Election of New Directors

On June 21, 2023, the Company announced that its shareholders, at the annual and special meeting of shareholders, had approved the election of two new directors to the Company's board of directors, Mr. Douglas Deeth and Dr. Hubert Walinski.

With the addition of Mr. Douglas Deeth and Dr. Hubert Walinski, the Company has strengthened the leadership and experience of its board of directors. Mr. Douglas Deeth has significant experience in intellectual property law, including contractual expertise such as negotiating license and product development agreements. Dr. Hubert Walinski brings diverse medical and scientific expertise to the board of directors, with experience across both the pharmaceutical and biotech industries, as well as having held significant roles in directing medical strategies instrumental in regulatory approval, launch and commercialization of various medicines.

The Company further announced that Mr. Arthur M. Deboeck, Mr. Christian Godin and Ms. Cathy Steiner, completed their service on the board of directors effective June 21, 2023.

Royal Bank of Canada Credit Facility

On March 1, 2023, the Company announced the completion and closing of a credit facility (the "Credit Facility") with Royal Bank of Canada, effective February 28, 2023. The Credit Facility provides the Company with up to $35 million, which is primarily intended to support the Company's future M&A growth strategy and may also be drawn upon for general corporate purposes and working capital requirements. The Credit Facility is structured as a $15 million Senior Secured Revolving Term Loan (the "Term Loan") with an additional accordion option to be increased by $10 million. Additionally, the Credit Facility has a $10 million Senior Secured Revolving Credit Facility (the "Revolving Loan") for general corporate purposes and working capital requirements. The initial term of the Term Loan is three years and the Revolving Loan is payable on demand. The Credit Facility bears interest at market prevailing rates once drawn upon.

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®.

MOB-015 North American Pivotal Phase 3 Study Enrollment Completed

On October 6, 2023, the Company's partner, 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. The purpose of the study is to facilitate market approval by the U.S. Food and Drug Administration ("FDA"). Moberg expects topline results in January 2025. Cipher holds the exclusive Canadian rights to MOB-015. In Canada, the total prescription market for Onychomycosis was approximately CDN$91 million at December 31, 2023 according to IQVIA, with a single product having over 95% market share.

MOB-015 Approval in the European Union

On July 5, 2023, the Company announced that its partner, Moberg obtained European Union approval for MOB-015, a new topical treatment of Onychomycosis (nail fungus), 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.

Launch of Epuris in Mexico

In May 2023, the Company's product Epuris was commercially launched and royalties were earned related to sales in Mexico, through a licensing arrangement with the Company's manufacturing partner, Galephar Pharmaceutical Research Inc. ("Galephar"), a Puerto Rico based pharmaceutical research and manufacturing company. The Company earns a royalty on shipped product sales of Epuris in Mexico and Latin America regions. Epuris was commercially launched by Galephar's commercial partner in Mexico, Italmex S.A. ("Italmex").

Piclidenoson Phase III COMFORT Study

In December 2023, the Company's partner, 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 European Medicines Agency ("EMA") significantly broadens any future market launch potential of the drug.

In August 2023, Can-Fite announced that its plan had been submitted to allow enrollment of adolescents with psoriasis to its upcoming Phase III pivotal clinical psoriasis studies, aimed at registration of Piclidenoson with both the FDA and the EMA for the treatment of plaque psoriasis.

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 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 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 September 2022, Can-Fite announced its Phase III COMFORT study of Piclidenoson used in the treatment of moderate to severe psoriasis met its primary endpoint of superiority and achieved a better tolerability profile in a comparative analysis. Based on the safety and efficacy data revealed in this trial, Can-Fite plans to approach the FDA and the EMA with a protocol for a pivotal Phase III study for drug approval and registration by the end of 2023.

Review of Operating Results

REVENUE

(IN THOUSANDS OF U.S. DOLLARS)	**2023**	2022
	$	$
Licensing revenue	**8,483**	8,145
Product revenue	**12,679**	12,530
Net revenue	**21,162**	20,675

Total net revenue increased by $0.5 million or 2% to $21.2 million for the year ended December 31, 2023 compared to $20.7 million for the year ended December 31, 2022.

Licensing Revenue

Licensing revenue increased by $0.3 million or 4% to $8.5 million for the year ended December 31, 2023 compared to $8.1 million for the year ended December 31, 2022.

Licensing revenue from Absorica in the U.S. was $6.1 million for the year ended December 31, 2023, an increase of $0.9 million or 18% compared to $5.2 million for the year ended December 31, 2022. The overall increase in licensing revenue on the Absorica portfolio (inclusive of the brand, Authorized Generic ("AG") and LD products) for the year ended December 31, 2023 is primarily attributable to increased sales volumes from Absorica AG, on which the Company earns a net sales royalty, combined with higher product shipments, on which the Company earns revenue from supplying product to its distribution partner. These increases were partially offset by reduced royalty rates earned on the Absorica portfolio in connection with the amended and restated distribution and supply agreement entered into with Sun Pharmaceuticals Industries, Inc. on March 10, 2022.

The increase in licensing revenue associated with the overall Absorica portfolio as described above, is representative of the total Absorica portfolio market share which increased by 1.0% to 6.9% market share at December 31, 2023, from 5.9% market share at December 31, 2022, according to Symphony Health market data**.** Absorica and the AG's market share was approximately 6.2% as at December 31, 2023 compared to approximately 5.1% as at December 31, 2022, according to Symphony Health.

Licensing revenue from Lipofen and Lipofen AG was $2.2 million for the year ended December 31, 2023. Representing a decrease of $0.7 million or 24%, compared to $2.9 million for the year ended December 31, 2022. The decrease in licensing revenue from Lipofen and Lipofen AG for the year ended December 31, 2023 is primarily attributable to lower sales volumes, whereby the Company earns a royalty.

For the year ended December 31, 2023, royalty revenue of $0.1 million was earned on sales of Epuris in Mexico. The Company earns a royalty on net product sales of Epuris in the Mexico and Latin America regions, in accordance with the Master Licensing and Clinical Supply Agreement entered into with the Company's manufacturing partner, Galephar. The Epuris product was commercially launched by Galephar's commercial partner in Mexico, Italmex, in May 2023.

Product Revenue

Product revenue increased by $0.2 million or 1% to $12.7 million for the year ended December 31, 2023 compared to $12.5 million for the year ended December 31, 2022.

Product revenue expressed on a constant currency basis has increased by $0.6 million or 5% for the year ended December 31, 2023, compared to the year ended December 31, 2022.

Product revenue from Epuris was $10.8 million for the year ended December 31, 2023, a decrease of $0.5 million or 4%, from $11.3 million for the year ended December 31, 2022. Product revenue from Epuris is transacted in Canadian dollars, and is therefore subject to foreign exchange rate changes with the U.S. dollar. Excluding the impact from foreign exchange translation of $0.4 million, Epuris revenue was $14.6 million in Canadian dollars for the year ended December 31, 2023 and was materially consistent with Epuris revenue denominated in Candian dollars for the year ended December 31, 2022. Further, there was an increase in market share of Epuris by 2.2% to 45.0% market share at December 31, 2023, from 42.8% market share at December 31, 2022, according to IQVIA market data.

Product revenue for the remaining portfolio (Ozanex, Actikerall, Brinavess, Aggrastat, Vaniqa and Durela) was $1.8 million for the year ended December 31, 2023, an increase of $0.6 million or 54%, compared to $1.2 million for the year ended December 31, 2022. The increase in product revenue was mainly contributed to by Durela. The Company began selling Durela directly starting in April 2022, which accounted for $0.2 million of the increase for the year ended December 31, 2023. The remaining increase of $0.4 million for the

year ended December 31, 2023 is driven by general higher revenues from all other products, with the exception of Ozanex, which the Company discontinued during the third quarter of 2023.

OPERATING EXPENSES

(IN THOUSANDS OF U.S. DOLLARS)	**2023**	2022
	$	$
Cost of products sold	**4,069**	3,992
Research and development	**139**	98
Depreciation and amortization	**1,227**	989
Selling, general and administrative	**5,694**	4,546
Total operating expenses	**11,129**	9,625

Total operating expenses increased by $1.5 million or 16% to $11.1 million for the year ended December 31, 2023 compared to $9.6 million for the year ended December 31, 2022. The increase in operating expenses for the year ended December 31, 2023 primarily reflect an increase in selling, general and administrative expenses of $1.1 million and depreciation and amortization of $0.2 million.

Cost of Products Sold

Cost of products sold for the year ended December 31, 2023 was $4.1 million, an increase of $1.0 million or 2% compared to the year ended December 31, 2022. Gross margin on product revenue was consistent at 68% for the years ended December 31, 2023 and December 31, 2022.

Research and Development

Research and development ("R&D") expenses represent the costs directly associated with developing and advancing our pipeline products and the cost of regulatory submissions in Canada.

R&D expense for the year ended December 31, 2023 was $0.1 million, which was materially consistent with the year ended December 31, 2022.

Depreciation and amortization

Depreciation and amortization includes $1.1 million for amortization of intangible assets for the year ended December 31, 2023, which increased by $0.2 million or 24%, compared to $0.9 million for the year ended December 31, 2022. The increase in amortization of intangible assets was due to a change in the estimated useful life of certain intangible assets, which was accounted for prospectively during the three months ended September 30, 2022. Accordingly, a full year of amortization of intangible assets at a higher rate has been reflected in the consolidated statement of income and comprehensive income for the year ended December 31, 2023.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expense for the year ended December 31, 2023 was $5.7 million, an increase of $1.1 million or 25% from $4.5 million for the year ended December 31, 2022, primarily due to higher share-based compensation and professional fees, from a contract sales force promoting Epuris, incurred during the year ended December 31, 2023. Additionally, there were certain restructuring costs incurred during the year ended December 31, 2023 of $0.3 million, which are non-recurring.

A further breakdown of SG&A expense for the years ended December 31, 2023 and 2022 is presented in the table below:

(IN THOUSANDS OF U.S. DOLLARS)	**2023**	2022
	$	$
Salaries and benefits	**1,136**	1,099
Share-based compensation	**1,190**	403
Restructuring costs	**269**	—
Professional fees	**1,911**	1,791
Other selling, general and administrative	**1,188**	1,253
Total selling, general and administrative	**5,694**	4,546

Share-based compensation expense included in SG&A for the year ended December 31, 2023 was $1.2 million, an increase of $0.8 million or 195%, from $0.4 million for the year ended December 31, 2022. The increase in share-based compensation expense for the year ended December 31, 2023 was primarily attributable to restricted share units issued, the recognition of share-based performance compensation for the period that is expected to be awarded to certain employees, and the cancellations of stock options and restricted share units arising from the departure of certain employees and directors during the period.

Restructuring costs included in SG&A for the year ended December 31, 2023 were $0.3 million, compared to $nil for the year ended December 31, 2022. Restructuring costs related to the severance of certain employees during the period.

Professional fees included in SG&A for the year ended December 31, 2023 were $1.9 million, compared to $1.8 million for the year ended December 31, 2022. The increase in professional fees of $0.1 million for the year ended December 31, 2023 was primarily due to increased contract sales force spending, offset by other professional fees reductions. The Company incurred $0.5 million related to a contract sales force and other initiatives dedicated to promoting Epuris during the year ended December 31, 2023. The Company realized other professional fees savings of $0.4 million during the year ended December 31, 2023.

OTHER (INCOME) EXPENSES

(IN THOUSANDS OF U.S. DOLLARS)	**2023**	2022
	$	$
Interest income	**(1,870)**	(464)
Unrealized foreign exchange (gain) loss	**(778)**	35
Total other (income) expenses	**(2,648)**	(429)

Total other income for the year ended December 31, 2023 was $2.6 million, an increase of $2.2 million, from $0.4 million for the year ended December 31, 2022. The increase for the year ended December 31, 2023 relates to interest income earned on cash and cash equivalents held at financial institutions, combined with the impact of significant foreign exchange rate movements on the translation of net assets and certain transactions denominated in Canadian dollars.

Interest income

Interest income increased by $1.4 million to $1.9 million for the year ended December 31, 2023, compared to $0.5 million for the year ended December 31, 2022. The increase is due to higher prevailing market interest rates on the Company's higher cash balance 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 gain increased by $0.8 million to $0.8 million for the year ended December 31, 2023, compared to a nominal amount of unrealized foreign exchange loss for the year ended December 31, 2022. Due to the depreciation of the U.S. dollar relative to the Canadian dollar at the end of the period as at December 31, 2023, compared to 2022, there has been a positive 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 year ended December 31, 2023 was $7.7 million, compared to income tax recovery of $15.2 million for the year ended December 31, 2022. The decrease in the income tax recovery of $7.5 million is due to a reduced change in the Company's deferred tax assets associated with unused tax loss carry forwards in the year ended December 31, 2023, compared to the year ended December 31, 2022.

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.

During the year ended December 31, 2023, the Company recognized previously unrecognized losses that are expected to be used to reduce taxable income in the current period of $2.8 million, compared to $12.4 million for the year ended December 31, 2022. Additionally, during the year ended December 31, 2023, the Company recognized previously unrecognized losses of $75.0 million that are estimated to be utilized based on the Company's future forecast, compared to $62.9 million for the year ended December 31, 2022. As a result, during the year ended December 31, 2023, the Company had a change in deferred tax assets not previously recognized of $7.4 million, compared to $17.7 million for the year ended December 31, 2022.

During the year ended December 31, 2023, as a result of a change in facts and circumstances related to uncertain tax positions, the Company reversed a provision for $4.9 million, which is recorded as a recovery of the current income tax expense in the consolidated statements of income and comprehensive income.

As at December 31, 2023, the Company has recognized deferred tax assets in the consolidated statement of financial position of $19.9 million, compared to $16.7 million as at December 31, 2022. 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)	**2023**	2022
	$	$
Net income and comprehensive income for the period	**20,383**	26,636
Basic income per share	**0.82**	1.05
Diluted income per share	**0.80**	1.03

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 year ended December 31, 2023 was 25,004,838 (for the year ended December 31, 2022 – 25,376,290).

The dilutive weighted average number of common shares outstanding for the year ended December 31, 2023 was 25,422,202 (for the year ended December 31, 2022 – 25,799,159).

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, 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)	**2023**	2022	2021
	$	$	$
Net income and comprehensive income	**20,383**	26,636	7,758
Add back:			
Depreciation and amortization	**1,227**	989	701
Interest (income) expense	**(1,870)**	(464)	92
Income tax (recovery) expense	**(7,702)**	(15,157)	3,301
EBITDA	**12,038**	12,004	11,852
Change in fair value of derivative financial instrument	**—**	—	(5)
Unrealized foreign exchange (gain) loss	**(778)**	35	(83)
Provision for legal settlement	**—**	—	1,250
Loss on disposal of assets and extinguishment of lease	**—**	—	758
Restructuring costs	**269**	—	—
Share-based compensation	**1,190**	403	139
Adjusted EBITDA	**12,719**	12,442	13,911
Adjusted EBITDA per share – basic	**0.51**	0.49	0.52
Adjusted EBITDA per share – dilutive	**0.50**	0.48	0.52

(IN THOUSANDS OF U.S. DOLLARS, except for per share amounts)	**Three months ended December 31, 2023**	Three months ended December 31, 2022	Three months ended December 31, 2021
	$	$	$
Net income and comprehensive income	**7,655**	19,681	2,807
Add back:			
Depreciation and amortization	**273**	341	153
Interest (income) expense	**(555)**	(267)	5
Income tax (recovery) expense	**(3,974)**	(16,747)	1,105
EBITDA	**3,399**	3,008	4,070
Unrealized foreign exchange (gain) loss	**(757)**	(95)	(16)
Restructuring costs	—	—	—
Share-based compensation	**222**	234	18
Adjusted EBITDA	**2,864**	3,147	4,072
Adjusted EBITDA per share – basic	**0.13**	0.13	0.16
Adjusted EBITDA per share – dilutive	**0.12**	0.12	0.15

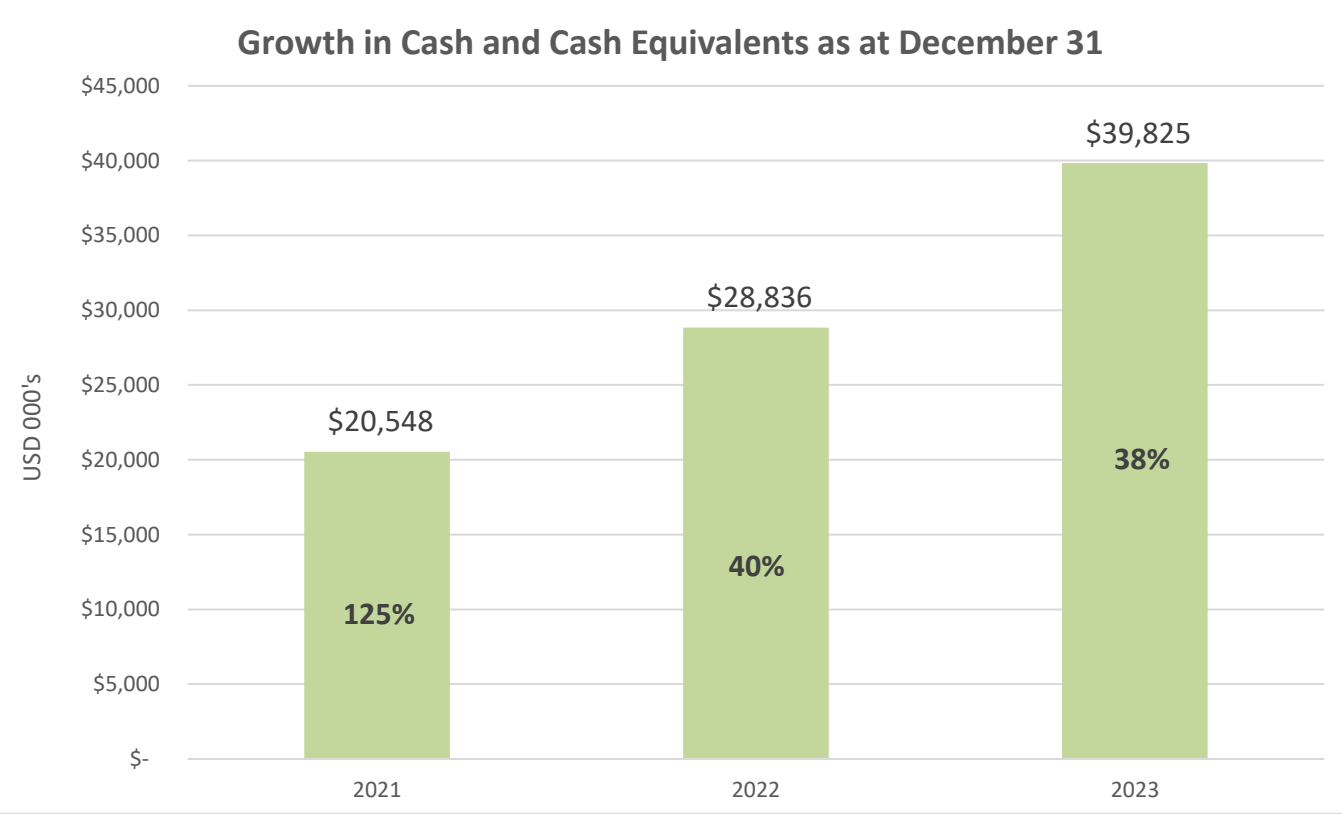
Liquidity and Capital Resources

(IN THOUSANDS OF U.S. DOLLARS)	**2023**	2022
	$	$
Cash provided by operating activities	**15,999**	10,725
Cash used in investing activities	**(144)**	(81)
Cash used in financing activities	**(5,244)**	(1,912)
Net change in cash	**10,611**	8,732
Impact of foreign exchange on cash	**378**	(444)
Cash and cash equivalents, beginning of period	**28,836**	20,548
Cash and cash equivalents, end of period	**39,825**	28,836

Cash

As at December 31, 2023, the Company had cash and cash equivalents of $39.8 million compared to $28.8 million as at December 31, 2022.

The following graph illustrates the Company's cash and cash equivalents as at December 31, 2023, 2022 and 2021, as well as the percentage increase of cash and cash equivalents over the preceding period.



Cash and cash equivalents of $39.8 million as at December 31, 2023 have increased $11.0 million or 38% compared to $28.8 million as at December 31, 2022. The increase in cash and cash equivalents is due to cash provided by operating activities of $16.0 million, combined with $0.4 million of cash received from the exercise of stock options, partially offset by $4.7 million of cash used for SIB share repurchases and $0.9 million of cash used for NCIB share repurchases during the year ended December 31, 2023.

Operating Activities

Cash provided by operating activities was $16.0 million for the year ended December 31, 2023 compared to $10.7 million for the year ended December 31, 2022. Cash provided by operations, excluding working capital was $19.3 million for the year ended December 31, 2023, an increase of $5.5 million compared to $13.8 million for the year ended December 31, 2022. This increase is primarily attributable to the positive cash flow impact arising from a reduction in non-cash income tax recovery associated with deferred tax assets for the year ended December 31, 2023, compared to the comparative period. The change in cash provided by operating activities, reflects a recovery of $1.7 million in working capital for the year ended December 31, 2023, compared to uses of $2.2 million in the comparative period. This increase in cash flows from changes in working capital of $3.9 million, primarily relates to the reversal of a provision for uncertain tax positions during the year ended December 31, 2023, as a result of a change in facts and circumstances during the year. The remaining increase in cash flows from changes in working capital is attributable to timing differences for receipt of invoices from vendors and payments of the corresponding accounts payable, combined with improved collections of outstanding amounts receivable from customers.

Investing Activities

Cash used in investing activities was $0.1 million for the year ended December 31, 2023, which was consistent with the year ended December 31, 2022. Investing activities in the current period related to the purchase of property and equipment, as well as payments for intangible assets. Investing activities in the comparative period related to the purchase of property and equipment.

Financing Activities

Cash used in financing activities was $5.2 million for the year ended December 31, 2023 compared to $1.9 million for the year ended December 31, 2022. The financing activities primarily consisted of the purchase of common shares under the SIB (as defined under the "Recent Events – Substantial Issuer Bid" section above) and the NCIB (as defined under the "Recent Events – Normal Course Issuer Bid" section above), offset by cash received from the exercise of stock options.

The cash used in connection with the SIB was partially offset by a reduction in cash used for purchases of common shares under the NCIB, due to the number of common shares purchased under the NCIB during the year ended December 31, 2023 compared to the year ended December 31, 2022. The purchase of common shares under the NCIB was restricted to a daily repurchase limit, which was 6,531 common shares per day up to September 21, 2023 and 4,317 common shares beginning on November 15, 2023 (refer to the "Recent Events – Normal Course Issuer Bid" section above for further information), compared with 12,084 common shares per day during the year ended December 31, 2022. Share repurchases under the NCIB were further limited by actual daily trading volumes of the Company's common shares throughout the period.

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 licenses for new products or technologies, the launch of competitive products and the success of the Company in developing and maintaining markets for its products.

Financial Instruments

As at December 31, 2023, the Company's financial instruments consisted of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and income taxes payable, 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 which are described in further detail below.

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 held 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 year ended December 31, 2023 and 83% of total accounts receivable is due from three customers as at December 31, 2023.

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 undrawn Credit Facility.

The Company anticipates that its current cash balance and its available undrawn Credit Facility, together with the cash flow that is 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 December 31, 2023 would have had a $7 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 December 31, 2023:

	CDN$
Cash and cash equivalents	10,987
Accounts receivable	3,595
Accounts payable and accrued liabilities	(2,560)
Finance lease obligations	(466)
Net financial assets	11,556

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.

Capital Management Risk

The Company's managed capital is comprised of cash, the 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 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 December 31, 2023, the Company had 23,988,491 common shares issued and outstanding, compared to 25,062,980 common shares as at December 31, 2022. No preference shares were issued and outstanding as at December 31, 2023, or December 31, 2022. Subsequent to December 31, 2023, 1,462 common shares were issued under the Company's employee and director share purchase plan, bringing the total number of common shares issued and outstanding to 23,989,953 as of the date of this MD&A.

During the year ended December 31, 2023, a total of 206,470 stock options were exercised with a weighted average exercise price of CDN$2.71. As at December 31, 2023, there were 842,739 options outstanding of which 191,287 have vested.

During the year ended December 31, 2023, a total of 261,048 RSUs vested and were settled in common shares. As at December 31, 2023, there were 351,202 RSUs outstanding for which common shares may be issued upon vesting.

On November 15, 2023, the Company announced that it had received approval from the TSX for its intention to commence a normal course issuer bid (the "NCIB") for its common shares. The notice provided that the Company may, during the 12-month period

commencing November 20, 2023, and ending no later than November 19, 2024, purchase for cancellation through the facilities of the TSX or alternative Canadian trading systems, up to 1,337,195 of its common shares, representing 10% of its public float of 13,371,956 common shares as of November 10, 2023 (a total of 24,022,338 common shares were issued and outstanding as of such date).

Purchases under the NCIB made on the TSX are made in compliance with the rules of the TSX at a price equal to the market price at the time of purchase or such other price as may be permitted by the TSX. In accordance with TSX rules, any daily repurchases (other than pursuant to a block purchase exception) on the TSX under the NCIB are limited to a maximum of 4,317 common shares, which represents 25% of the average daily trading volume on the TSX of 17,271 for the six months ended October 31, 2023.

On September 19, 2022, the Company announced that it received approval from the TSX for its intention to commence an NCIB for its common shares. The notice provided that the Company may, during the 12 months period commencing September 22, 2022, and ending no later than September 21, 2023, purchase through the facilities of the TSX or alternative Canadian trading systems up to 1,403,293 of its common shares, representing 10% of its public float of 14,032,934 common shares as of September 8, 2022 (a total of 25,115,660 Common Shares were issued and outstanding as of such date). Over the duration of this NCIB, which expired on September 21, 2023, the Company purchased for cancellation an aggregate of 284,843 common shares at an average price of CDN$3.61 per common share.

Cipher believes that, from time to time, the common shares trade in price ranges that do not fully reflect their value. In such circumstances, Cipher believes that acquiring common shares for cancellation may represent an attractive and desirable use of its available funds. Decisions regarding the amount and timing of future purchases of common shares will be based on market conditions, share price and other factors and will be in management's discretion. Cipher may elect to modify, suspend or discontinue the NCIB at any time. Repurchases under the NCIB will be funded using Cipher's cash resources and all common shares repurchased will be cancelled.

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 (as defined in the "Recent Events" section above). 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 December 31, 2023.

Description	**Less than one year**	**Years two and three**	**Beyond three years**	**Total**
	$	$	$	$
Accounts payable and accrued liabilities	4,639	-	-	4,639
Lease obligations	117	244	53	414
Total	4,756	244	53	5,053

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)	**Dec 31, 2023**	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
	$	$	$	$	$	$	$	$
Net revenue	**4.9**	6.1	5.3	4.9	4.9	4.8	5.6	5.4
Net income and comprehensive income for the period	**7.7**	7.0	3.1	2.6	19.7	2.7	2.2	2.1
Basic income per Common Share	**0.32**	0.28	0.12	0.10	0.78	0.11	0.08	0.08
Diluted income per Common Share	**0.30**	0.27	0.12	0.10	0.77	0.10	0.08	0.08

Net income and comprehensive income, and income per common share amounts for the three months ended December 31, 2022 were positively impacted by an income tax recovery for the period, primarily arising from the recognition of previously unrecognized tax losses resulting in a change in deferred tax assets not previously recognized of $17.7 million.

Net income and comprehensive income, and income per common share amounts for the three months ended December 31, 2023 were positively impacted by a current income tax recovery for the period, primarily arising from the reversal of a provision for uncertain tax positions of $4.9 million, due to a change in change in facts and circumstances during the period.

Net revenue, net income and comprehensive income, and income per common share amounts for the three months ended September 30, 2023 were positively impacted by the increased licensing revenue associated with Absorica in the U.S. The increased Absorica licensing revenue during the period ended September 30, 2023 was comprised of higher royalty revenue earned by the Company driven by increased sales volumes of Absorica AG, combined with higher licensing product revenue associated with product shipments which the Company earns revenue on from supplying product to its distribution partner.

Selected Annual Information

The following information has been prepared in accordance with IFRS.

(IN THOUSANDS OF U.S. DOLLARS, EXCEPT FOR PER SHARE AMOUNTS)	**Dec 31, 2023**	Dec 31, 2022	Dec 31, 2021
	$	$	$
Period ended			
Net revenue	**21,162**	20,675	21,943
Total operating expenses	**11,129**	9,625	10,134
Total other (income) expenses	**(2,648)**	(429)	750
Net income for the period	**20,383**	26,636	7,758
Income per share:			
Basic	**0.82**	1.05	0.29
Diluted	**0.80**	1.03	0.29
As at			
Total assets	**86,031**	73,776	51,651
Total non-current liabilities	**259**	327	460

Revenue

Total net revenue for the year ended December 31, 2022 decreased by $1.3 million or 6% to $20.7 million compared to $21.9 million for the year ended December 31, 2021. The decrease in net revenue was due to a decrease in licensing revenue of $2.3 million or 22% due to the genericization of Absorica and lower contractual royalty rates on the Absorica portfolio, partially offset by higher product revenue of $1.0 million or 9% for the year ended December 31, 2022.

Total net revenue for the year ended December 31, 2023 increased by $0.5 million or 2% to $21.2 million compared to $20.7 million for the year ended December 31, 2022. The increase in net revenue was due to increases in both licensing revenue of $0.3 million or 4% and product revenue of $0.2 million or 1%, as described in the “Review of Operating Results – Revenue” section above.

Operating Expenses

Total operating expenses for the year ended December 31, 2022 decreased by $0.5 million or 5% to $9.6 million compared to $10.1 million for the year ended December 31, 2021. The decrease in operating expenses for the year ended December 31, 2022 was primarily attributable to the non-recurring provision for legal settlement of $1.3 million incurred during the year ended December 31, 2021. This decrease was partially offset by increased amortization of intangible assets by $0.4 million associated with a change in the estimated useful life of certain intangible assets, which was accounted for prospectively during the year ended December 31, 2022, and higher cost of products sold by $0.3 million associated with increased product revenue for the year ended December 31, 2022.

Total operating expenses for the year ended December 31, 2023 increased by $1.5 million or 16% to $11.1 million compared to $9.6 million for the year ended December 31, 2022. The increase in operating expenses for the year ended December 31, 2023 primarily reflects an increase in share-based compensation expense of $0.8 million, non-recurring restructuring costs of $0.3 million, and increased depreciation and amortization of $0.2 million. The increase in share-based compensation expense for the year ended December 31, 2023 was primarily attributable to restricted share units issued, the recognition of share-based performance compensation for the period that is expected to be awarded to certain employees, and the cancellations of stock options and restricted share units arising from the departure of employees and directors during the period.

Other (Income) Expenses

Other income for the year ended December 31, 2022 increased by $1.2 million or 157%, to $0.4 million from an other expense of $0.8 million for the year ended December 31, 2021. The transition from an expense to income arose from a loss on disposal of assets and extinguishment of lease that occurred during the year ended December 31, 2021, which did not recur during the year ended December 31, 2022. Further, interest income was generated during the year ended December 31, 2022 due to the increase in prevailing market interest rates on the Company’s higher cash balances.

Other income for the year ended December 31, 2023 increased by $2.2 million or 517%, to $2.6 million compared to $0.4 million for the year ended December 31, 2022. The increase for the year ended December 31, 2023 relates to interest income earned on cash and cash equivalents held at financial institutions due to higher prevailing market interest rates on the Company's higher cash balances, combined with the impact of significant foreign exchange rate movements on the translation of net assets and certain transactions denominated in Canadian dollars.

Net Income and Income Per Share

Net income for the year ended December 31, 2022 increased by $18.8 million or 243%, to $26.6 million compared to $7.8 million for the year ended December 31, 2021. This increase for the year ended December 31, 2022 was substantially driven by an income tax recovery of $15.2 million compared to income tax expense of $3.3 million for the year ended December 31, 2021. The income tax recovery for the year ended December 31, 2022 primarily arose from the recognition of previously unrecognized tax losses resulting in a change in deferred tax assets not previously recognized of $17.7 million.

Net income for the year ended December 31, 2023 decreased by $6.2 million or 23%, to $20.4 million compared to $26.6 million for the year ended December 31, 2022. The decrease for the year ended December 31, 2023 was largely attributable to a reduced change in deferred tax assets not previously recognized, which was $7.4 million for the year ended December 31, 2023 compared to $17.7 million for the year ended December 31, 2022.

Income per share amounts in the respective periods were impacted by the changes in net income during the periods, as described above.

Fourth Quarter Results

The following amounts have been derived from audited and unaudited financial information prepared in accordance with IFRS.

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended December 31, 2023**	Three months ended December 31, 2022
	$	$
Licensing revenue	**1,547**	1,987
Product revenue	**3,373**	2,922
Net revenue	**4,920**	4,909
Cost of products sold	**955**	936
Research and development	**29**	32
Depreciation and amortization	**273**	341
Selling, general and administrative	**1,294**	1,028
Total operating expenses	**2,551**	2,337
Interest income	**(555)**	(267)
Unrealized foreign exchange (gain) loss	**(757)**	(95)
Total other (income) expenses	**(1,312)**	(362)
Income before income taxes	**3,681**	2,934
Income tax recovery	**(3,974)**	(16,747)
Income and comprehensive income for the year	**7,655**	19,681

Revenue

Net revenue of $4.9 million for the three months ended December 31, 2023, was consistent with the three months ended December 31, 2022.

Licensing revenue decreased by $0.4 million or 22% to $1.5 million for the three months ended December 31, 2023 compared to $2.0 million for the three months ended December 31, 2022.

Licensing revenue from the Absorica portfolio of products in the U.S. was $1.0 million for the three months ended December 31, 2023, a decrease of $0.3 million or 18% compared to $1.3 million for the three months ended December 31, 2022. The decrease in licensing revenue from the Absorica portfolio was due to lower net sales royalties from our distribution partner, Sun Pharmaceuticals Industries, Inc., for the three months ended December 31, 2023, compared to the same period in prior year.

Licensing revenue from Lipofen and the authorized generic version of Lipofen was $0.5 million for the three months ended December 31, 2023, a decrease of $0.2 million or 28% compared to revenue of $0.7 million for the three months ended December 31, 2022. The decrease was attributable to lower sales volumes and net sales by our distribution partner, on which Cipher earns a royalty, for the three months ended December 31, 2023, compared to the same period in prior year.

Product revenue increased by $0.5 million or 15% to $3.4 million for the three months ended December 31, 2023 compared to $2.9 million for the three months ended December 31, 2022 mainly due to revenue from Epuris.

Product revenue from Epuris increased $0.3 million or 10% to $2.9 million for the three months ended December 31, 2023 compared to $2.6 million for the three months ended December 31, 2022, attributable to an increase in sales volumes and greater market share.

Product revenue for Ozanex, Beteflam, Actikerall, Brinavess, Aggrastat, Durela and Vaniqa was $0.5 million, in aggregate, for the three months ended December 31, 2023 compared to $0.3 million for the three months ended December 31, 2022.

Operating Expenses

Total operating expenses for the three months ended December 31, 2023 were $2.6 million, an increase of $0.3 million or 9% compared to $2.3 million for the three months ended December 31, 2022. The increase was primarily driven by an increase in selling, general and administrative expenses of $0.3 million or 26%, mainly attributable to the contract sales force and other marketing initiatives focused on Epuris.

Other (Income) Expenses

Total other income for the three months ended December 31, 2023 was $1.2 million, an increase of $0.8 million or 240%, from $0.4 million for the three months ended December 31, 2022. The increase for the year ended December 31, 2023 relates to interest income earned on cash and cash equivalents held at financial institutions, combined with the impact of significant foreign exchange rate movements on the translation of net assets and certain transactions denominated in Canadian dollars.

Interest income increased by $0.3 million to $0.6 million for the three months ended December 31, 2023, compared to $0.3 million for the three months ended December 31, 2022. The increase is due to higher prevailing market interest rates on the Company's higher cash balances.

Unrealized foreign exchange gain increased by $0.6 million to $0.7 million for the three months ended December 31, 2023, compared to $0.1 million for the three months ended December 31, 2022. Due to the depreciation of the U.S. dollar relative to the Canadian dollar during the three months ended December 31, 2023, there has been a more significant positive 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 for the three months ended December 31, 2023 compared to the comparative three month period ended December 31, 2022.

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$90.8 million in 2023, 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 EMA's paediatric committee (PDCO). This approval enables Moberg to pursue a full marketing authorization application providing up to ten years of exclusivity in Europe following approval.

This positive decision means that Moberg intends to conduct a pediatric study during and after the approval process for MOB-015. The study includes 30 children, 6 to 17 years of age, and will be initiated in the second half of 2022. The pediatric study supplements the already completed clinical program, including the two Phase 3 studies with a total of more than 800 patients, where the primary endpoint was achieved in both the North American and European studies.

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. The agreement also includes co-financing of marketing activities and market-based financial terms. The agreement with Allderma complements the existing licensing agreement for MOB-015 in Europe. The agreed terms allow for an early launch in Moberg's home market closely after market approval.

On December 23, 2021, Moberg announced that the Medical Products Agency in Sweden has agreed to be reference member state for Moberg's registration application for MOB-015.

On March 28, 2022, Moberg submitted a full application, which offers the possibility of data exclusivity in Europe for up to ten years following market approval. The Swedish Medical Products Agency is the reference member state and will lead the review of the application. Moberg announced that its goal was to receive its first market approval and launch MOB-015 in 2023.

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®.

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 August 2023, Can-Fite announced that its plan had been submitted to allow enrollment of adolescents with psoriasis to its upcoming Phase III pivotal clinical psoriasis studies, aimed at registration of Piclidenoson with both the FDA and the EMA for the treatment of plaque psoriasis.

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 addition, on December 29, 2021, a Canadian Patent Application was allowed. These patents have a term to 2034 and are part of a larger family that includes granted US, Australian and European patents and a pending US application.

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.

Changes in Accounting Policies including Initial Adoption of Accounting Standards

APPLICATION OF NEW STANDARDS AMENDMENTS ISSUED

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1 – Disclosure of accounting policies

In February 2021, the IASB issued amendments to IAS 1, clarifying the application of the concept of materiality to accounting policy disclosures. These amendments help entities provide useful accounting policy disclosures by:

- requiring entities to disclose their material accounting policies instead of their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and
- clarifying that not all accounting policies relating to material transactions, other events or conditions are themselves material.

The Company's previously disclosed significant accounting policies are considered by the Company to be material accounting policies. Further, none of the previously disclosed accounting policies are considered by the Company to be immaterial based on these amendments to IAS 1. Consequently, the application of these amendments have not had any impact on the accounting policies disclosed by the Company for the year ended December 31, 2023.

Amendments to IAS 8 – Definition of accounting estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The Company has not had any changes in accounting policies or changes in accounting estimates during the year ended December 31, 2023.

NEW STANDARDS ISSUED, BUT NOT YET EFFECTIVE

Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

Amendments to IAS 1 – Non-current liabilities with covenants

In October 2022, the IASB issued amendments to IAS 1, which clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier application is permitted as long as this fact is disclosed.

Amendments to IFRS 16 – Leases on sale and leaseback

In September 2022, the IASB issued amendments to IFRS 16, which include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted as long as this fact is disclosed.

Amendments to IAS 7 and IFRS 7 - Supplier finance arrangements

In May 2023, the IASB issued amendments to IAS 7 and IFRS 7, which require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024.

Amendments to IAS 21 - Lack of Exchangeability

In August 2023, the IASB issued amendments to IAS 21, which impact entities that have transactions or operations in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency, and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted as long as this fact is disclosed.

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.

The following are the critical estimates and judgments applied by management that most significantly affect the Company's consolidated financial statements. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

i) *Returns:* The provision for returns is a complex estimate used in the recognition of revenue. The Company has a returns policy that allows wholesalers to return product within a specified period prior to and subsequent to the expiration date. Provisions for returns are recognized in the period in which the underlying sales are recognized, as a reduction of product sales revenue. The Company estimates provisions for returns based upon historical experience, representing management's best estimate. While such experience has allowed for reasonable estimations in the past, history may not always be an accurate indicator of future returns. The Company continually monitors provisions for returns and makes adjustments when it believes that actual product returns may differ from established reserves.

ii) *Deferred income taxes:* Management uses estimates when determining deferred income tax assets. These estimates are used to determine the recoverability of non-capital tax loss carry forward amounts, research and development expenditures and investment tax credits. Significant judgment is required to determine the probable future taxable income in order to recognize the deferred tax asset. Estimates of future taxable income rely on significant assumptions including forecasted revenue growth, and expected operating and general expenditures. Changes in market conditions, changes in tax legislation, patent challenges and other factors, including the approval or launch of generic versions of any of the Company's products, could adversely affect the ongoing value of deferred tax assets. The carrying amount of deferred income tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to utilize all or part of the deferred income tax assets. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it is probable that there will be sufficient taxable income for the asset to be recovered. Management assesses the relevance and effect of changes in facts and circumstances during the year in the context of applicable tax laws on its uncertain tax positions and adjusts its provision accordingly. Assessing whether it is probable that the taxation authority will accept an uncertain tax treatment and the estimate of the provision require significant management judgment related to the interpretation and application of complex tax laws and regulations.

iii) *Share-based compensation:* The option pricing model used to determine the fair value of share-based payments requires various estimates relating to volatility, interest rates, dividend yields and expected life of the options granted. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant. Separate from the fair value calculation, the Company is required to estimate the expected forfeiture rate of equity-settled share-based payments.

iv) *Impairment of non-financial assets:* The Company reviews indefinite-lived and not ready for use non-financial assets for impairment either annually or whenever events or changes in circumstances indicate that the carrying amount of the assets

may be impaired. The Company reviews amortized non-financial assets for impairment when impairment indicators exist. If the recoverable amount of the respective non-financial asset is less than its carrying amount, it is considered to be impaired. In the process of measuring the recoverable amount, management makes assumptions about future events and circumstances. The actual results may vary and may cause significant adjustments.

v) *Impairment of goodwill:* Goodwill is tested for impairment annually at year end, or more frequently if indicators of impairment exist. The impairment test on a CGU is carried out by comparing the carrying amount of the CGU to its recoverable amount. The recoverable amount of a CGU is the higher of its fair value, less costs of disposal and its value in use. The recoverable amount has been determined by management using the fair value less costs of disposal approach. For the impairment test during the year ended December 31, 2023, the Company determined the recoverable amount to be the fair value less costs to dispose. In calculating the recoverable amount, the Company took the market approach by considering the market capitalization and earnings multiple approach (2022 – market approach).

vi) *Functional currency:* Management uses judgment when determining its functional currency. This determination includes an assessment of the indicators as prescribed in IAS 21, *The Effects of Changes on Foreign Exchange Rates* ("IAS 21"). However, applying the factors in IAS 21 does not always result in a clear indication of functional currency. Where IAS 21 factors indicate differing functional currencies, management uses judgment in the ultimate determination of the functional currency.

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.

The Company's management evaluated the effectiveness of the Company's ICFR and concluded, as at December 31, 2023, that such ICFR were effective.

There have been no changes in ICFR that occurred during the year ended December 31, 2023 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

An investment in the securities of the Company is speculative and involves a high degree of risk including, but not limited to, the risk factors discussed in this document. Before making an investment decision, investors should carefully consider these risk factors. If any of the factors identified as risks actually occur, there could be a material adverse effect on the Company's business, financial condition and results of operations. However, the risks described below are not the only ones the Company faces. Additional risks not currently known to the Company, or those that it currently believes to be immaterial, may also harm the Company's business.

RISKS RELATED TO CIPHER AND ITS BUSINESS OPERATIONS

Our success depends, in large measure, on our ability to enter into in-licensing, development, manufacturing and marketing and distribution agreements with other pharmaceutical companies and keep such agreements in effect.

Currently, a significant portion of our marketed product pipeline is in-licensed from Galephar. If Cipher breaches the underlying agreement, Galephar could terminate the agreement in its entirety or with respect to any particular product. Additionally, the Company works with other partners in the specialty pharmaceutical industry.

Factors that may affect the success of our collaborative efforts with partners (including Galephar) include, but are not limited to, the following:

- our partners may be pursuing alternative technologies or developing alternative products, either on their own or in collaboration with others, that may be competitive with the products as to which they are collaborating with us, which could affect their commitment to our product development efforts;
- our partners may not fulfill their contractual obligations and not be able to adequately supply products for us in commercial quantities, which would adversely affect revenues;
- reductions in marketing or sales efforts or a discontinuation of marketing or sales of our products by our commercial partners may reduce future revenues, which will be based on a percentage of net sales by these partners;
- our partners may terminate their collaborations with the Company, which could make it difficult for us to attract new partners or adversely affect how Cipher is perceived in the business and financial communities; and,
- our partners are responsible for complying with all government legislation and regulations related to producing the Company's products or selling the Company's products in their respective territories. If any of the Company's partners do not comply with their obligations, this could have a material adverse impact on the cash flows of the Company.

While the Company attempts to minimize risk by conducting appropriate due diligence on its partners and maintaining strong relationships with its partners, the development, marketing and commercialization of pharmaceutical products are processes that require large investments and can take years to complete and as such there is no assurance that issues with respect to one or more partners will not occur.

Our current revenues are highly dependent on a limited number of products.

Our current licensing revenue is highly dependent on CIP-Isotretinoin, CIP-Fenofibrate and CIP-Tramadol. Our current product sales revenue is highly dependent on Epuris. Each of these products faces competition and the ability to grow the market and our market share may be limited.

Our revenue is dependent on protection from patents that will expire.

Cipher has and may in the future acquire rights to products that have patent protection. This patent protection will eventually expire and, in such situations, in order to continue to obtain commercial benefits from these products, Cipher will rely on product manufacturing trade secrets, know-how and related non-patent intellectual property. The effect of patent expiration depends upon, among other things, the nature of the market and the position of these products in the market from time to time, the growth of the market, the complexities and economics of the manufacturing of a competitive product and regulatory approval requirements of generic drug laws. In the event that competition develops from generic products, this competition could have a material adverse effect on Cipher's business, financial condition and operating results. The entrance into the market of a generic pharmaceutical product may erode the branded product's market share which may have a material adverse effect on Cipher's business, financial condition and results of operations.

Disease outbreaks may negatively impact the performance of the Company

A local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness, could interrupt supplies and other services from third parties upon which the Company relies (including contract manufacturers, marketing and transportation and logistics providers), decrease demand for our products, decrease the general willingness of the general population to travel, cause staff shortages, reduce customer traffic, and increase government regulation, all of which may materially and negatively impact the business, financial condition and results of operations of the Company. These events could materially and adversely affect the Company's business and could have a material adverse effect on the Company and its financial results.

If in the future Cipher acquires or in-licenses technologies or product candidates, it may incur various costs, may have integration difficulties and may experience other risks that could harm the business and results of operations.

Any product candidate or technologies Cipher in-licenses or acquires will likely require additional development efforts prior to commercial sale, approval by the FDA, Health Canada and/or applicable foreign regulatory authorities. All product candidates are prone to risks of

failure inherent in pharmaceutical product development, including the possibility that the product candidate, or product developed based on in-licensed technology, will not be shown to be sufficiently safe and effective, or otherwise meet the necessary requirements for approval by regulatory authorities. If intellectual property related to product candidates or technologies in-licensed is not adequate, Cipher may not be able to commercialize the affected products, even after expending resources on their development. In addition, the Company may not be able to manufacture economically or successfully commercialize any product candidate that is developed based on acquired or in-licensed technology that is granted regulatory approval, and such products may not gain wide acceptance or be competitive in the marketplace. Moreover, integrating any newly acquired or in-licensed product candidates could be expensive and time-consuming. If Cipher cannot effectively manage these aspects of the business strategy, the business may not succeed.

Cipher relies on third parties for the marketing of certain products.

Currently, our out-licensed products are marketed by third parties by way of license arrangements. Even if acceptable and timely marketing arrangements are available, the products developed may not be accepted in the marketplace and, even if such products are initially accepted, sales may thereafter decline. Additionally, our distribution partners may make important marketing and other commercialization decisions with respect to products they develop without our input or may not perform in the manner expected. As a result, many of the variables that may affect the Company's revenues, cash flows and net income may not be exclusively within its control. The termination of any such contracts or services with such third parties could also have a material adverse effect on our business, financial condition and results of operations.

The product approval process is highly unpredictable and may take longer than expected.

Cipher seeks product approvals in foreign jurisdictions and in Canada for a number of products as part of its growth strategy. Approvals may be refused or delayed for a number of reasons, including the requirement for additional clinical and non-clinical studies or patent infringement challenges by patent holders. Challenges of this type are not uncommon and may delay or prevent regulatory approvals.

The timing of completion of clinical trials, anticipated regulatory approvals, pricing approvals, obtaining reimbursement codes or the timing of product launches may vary due to factors such as delays or setbacks in the conducting of our clinical trials, regulatory approvals or in the manufacturing and marketing of an approved product.

We may experience numerous unforeseen events that could delay or prevent our ability to receive a regulatory approval, including:

- regulatory requests for additional analyses, reports, data, non-clinical studies, and clinical trials;
- clinical trials or non-clinical studies could produce negative or inconclusive results, statistically non-significant results, or regulatory authorities may disagree with our interpretation of the results or the design or conduct of our studies;
- clinical trials or non-clinical studies may reveal unacceptable adverse events or side effects;
- clinical trials may enroll slower than anticipated, may not be completed on schedule, or at all;
- regulators, institutional review boards or ethics committees may not authorize commencement of a clinical trial the continuation of a clinical trial, or amendment of a clinical trial on a timely basis, or at all;
- the applicable regulatory authorities may not accept foreign clinical trial data;
- the Company may elect to suspend or terminate clinical trials due a potential health risk;
- the supply or quality of product necessary to conduct clinical trials of the product candidates may be insufficient or inadequate;
- our clinical or non-clinical studies may not be conducted in accordance with the applicable regulatory requirements;
- regulatory authorities may determine that our product candidates are combination products, requiring additional studies, or that Cipher comply with additional regulatory requirements;
- Cipher may not be able to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks; and
- there may be changes in governmental regulations or guidelines that render our data insufficient for approval.

If Cipher does not meet its timelines within the projected timeframe, our business, financial condition and results of operations could be materially adversely affected. Also, a delay in the launch of a product could negatively impact overall revenues and profitability relating to a product, particularly because the lifespan of our products is expected to be considerably shorter than the average lifespan of new chemical entities.

We have no experience manufacturing products and rely, and intend to rely, on third parties to manufacture our products. The development and commercialization of our products could be stopped or delayed if any such third party fails to provide us with sufficient quantities of product or fails to do so at acceptable quality levels or prices or fails to maintain or achieve satisfactory regulatory compliance.

Cipher relies on direct contracts with third-party contract manufacturers or our partners who manage their contract manufacturers. The facilities used by our third-party contract manufacturers may undergo pre-approval inspections by the applicable regulatory authorities, including the FDA, after submitting a new drug application ("NDA") to the FDA, and must be able to demonstrate readiness for commercial marketing and conformance with FDA cGMP regulations and related requirements of other applicable regulatory authorities.

Third-party manufacturers may not perform as agreed, may be unable to comply with FDA cGMP regulations, applicable guidelines, state and foreign regulatory requirements or may terminate their agreements with us. If any third-party manufacturers cannot successfully manufacture material that conforms to our specifications and the applicable regulatory authorities' strict regulatory requirements, or undergo successful governmental regulatory inspection, our business will be adversely affected. We have no direct day-to-day control over a third-party manufacturer's ability to maintain adequate quality control, quality assurance and qualified personnel. If third-party manufacturers are unable to satisfy the regulatory requirements for the manufacture of our products, or if our suppliers or third-party manufacturers decide they no longer want to manufacture our products, the Company or our licensing partners may need to find alternative manufacturing facilities. The number of third-party manufacturers with the necessary manufacturing and regulatory expertise and facilities is limited, and it could be expensive and take a significant amount of time to arrange for alternative suppliers, which could have a material adverse effect on the Company's business, financial condition and results of operations. Changes in the manufacturing site of our product will require prior FDA or Health Canada approval before the products may be marketed in the U.S, or Canada, respectively. We might be unable to identify manufacturers for long-term commercial supply on acceptable terms or at all.

Manufacturers are subject to ongoing periodic announced and unannounced inspections by the FDA and other governmental authorities to ensure compliance with government regulations. If the FDA or other regulatory authority has any concerns following an inspection of these manufacturing facilities, the facility may be ordered to cease operations until such issues are resolved, which could have a material adverse effect on the Company's business, financial condition and operating results. We and our products or product candidates may also be subject to regulatory actions. Manufacturing facilities and companies that import products to the U.S. may further be subject to import detention if inspections identify compliance concerns.

Manufacturers of pharmaceutical products often encounter difficulties in production, particularly in scaling up and validating initial production. These problems include difficulties with production costs and yields, quality control, including stability of the product, quality assurance testing, operator error, shortages of qualified personnel, as well as compliance with strictly enforced U.S. federal, state, Canadian and foreign regulations. Furthermore, if microbial, viral or other contaminations are discovered in our products or in the manufacturing facilities in which our products are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. We cannot be assured that any stability or other issues relating to the manufacture of any of our products will not occur in the future. Additionally, contract manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labour disputes or unstable political environments. If contract manufacturers, component fabricators or secondary service providers were to encounter any of these difficulties, or otherwise fail to comply with their contractual obligations, our ability to provide any product candidates to patients in clinical trials would be jeopardized. Any delay or interruption in the supply of clinical trial supplies could delay the completion of clinical trials, increase the costs associated with maintaining clinical trial programs and, depending upon the period of delay, require us to commence new clinical trials at additional expense or terminate clinical trials completely. Following product approval or clearance, any delay or interruption in supply could also impact our commercial success.

If the Company changes the source or location of supply or modifies the manufacturing process, regulatory authorities may require Cipher to provide them with notification of the change, obtain approval for the change, or demonstrate that the product produced by the new source or from the modified process is equivalent to the product used in any clinical trials that were conducted. If Cipher is unable to meet the regulatory authorities' requirements, it will be unable to manufacture products from the new source or location of supply or use the modified process.

Any adverse developments affecting commercial manufacturing of our products may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls, enforcement actions, import alerts, import detentions, or other interruptions in the supply of our products or product candidates. We may also have to take inventory write-offs and incur other charges and expenses for products or product candidates that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives. Accordingly, failures or difficulties faced at any level of our supply chain could materially adversely affect our business and delay or impede the development and commercialization of any of our products or product candidates and could have a material adverse effect on the Company's business, financial condition and results of operations.

We may be subject to product liability claims, which can be expensive, difficult to defend and may result in large judgments or settlements.

Drug development involves the testing of drugs on human subjects. Such studies create a risk of liability for personal injury or death to participants as a result of an unexpected adverse reaction to the tested drug or as a result of negligence or misconduct. Furthermore, the administration of drugs to humans after marketing clearance is obtained can result in product liability claims. Product liability claims can be expensive, difficult to defend and may result in large judgments or settlements against us. In addition, third party collaborators and licensees may not protect us from product liability claims. Product liability claims may also result in regulatory actions.

We currently maintain product liability insurance in connection with the marketing of our products. The Company may not be able to obtain or maintain adequate protection against potential liabilities arising from product sales. In addition, Cipher could become subject to potential liabilities as successor owner of an asset, product or business (even if not specifically assumed by us). In such circumstances, the Company's insurance policies may not provide enough coverage for such liabilities. If Cipher is unable to obtain sufficient levels of insurance at acceptable cost or otherwise protect against potential product liability claims, the Company will be exposed to product liability claims. A successful product liability claim in excess of the Company's insurance coverage could have a material adverse effect on our business, financial condition and results of operations. In addition, any successful claim may prevent the Company from obtaining adequate product liability insurance in the future on commercially desirable terms or at all. Even if a claim is not successful, defending such a claim may be time-consuming and expensive. Product liability claims, whether or not merited, could also result in negative perception of the Company and its products which could have a material adverse effect on the Company's business, financial condition and results of operations.

Unexpected product safety or efficacy concerns may arise.

Unexpected safety or efficacy concerns can arise with respect to our marketed and commercialized products, whether or not scientifically justified, leading to product recalls, withdrawals, post-approval requirements, such as studies or Risk Evaluation and Mitigation Strategy ("REMS"), labeling revisions, withdrawal of regulatory approvals for the affected products, issuance of safety alerts, Dear Healthcare Provider letters, or other safety notices, required labeling changes, or declining sales, as well as product liability, consumer fraud and/or other claims. If product safety issues present a public health risk, products in the field may be subject to seizure or injunctive action preventing their distribution. This could have a material adverse effect on our business, financial condition and results of operations.

We generate license revenue from a limited number of distribution and supply agreements.

The Company currently generates license revenues from a limited number of distribution and supply agreements. A significant proportion of our revenue is derived from CIP-Isotretinoin, called Absorica in the U.S. The loss of that source of revenue for any reason could have a material adverse effect on our business, financial condition and results of operations.

The pharmaceutical industry is highly competitive and may be impacted by rapid technological change.

The Company competes to obtain licenses for products and competes to secure distribution channels. Moreover, our products compete with other products.

The pharmaceutical industry is subject to rapid and substantial technological change. The patents protecting the active ingredients for the products currently in our product pipeline have expired. In order to obtain commercial benefits from certain of our products, Cipher relies on proprietary drug delivery systems. Certain of our products will face intense competition from conventional forms of drug delivery systems and from delivery systems, which are similar to those in-licensed by the Company. We will compete with companies in North America and abroad, including major pharmaceutical and chemical companies, research and development firms, universities and other research institutions.

Many of the Company's competitors have greater financial resources and market capabilities, have greater experience in drug development and have greater experience in obtaining FDA and other regulatory approvals. The Company's competitors may succeed in developing technologies and products that are more effective or cheaper to use than any products that Cipher may develop or license. These developments could render the Company's technologies and products obsolete or uncompetitive, which could have a material adverse effect on our business, financial condition and results of operations. These competitors could also be viewed as more favourable partners to licensors and/or distributors.

We may require additional capital to fund future operations.

We may have a need for capital resources to fund possible future operational needs, scheduled debt payments, product development expenditures and future strategic initiatives. We may expend amounts to fund research and development activities in order to develop new products and, to a lesser degree, to complete existing products under development. These expenditures may cause us to incur operating losses and cash flow deficiencies for the near future and until such time as sales of our products by commercial partners generate sufficient additional revenues. We attempt to mitigate the risk associated with drug development costs through the terms of

our in-licensing agreements, where the risk of additional research and development costs is borne by our development partners and Cipher pays milestone amounts only when development milestones are achieved.

As at December 31, 2023, the Company had cash and cash equivalents of $39.8 million and debt of nil. The Company also generates commercial revenue which provides a source of cash flow. In 2023, the Company reported total revenue of $21.2 million.

We expect the cash on hand and the cash generated from operations may be sufficient to fund current product development and operating costs. Additional funding may be required for the development of new products in-licensed from technology partners and/or for additional acquisitions. Although Cipher believes that the Company could obtain additional capital through future equity or debt financing, there can be no assurance that it will be able to do so on terms acceptable to us or at all. If Cipher was unable to obtain sufficient additional capital, the development of our existing principal products and/or additional products could be disrupted, which could have a material adverse effect on our business, financial condition and operating results.

The Company's products in Canada may be subject to pricing regulation and changes in regulations or pricing adjustments could impact profitability.

All patented pharmaceutical products introduced in Canada are subject to the post-approval product pricing regulation of the Patented Medicine Prices Review Board ("PMPRB"). Certain patented products may form part of Cipher's portfolio of products from time to time and may be subject to such regulation by the PMPRB. The PMPRB will monitor compliance through a review of the average transaction price of each patented drug product to be reported by Cipher over a recurring six-month reporting period. The PMPRB does not approve prices for drug products in advance of their introduction to the market, rather, it provides guidelines from which companies like Cipher set their prices at the time they launch their products. If the PMPRB's guidelines provide a ceiling price for a patented product that is lower than the Company's expectations, or if the PMPRB deems a patented product to be excessively priced, leading to the reduction of the product's price and the potential imposition of a fine, such restriction and regulation may hamper the Company's ability to profitably commercialize the product to its full market potential or at all. This could materially and adversely affect the Company's business and could have a material adverse effect on the Company and its financial results.

Furthermore, future changes to the regulations and/or guidelines of PMPRB or other relevant regulatory bodies may result in less favourable product pricing directives and requirements. The Company's ability to predict and/or adapt to such directives or requirements may be limited.

Cipher depends on key managerial personnel and external collaborators for our continued success.

Product development capacity will depend, to a great extent, on the ability to attract and retain highly qualified staff. The competition in the industry in which the Company operates is intense. Cipher's success will be highly dependent upon our Chief Executive Officer and the Company's small team of senior officers, our scientific personnel as well as our consultants and collaborators. The loss of key employees or collaborators, if any, could compromise the pace and success of our product development.

Although Cipher obtained regulatory approval in the U.S. and Canada for our commercialized products, there is no assurance that the Company will receive regulatory approvals in the U.S., Canada or any other jurisdictions for the other products in development or for future products.

The cost of obtaining and complying with government regulation can be substantial. Government authorities in the U.S., Canada and comparable authorities in foreign countries regulate the research and development, manufacture, testing and safety of pharmaceutical products as well as the approval and commercialization of such products. The regulations applicable to our existing and future products may change. There can be long delays in obtaining required clearances from regulatory authorities in any country after applications are filed. Government agencies in the U.S., Canada and other countries in which Cipher intends to carry on business regulate pharmaceutical products intended for human use. Regulations require extensive clinical trials and other testing and government review and final approval before the Company can market our products.

Requirements for approval vary widely from country to country outside of the U.S. and Canada. Whether or not approved in the U.S. or Canada, regulatory authorities in other countries must approve a product prior to the commencement of marketing the product in those countries. The time required to obtain any such approval may be longer or shorter than in the U.S. and Canada. Marketing approval in one country does not ensure marketing approval in another, but a failure or delay in obtaining marketing approval in one country may have a negative effect on the regulatory process in others.

Any failure or delay in obtaining regulatory approvals could adversely affect the market for any products Cipher develops and commercialize and therefore our business, financial condition and results of operations.

Even if Cipher obtains regulatory approval of our products in the U.S., Canada, or elsewhere, any such approval might significantly limit the indications for use, to include a more limited patient population, require that certain precautions, contraindications or warnings be included on the product labeling, including black box warnings, require time-consuming post-approval clinical studies, or require that REMS be followed. For instance, CIP-Isotretinoin, called Absorica in the U.S. is subject to REMS requirements.

Furthermore, in the U.S., Canada, and elsewhere, the manufacturing, packaging, labeling, handling, distribution, importation, exportation, licensing, sale, marketing, promotion and storage of our products are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. There can be no assurance that the Company or the Company's third party distributors and manufacturers are in compliance with all of these laws, regulations and other constraints. Failure to comply with these laws, regulations or other constraints or new laws, regulations or constraints could lead to enforcement actions, the imposition of significant penalties or claims or withdrawal of marketing approvals, as a result of which our business, financial condition and financial results could be materially adversely affected. In addition, the adoption of new laws, regulations or other constraints or changes in the interpretation of such requirements may result in significant compliance costs that could be passed on to the Company by its distributors or manufacturers or lead the Company to discontinue product sales and may have an adverse effect on the marketing of our products, resulting in significant loss of sales.

In the U.S., the FDA prohibits any written, verbal, or implied statement used to promote or sell a product that associates the product with an unapproved use that is not reflected in the product's approved label, referred to as off-label information. If any such evidence is found with respect to our products, the FDA or other regulatory authorities, including the U.S. Department of Justice, Department of Health and Human Services' Office of Inspector General, state attorneys general, and members of Congress may take adverse action against us, ranging from a warning letter necessitating cessation of use of the statement to injunctions against product sale, seizures of products promoted with the statements, inquiries, and civil and criminal prosecution, fines, and penalties. The federal government has levied large civil and criminal fines against companies for alleged improper promotion and has enjoined several companies from engaging in off-label promotion. The government has also requested that companies enter into consent decrees under which specified promotional conduct is changed or curtailed.

In the U.S., engaging in the impermissible promotion of our products, following approval or clearance, for off-label uses can also subject us to false claims litigation under federal and state statutes, which can lead to civil and criminal penalties and fines, agreements with governmental authorities that materially restrict the manner in which the Company promotes or distributes drug and device products through, for example, corporate integrity agreements, and debarment, suspension or exclusion from participation in federal and state healthcare programs and contracts. These false claims statutes include the federal civil False Claims Act, which allows any individual to bring a lawsuit against a company on behalf of the federal government alleging submission of false or fraudulent claims or causing others to present such false or fraudulent claims, for payment by a federal program such as Medicare or Medicaid. If the government decides to intervene and prevails in the lawsuit, the individual will share in the proceeds from any fines or settlement funds. If the government declines to intervene, the individual may pursue the case alone. These False Claims Act lawsuits have increased significantly in volume and breadth, leading to several substantial civil and criminal settlements regarding certain sales practices promoting off-label uses involving fines that are as much as $3.0 billion. This growth in litigation has increased the risk that a company will have to defend a false claim action, pay settlement fines or restitution, as well as criminal and civil penalties, agree to comply with burdensome reporting and compliance obligations, and be excluded from Medicare, Medicaid and other federal and state healthcare programs. If Cipher does not lawfully promote our products, the Company may become subject to such litigation and, if not successfully defended against such actions, those actions may have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain of our products are subject to regulation as controlled substances, subjecting them, us, our contract manufacturers, our partners, prescribers, and dispensers to significant regulatory requirements.

CIP-Tramadol ER, called ConZip in the U.S., is regulated as a schedule IV narcotic controlled substance, subjecting it, us, our contract manufacturers, our partners, prescribers, and dispensers to significant regulation by the U.S. Drug Enforcement Administration ("DEA"). DEA's regulations address such areas as registration, security, recordkeeping, reporting, storage, distribution, prescribing, importing, exporting, and other requirements. States also may regulate controlled substances, including ConZip. These requirements could limit the commercialization of our controlled substance products, and failure to abide by these requirements could result in enforcement action. Moreover, in recent years FDA and other government authorities have devoted significant attention to the issue of opioids and opioid abuse, including guidance on the development of abuse deterrent opioids and labeling requirements, and these regulatory activities are ongoing. The Company's products may be subject to these and/or additional requirements that are in effect or may be developed in the future, which could have an adverse impact on our business.

We expect the healthcare industry to face increased limitations on reimbursement, rebates and other payments as a result of healthcare reform, which could adversely affect third-party coverage of our products and how much, or under what circumstances, healthcare providers will prescribe or administer our products, if approved.

In the U.S., Canada and other countries, sales of our products, if approved for marketing, will depend in part upon the availability of reimbursement from third-party payors, which include governmental authorities, managed care organizations and other private health insurers. Third-party payors are increasingly challenging the price and examining the cost effectiveness of medical products and services.

Increasing expenditures for healthcare have been the subject of considerable public attention in the U.S. Both private and government entities are seeking ways to reduce or contain healthcare costs. Numerous proposals that would effect changes in the U.S. healthcare system have been introduced or proposed in Congress and in some state legislatures, including reducing reimbursement for prescription products and reducing the levels at which consumers and healthcare providers are reimbursed for purchases of pharmaceutical products.

Cost reduction initiatives and changes in coverage implemented through legislation or regulation could decrease utilization of and reimbursement for any approved products, which in turn would affect the price the Company can receive for those products. Any reduction in reimbursement that results from federal legislation or regulation may also result in a similar reduction in payments from private payors, as private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (together the "Affordable Care Act") were enacted. The Affordable Care Act intended, among other things, to broaden access to health insurance and reduce or constrain the growth of healthcare spending. The Affordable Care Act increased the minimum rebate due for innovator drugs from 15.1% of average manufacturer price ("AMP"), to 23.1% of AMP and capped the total rebate amount for innovator drugs at 100.0% of AMP; however, effective January 1, 2024, this cap will be 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. The Affordable Care Act and subsequent legislation also narrowed the definition of AMP.

Furthermore, the Affordable Care Act imposes a significant annual, non-deductible fee on companies that manufacture or import certain branded prescription drug products. Pharmaceutical manufacturers are required to comply with the Sunshine Act, provisions of the Affordable Care Act, which require pharmaceutical companies to monitor and report payments, gifts, the provision of samples and other remuneration made to physicians, physician assistants, certain types of advance practice nurses and teaching hospitals.

In addition, other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. For example, the Budget Control Act of 2011 was enacted, which resulted in aggregate reductions to Medicare payments to healthcare providers of up to 2.0% per fiscal year, and which will remain in effect through 2031.

In recent years, the United States has enacted or proposed legislative and regulatory actions and executive orders affecting the healthcare system that may impact our ability to profitably sell any product for which we obtain marketing approval. For example, the federal government has implemented reforms to government healthcare programs in the United States, including changes to the methods for, and amounts of, Medicare reimbursement and changes to the Medicaid Drug Rebate Program. For example, on November 20, 2020, the United States Department of Health and Human Services ("HHS") finalized a regulation removing safe harbor protection under the Federal Anti-Kickback Statute for price reductions from pharmaceutical manufacturers to plan sponsors under Part D, either directly or through pharmacy benefit managers, unless the price reduction is required by law or unless it is passed through to the dispensing pharmacy and reflected in the price to the patient. The implementation of the rule has been delayed until January 1, 2032.

On September 9, 2021, the Biden administration published a wide-ranging list of policy proposals, most of which would need to be carried out by Congress, to reduce drug prices and drug payment. The HHS plan includes, among other reform measures, proposals to lower prescription drug prices, including by allowing Medicare to negotiate prices and disincentivizing price increases, and to support market changes that strengthen supply chains, promote biosimilars and generic drugs, and increase price transparency. These proposals culminated in the enactment of the Inflation Reduction Act ("IRA") in August 2022, which, among other things, allows HHS to negotiate the selling price of certain drugs and biologics that CMS reimburses under Medicare Part B and Part D, although only high-expenditure single-source drugs that have been approved for at least 7 years (11 years for biologics) can be selected by CMS for negotiation, with the negotiated price taking effect two years after the selection year. The negotiated prices, which will first become effective in 2026, will be capped at a statutory ceiling price. Beginning in January 2023 for Medicare Part B and October 2022 for Medicare Part D, the IRA will also penalize drug manufacturers that increase prices of Medicare Part B and Part D drugs at a rate greater than the rate of inflation. The IRA permits the Secretary of HHS to implement many of these provisions through guidance, as opposed to regulation, for the initial years. Manufacturers that fail to comply with the IRA may be subject to various penalties, including civil monetary penalties. The IRA also extends enhanced subsidies for individuals purchasing health insurance coverage in ACA marketplaces through plan year 2025. These provisions will take effect progressively starting in 2023, although they may be subject to legal challenges.

At the state level, legislatures are increasingly passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. 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 candidates or additional pricing pressures.

Although Cipher cannot predict the full effect on our business of the implementation of existing legislation or the enactment of additional legislation pursuant to healthcare and other legislative reform, it is believed that legislation or regulations that would reduce reimbursement for, or restrict coverage of, our products could adversely affect how much or under what circumstances healthcare providers will prescribe or administer our products. This could materially and adversely affect our business by reducing our ability to generate revenues, raise capital, obtain additional licensees and market our products. In addition, Cipher believes the increasing emphasis on managed care in the U.S. has and will continue to put pressure on the price and usage of pharmaceutical products, which may adversely impact product sales.

It will be difficult for us to profitably market and sell our products if reimbursement for products is limited by government authorities and third-party payor policies.

In addition to any healthcare reform measures that may affect reimbursement, market acceptance and sales of the Company's products and product candidates, if approved, will depend on the reimbursement policies of government authorities and third-party payors. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels.

In Canada, patented pharmaceutical products are subject to price control by the PMPRB. Third-party payers increasingly challenge the pricing of pharmaceutical products. In addition, the trend toward managed healthcare in the U.S., the growth of organizations such as Health Maintenance Organizations ("HMOs") and Managed Care Organizations ("MCOs") and legislative proposals to reform healthcare and government insurance programs could significantly influence the purchase of pharmaceutical products, resulting in lower prices and reduction in product demand. Such cost containment measures and healthcare reform could affect our partners' ability to sell our products and may have a material adverse effect on our business, financial condition and results of operations.

Uncertainty exists about the reimbursement status of newly approved pharmaceutical products. Reimbursement in the U.S., Canada or other foreign countries may not be available for some of the Company's products. Any reimbursement granted may not be maintained or limits on reimbursement available from third-party payers may reduce demand for, or negatively affect the price of, those products. These issues could have a material adverse effect on the Company's business, financial condition and results of operations. The Company is unable to predict if additional legislation or regulation impacting the healthcare industry or third-party coverage and reimbursement may be enacted in the future, or what effect such legislation or regulation would have on the Company's business.

If Cipher is not able to convince public payors and hospitals to include its products on the approved formulary lists, revenues may not meet expectations and business, results of operations and financial condition may be adversely affected.

Hospitals establish formularies, which are lists of drugs approved for use in each such hospital. If a drug is not included on a hospital's formulary, the ability of the Company's distribution partners and key account managers to promote and sell drugs may be limited or denied. If Cipher fails to secure and maintain formulary inclusion for its drugs on favourable terms or are significantly delayed in doing so, Cipher may have difficulty achieving market acceptance of our drugs and our business, results of operations and financial condition could be materially adversely affected.

Hospital customers may be late in their payments and in some cases may not pay monies owed.

Hospital customers that purchase our products and product candidates, if approved, generally bill public payors to cover all or a portion of the costs and fees associated with these purchases. Revenue and financial condition depend on the extent to which the customers are reimbursed for these costs and fees, and the extent to which such payments are made to us according to the timelines required by our contracts or general terms and conditions. Such payments may be delayed or withheld for many reasons, including, but not limited to, regulatory requirements of local and national governments, reimbursement requirements of public payors, the financial condition or access to capital of our customers and public payors or the deterioration of general or local economic conditions. The non-payment or late payment of amounts due from customers and public payors may increase the allowance for doubtful accounts or delay the timing of receipt of cash, which would negatively impact our financial condition. In addition, any increase to the allowance for doubtful accounts or write-off accounts receivable would also negatively impact our financial position and results of operations.

The Company or its distributors may be subject to various laws pertaining to health care fraud and abuse, including anti-kickback, self-referral, false claims and fraud laws, and any violations by us of such laws could result in fines or other penalties.

The U.S. federal anti-kickback statute prohibits the offer, receipt, or payment of remuneration in exchange for or to induce the referral of patients or the use of products or services that would be paid for in whole or part by Medicare or other federal health care programs. Remuneration has been broadly defined to include anything of value, including cash, improper discounts, and free or reduced price items and services. Many states have similar laws that apply to their state health care programs as well as private payors. Violations of the anti-kickback laws can result in exclusion from federal health care programs and substantial civil and criminal penalties.

The U.S. federal False Claims Act ("FCA"), imposes liability on persons who, among other things, present or cause to be presented false or fraudulent claims for payment by a federal health care program. The FCA has been used to prosecute persons submitting, or causing the submission of, claims for payment that are inaccurate or fraudulent, that are for services not provided as claimed, or for

services that are not medically necessary. The FCA includes a whistleblower provision that allows individuals to bring actions on behalf of the federal government and share a portion of the recovery of successful claims. If our marketing or other arrangements were determined to violate anti-kickback or related laws, including the FCA, then our revenues could be adversely affected, which would likely harm our business, financial condition, and results of operations.

State and federal authorities have aggressively targeted medical technology companies for alleged violations of these anti-fraud statutes, based on improper research or consulting contracts with doctors, certain marketing arrangements that rely on volume-based pricing, off-label marketing schemes, and other improper promotional practices. Companies targeted in such prosecutions have paid substantial fines in the hundreds of millions of dollars or more, have been forced to implement extensive corrective action plans, and have often become subject to consent decrees severely restricting the manner in which they conduct their business. If Cipher becomes the target of such an investigation or prosecution based on our contractual relationships with providers or institutions, or our marketing and promotional practices, the Company could face similar sanctions, which would materially harm our business.

Also, the U.S. Foreign Corrupt Practices Act, the Canadian Corruption of Foreign Officials Act and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to non-U.S. or Canadian officials for the purpose of obtaining or retaining business. Our internal control policies and procedures may not protect us from reckless or negligent acts committed by our employees, distributors, licensees or agents. Violations of these laws, or allegations of such violations, could result in fines, penalties or prosecution and have a negative impact on our business, results of operations and reputation.

The Company relies on the success of strategic investments and partnerships.

Economic, governmental, industry and internal company factors outside our control affect each of the companies in which Cipher may invest or partner. If these companies do not succeed, the value of our assets and the market price of the common shares could decline. Some of the material risks relating to the companies in which the Company may invest in, or partner with, include:

- the ability of these companies to successfully develop and manufacture the products which serve as the basis of our investment or partnership;
- the ability of competitors to develop similar or more effective products, making the drugs developed by the companies in which Cipher invests or partners with difficult or impossible to market;
- the ability of these companies to adequately secure patents for their products that do not infringe existing patents and protect their proprietary information;
- the ability of the companies to remain technologically competitive, and the dependence of these companies upon key scientific and managerial personnel; and
- the ability of these companies to remain financially viable.

Cipher will have limited or no control over the resources that any company in which it invests may devote to developing products in collaboration with us. Any company in which Cipher invests may not perform as expected. These companies may breach or terminate their agreements or otherwise fail to conduct product discovery and development activities successfully or in a timely manner. If any of these events occur, it could have a material adverse effect on the business, financial condition and results of operations.

The publication of negative results of clinical trials may adversely impact our products.

From time to time, studies or clinical trials on various aspects of pharmaceutical products, including a product's active ingredient, are conducted by academic researchers or others, including government agencies. The results of these studies or trials, when published or posted on government websites such as clinicaltrials.gov, may have a significant effect on the market for the pharmaceutical product that is the subject of the study. The publication of negative results of studies or clinical trials related to our products, an active ingredient in our products, or the therapeutic areas in which our products compete could adversely affect our sales, the prescription trends for our products and the reputation of our products. In the event of the publication of negative results of studies or clinical trials related to our products, an active ingredient in our products, or the therapeutic areas in which our products compete, this could have a materially adverse effect on our business, financial condition and results of operations.

Development goals and projected time frames are unpredictable and may not be achieved.

The Company sets goals for, and make public statements regarding, the timing of the accomplishment of objectives material to our success, such as the commencement and completion of clinical trials, anticipated regulatory approval dates, and the timing of product launches. The actual timing of these events can vary dramatically due to factors such as delays or failures in our clinical trials, the uncertainties inherent in the regulatory approval process, and delays in achieving product development, manufacturing or marketing milestones necessary to commercialize our products. There can be no assurance that our clinical trials will be completed on a timely basis or at all, that Cipher will make regulatory submissions or receive regulatory approvals as planned, or that Cipher will be able to adhere to our current schedule for the scale-up of manufacturing and launch of any of our products. If the Company fails to achieve one

or more of these milestones as planned, it could have a material adverse effect on our business, financial condition and results of operations.

Rising insurance costs could negatively impact our profitability.

The cost of insurance, including director and officer, product liability and general liability insurance, has risen significantly in recent years and is expected to continue to increase. In response, Cipher may increase deductibles and/or decrease certain coverage to mitigate these costs. These increases, and our increased risk due to increased deductibles and reduced coverage, could have a material adverse effect on our business, financial condition and results of operations.

Under applicable employment laws, the Company may not be able to enforce covenants not to compete.

Cipher generally enters into non-competition agreements as part of employment agreements with employees. These agreements generally prohibit Cipher's employees, if they cease working for the Company, from competing directly with us or working for our competitors or clients for a limited period. We may be unable to enforce these agreements under the laws of the jurisdictions in which employees work and it may be difficult to restrict our competitors from benefitting from the expertise our former employees or consultants developed while working for us.

The Company is subject to risks associated with the industry in which it operates.

Currently, the Company primarily operates in the North American healthcare industry. Accordingly, the Company is subject to risks associated with operating in a single industry in a concentrated geographic location. Any event affecting this industry could have a material adverse effect on the Company's business, financial condition and results of operations. Moreover, our projected revenues and operating results are based on assumptions concerning certain levels of product purchases in these markets. Any failure to attain the Company's projected revenues and operating results as a result of adverse economic or market conditions could have a material adverse effect on the Company's business and financial condition.

Cipher may be unsuccessful in evaluating material risks involved in completed and future acquisitions.

Cipher regularly reviews acquisition opportunities and as part of the review, conducts business, legal and financial due diligence with the goal of identifying and evaluating material risks involved in any particular acquisition. Despite Cipher's efforts, it may be unsuccessful in identifying and/or evaluating all such risks. As a result, Cipher may not realize the expected benefits and synergies of any given acquisition. If Cipher fails to realize the expected benefits and/or synergies from one or more acquisitions or does not identify all of the risks associated with a particular acquisition, this could have a material adverse effect on Cipher's business, financial condition and results of operations.

In addition, Cipher may fail to discover liabilities of any acquired companies for which it may be responsible as a successor owner or operator in spite of any investigation made prior to the acquisition. Such discoveries may divert significant financial, operational and managerial resources from existing operations, and could have a material adverse effect on Cipher's business, financial condition and results of operations.

The Company may be unable to successfully identify, acquire or integrate acquisition targets.

Part of Cipher's business strategy includes identifying, acquiring and integrating businesses, products, pharmaceuticals or other assets that Cipher believes are complementary to its existing businesses, products, pharmaceuticals or other assets, and forming strategic alliances, joint ventures and other business combinations, to help drive future growth.

Acquisitions or similar arrangements may be complex, time consuming and expensive. Cipher may enter into negotiations for an acquisition but determine not to, or be unable to, complete any particular acquisition or other arrangement, which could result in a significant diversion of management and other employee time, as well as substantial out-of-pocket fees and costs.

If an acquisition or other arrangement is completed, the integration into Cipher's business with the business, product or asset that is so acquired or subject to such other arrangement may also be complex and time-consuming and, if any such business, product and/or asset is not successfully integrated, Cipher may not achieve the anticipated benefits, cost-savings or growth opportunities and may experience other opportunity costs.

Furthermore, these acquisitions and other arrangements, even if successfully integrated, may not advance or enhance Cipher's business strategy as anticipated (or to an extent that the cost of such acquisitions and other arrangements would be justified), and they may expose Cipher to increased competition or challenges with respect to Cipher's products or geographic markets and expose Cipher to additional liabilities, including litigation, tax and successor liability risks, associated with any business, product or other asset that is acquired or subject to such other arrangement.

Any one of these challenges or risks could impair Cipher's ability to realize any benefit from any such acquisition or other arrangement and this could have a material adverse effect on Cipher's business, financial condition and results of operations.

Cipher may be unsuccessful in applying its tax loss carry forwards

Deferred income tax assets and liabilities are determined using enacted or substantially enacted tax rates for the effects of net operating losses and temporary differences between the book and tax bases of assets and liabilities. We recognize deferred tax assets to the extent it is probable that taxable profit will be available against which the asset can be utilized. In making this determination, certain judgements are made relating to the level of expected futures taxable income and to available tax-planning strategies and their impact on the use of existing loss carry forwards and other income tax deductions. Judgement is required in the application of income tax legislation. We are subject to assessments by various taxation authorities who may interpret tax legislation differently. These differences may affect the final amount or timing of the payment of taxes. We also consider historical profitability and volatility to assess whether we believe it is probable that the existing loss carry forwards and other income tax deductions will be used to offset future taxable income otherwise calculated. If judgements or estimates in the determination of our current and deferred tax provision prove to be inaccurate, or if certain tax rates or laws change, or new interpretations or guidance emerge on the application of tax legislation, our results from operations and financial position could be materially impacted.

Cipher historically conducted certain of its operations through U.S. subsidiaries.

Cipher historically conducted certain of its operations through U.S. subsidiaries. Cipher may thus be subject to a number of associated legacy risks which are beyond its control. While these factors cannot be accurately predicted, Cipher believes the relative risk of its historic operations in the United States is low on a world-wide scale.

Compliance with privacy and security regulation.

The Company may also be subject to various privacy and security regulations, including, but not limited to, the U.S. federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as amended by the U.S. federal Health Information Technology for Economic and Clinical Health Act of 2009. HIPAA mandates, among other things, the adoption of uniform standards for the electronic exchange of information in common health care transactions (*e.g.* health care claims information and plan eligibility, referral certification and authorization, claims status, plan enrolment, coordination of benefits and related information), as well as standards relating to the privacy and security of individually identifiable health information, which require the adoption of administrative, physical and technical safeguards to protect such information. In addition to many other jurisdictions, several U.S. states have enacted comparable laws addressing the privacy and security of health information, some of which are more stringent than HIPAA. Failure to comply with any of these laws could result in the imposition of significant civil and criminal penalties. The costs of compliance with these laws or similar laws in other countries and the potential liability associated with any failure to comply with these laws could have a material adverse effect on the Company's business, financial condition and results of operations.

Our policies regarding returns, allowances and chargebacks may reduce revenues in future fiscal periods.

We cannot ensure that our estimated reserves are adequate or that actual product returns, allowances and chargebacks will not exceed the estimates, which could have a material adverse effect on our results of operations, financial condition, and cash flows.

The Company may be subject to certain regulations that could restrict its activities and abilities to generate revenues as planned.

From time-to-time, governments, government agencies and industry self-regulatory bodies in Canada, the U.S. and other countries in which Cipher may operate adopt statutes, regulations and rulings that may directly or indirectly affect the activities of Cipher and our partners. These regulations could adversely impact on our ability to execute our business strategy and generate revenues as planned.

The Company is subject to risks related to additional regulatory burden and controls over financial reporting.

The Company is subject to the continuous and timely disclosure requirements of Canadian laws and the rules, regulations and policies of the TSX. These rules, regulations and policies relate to, among other things, corporate governance, corporate controls, internal controls, disclosure controls and procedures and financial reporting and accounting systems. The Company has made, and will continue to make, changes in these and other areas, including the Company's internal controls over financial reporting. However, there is no assurance that these and other measures that it may take will be sufficient to allow the Company to satisfy its obligations as a public company on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies create additional costs for the Company and require the time and attention of management of the Company. The Company cannot predict the amount of the additional costs that the Company may incur, the timing of such costs or the impact that management's attention to these matters will have on the Company's business.

In addition, the Company's inability to maintain effective internal controls over financial reporting could increase the risk of an error in its financial statements. Cipher's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal controls over financial reporting. The Company's internal controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. Internal controls over financial reporting cannot provide absolute assurance of achieving financial reporting objectives due to its inherent

limitations. Internal controls over financial reporting is a process that involves human diligence and compliance and is therefore subject to error, improper override or improper application of the internal controls. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis, and although it is possible to incorporate into the financial reporting process safeguards to reduce this risk, they cannot be guaranteed to entirely eliminate it. If the Company fails to maintain effective internal controls over financial reporting, then there is an increased risk of an error in the Company's financial statements that could result in the Company being required to restate previously issued financial statements at a later date.

The Company relies on third parties to perform distribution, logistics, invoicing, regulatory and sales services for its products.

The Company relies on third parties to provide distribution, logistics, invoicing, regulatory and sales services including warehousing of finished products, accounts receivable management, billing, collection, record keeping and processing of invoices (including with insurance companies). If the third parties cease to be able to provide the Company with these services or do not provide these services in a timely or professional manner, or in accordance with the applicable regulatory requirements, or if contracts with such third parties are terminated for any reason, the Company may not be able to successfully manage the logistics associated with distributing and selling its products which could result in a delay or interruption in delivering products to its customers and could impact product sales and revenues or the Company's ability to integrate new products into its business, any of which could have a material adverse effect on the Company's business, financial condition and results of operations. Such third parties' failure to comply with the applicable regulatory requirements could also subject us to regulatory action.

In addition, the supply of the Company's products to its customers (or, in some cases, supply from the Company's contract manufacturers to the Company) is subject to and dependent upon the use of transportation services and third party distribution facilities. Such supply chain logistics result in the Company not being in control of its products at all times, while maintaining liability for such products. Moreover, transportation services or third party distribution facilities may be disrupted (including as a result of weather conditions or due to technical, labour or other difficulties or conditions), any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is subject to risks related to general commercial litigation, class actions, employment claims and other litigation claims, as well as potential administrative and regulatory actions, as part of its operations.

In the course of its business, the Company receives general commercial claims related to the conduct of its business and the performance of its products and services, employment claims and other litigation claims, and the Company also could become subject to class actions. Litigation resulting from these claims could be costly and time-consuming and could divert the attention of management and other key personnel from the Company's business and operations. The complexity of any such claims and the inherent uncertainty of commercial, class action, employment and other litigation increases these risks. In recognition of these considerations, the Company could suffer significant litigation expenses in defending any of these claims and may enter into settlement agreements. If the Company is unsuccessful in its defense of material litigation claims or is unable to settle the claims, the Company may be faced with significant monetary damage awards or other remedies against it including injunctive relief that could have a material adverse effect on the Company's business, financial condition and results of operations. Administrative or regulatory actions against the Company or its employees could also have a material adverse effect on the Company's business, financial condition and results of operations.

It may be difficult 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.

The Company is a corporation existing under the laws of the Province of Ontario, Canada. Many of the Company's assets are located outside of the United States, and its officers and directors are residents of countries other than the United States. As a result, it may be difficult for shareholders to effect service of process within the United States upon the Company and its directors and officers, or to realize in the United States upon judgments of courts of the United States predicated upon civil liability of the Company and its directors and officers under United States federal securities laws.

RISKS RELATED TO OUR INTELLECTUAL PROPERTY

If the Company infringes or is alleged to infringe or otherwise violate intellectual property rights of third parties, our business could be harmed.

Our research, development and commercialization activities may infringe, or otherwise violate or be claimed to infringe or otherwise violate, patents or patent applications owned or controlled by other parties. Competitors in the field of therapies that are similar to Cipher, have developed large portfolios of patents and patent applications relating to our business. There may be granted patents that could be asserted against us in relation to such product candidates. There may also be granted patents held by third parties that may be infringed or otherwise violated by our other product candidates and activities, and Cipher does not know whether or to what extent the Company is infringing or otherwise violating third party patents. There may also be third party patent applications that, if approved and granted as patents, may be asserted against us in relation to our products or any of our product candidates or activities. These third parties could

bring claims against Cipher that would cause us to incur substantial expenses and, if successful against us, could cause us to pay substantial damages and legal fees. Further, if a patent infringement suit were brought against us, we could be temporarily or permanently enjoined or otherwise forced to stop or delay research, development, manufacturing, marketing or sales of the product candidate or method that is the subject of the suit.

As a result of patent infringement claims, or to avoid potential claims, Cipher may choose or be required to seek licenses from third parties. These licenses may not be available on acceptable terms, or at all. Even if Cipher is able to obtain a license, the license would likely obligate the Company to pay license fees or royalties or both, and the rights granted to the Company might be nonexclusive, which could result in competitors gaining access to the same intellectual property, or such rights might be restrictive and limit our present and future activities. Ultimately, Cipher or a licensee could be prevented from commercializing a product or be forced to cease some aspect of business operations if, as a result of actual or threatened patent infringement claims, the Company is unable to enter into or maintain licenses on acceptable terms.

If efforts to obtain, protect or enforce our patents and other intellectual property rights related to our products or any of our product candidates are not adequate, Cipher may not be able to compete effectively and otherwise may be harmed.

Our commercial success depends in part on our ability to obtain and maintain patent protection and utilize trade secret protection for our intellectual property and proprietary technologies, our products and their uses, as well as our ability to operate without infringing upon the proprietary rights of others. We rely upon a combination of patents, trade secret protection and confidentiality agreements, assignment of invention agreements and other contractual arrangements to protect the intellectual property related to our products and our other development programs. There can be no assurance as to the breadth or degree of protection that existing or future patents or patent applications may afford us or that any patent applications will result in issued patents or that our patents will be upheld if challenged. Limitations on the scope of our intellectual property rights may limit our ability to prevent third parties from designing around such rights and competing against us. For example, some of our patents typically do not claim a new compound in which case the active pharmaceutical ingredients of our products are existing compounds and our granted patents and pending patent applications are directed to, among other things, novel formulations and/or uses of these existing compounds. Accordingly, other parties may compete with us, for example, by independently developing or obtaining competing formulations that design around our patent claims, but which may contain the same active ingredients, or by seeking to invalidate our patents. Moreover, any disclosure to or misappropriation by third parties of our confidential proprietary information, unless the Company has sufficient patent and/or trade secret protection and is able to enforce such rights successfully, could enable competitors to quickly duplicate or surpass our technological achievements, eroding our competitive position in our market.

However, the patents and patent applications that Cipher owns or licenses may fail to result in granted patents in the U.S. or foreign jurisdictions or, if granted, may fail to prevent a potential infringer from marketing its product or be deemed invalid and unenforceable by a court. Our ability to obtain and maintain valid and enforceable patents depends on various factors, including interpretation of our technology and the prior art and whether the differences between them allow our technology to be patentable. Patent applications and patents granted from them are complex, lengthy and highly technical documents that are often prepared under very limited time constraints and may not be free from errors that make their interpretation uncertain. The existence of errors in a patent may have a materially adverse effect on the patent, its scope and its enforceability. Our pending patent applications may not issue, and the scope of the claims of patent applications that do issue, may be too narrow to adequately protect our competitive advantage. Also, our granted patents and applications may be subject to challenges, including ownership challenges, or may be narrowly construed and may not provide adequate protection.

Even if these patents do successfully issue, third parties may challenge the validity, enforceability or scope of such granted patents or any other granted patents Cipher owns or licenses, which may result in such patents being narrowed, invalidated or held unenforceable. For example, patents granted by the European Patent Office may be opposed by any person within nine months from the publication of their grant. Also, patents granted by the USPTO may be subject to re-examination and other challenges. In addition, recent changes to the patent laws of the U.S. provide additional procedures for third parties to challenge the validity of patents issuing from patent applications filed after March 15, 2013. Furthermore, efforts to enforce our patents could give rise to challenges to their validity or unenforceability in court proceedings. If the patents and patent applications Cipher holds or pursues with respect to our products or any of our other product candidates are challenged, it could threaten our competitive advantage for our products or any of our other product candidates. Furthermore, even if they are not challenged, our patents and patent applications may not adequately protect our intellectual property or prevent others from designing around our claims. To meet such challenges, which are part of the risks and uncertainties of developing and marketing product candidates, the Company may need to evaluate third party intellectual property rights and, if appropriate, to seek licenses for such third party intellectual property or to challenge such third party intellectual property, which may be costly and may or may not be successful, which could also have a material adverse effect on the commercial potential for products and any other product candidates.

Furthermore, for applications filed before March 16, 2013, or patents issuing from such applications, an interference proceeding can be invoked by a third party, or instituted by USPTO, to determine who was the first to invent any of the subject matter covered by the patent

claims of our applications and patents. As of March 16, 2013, the U.S. transitioned to a “first-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 under the new first-to-file system before us could therefore be awarded a patent covering an invention of ours even if Cipher had made the invention before it was made by the third party.

The change to “first-to-file” from “first-to-invent” is one of the changes to the patent laws of the U.S. resulting from the Leahy-Smith America Invents Act signed into law on September 16, 2011. Among some of the other changes to the patent laws 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. Because of a lower evidentiary standard in certain USPTO proceedings compared to the evidentiary standard in U.S. 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 even though the same evidence would 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 our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action.

Even where patent, trade secret and other intellectual property laws provide protection, costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights and the outcome of such litigation would be uncertain. Moreover, any actions Cipher may bring to enforce our intellectual property against our competitors could provoke them to bring counterclaims against us, and our competitors have intellectual property portfolios of their own, some of which are substantial. An unfavorable outcome could have a material adverse effect on our business and could result in the challenged patent being interpreted narrowly or invalidated, or one or more of our patent applications may be not be granted.

We also rely on trade secret protection and confidentiality agreements to protect our know-how, data and information prior to filing patent applications and during the period before they are published. We further rely on trade secret protection and confidentiality agreements to protect proprietary know-how that may not be patentable, processes for which patents may be difficult to obtain or enforce and other elements of our product development processes that involve proprietary know-how, information or technology that is not covered by patents.

In an effort to protect our trade secrets and other confidential information, Cipher incorporates confidentiality provisions in all our employees’ agreements and require our consultants, contractors and licensees to which the Company discloses such information to execute confidentiality agreements upon the commencement of their relationships with us. These agreements require that confidential information, as defined in the agreement and disclosed to the individual by us during the course of the individual’s relationship with us, be kept confidential and not disclosed to third parties for an agreed term. These agreements, however, may not provide Cipher with adequate protection against improper use or disclosure of confidential information, and these agreements may be breached. Adequate remedies may not exist in the event of unauthorized use or disclosure of the Company’s confidential information. A breach of confidentiality could significantly affect our competitive position and Cipher could lose our trade secrets or they could become otherwise known or be independently discovered by our competitors. Also, to the extent that our employees, consultants or contractors use any intellectual property owned by others in their work for us, disputes may arise as to the rights in any related or resulting know-how and inventions. Additionally, others may independently develop the same or substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets and other confidential information. Any of the foregoing could deteriorate our competitive advantages, undermine the trade secret and contractual protections afforded to our confidential information and have material adverse effects on our business.

Changes in U.S., Canadian or foreign patent law could diminish the value of patents in general, thereby impairing our ability to protect our products.

The strength of patents in the pharmaceutical field involves complex legal and scientific questions and, in the U.S., Canada and many foreign jurisdictions, patent policy also continues to evolve, and the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. This uncertainty includes changes to the patent laws through either legislative action to change statutory patent law or court action that may reinterpret existing law in ways affecting the scope or validity of granted patents, or both. Particularly in recent years in the U.S., there have been several major legislative developments and court decisions that have affected patent laws in significant ways and there may be more developments in the future that may weaken or undermine our ability to obtain new patents or to enforce existing and future patents owned or licensed.

There has been substantial litigation in the pharmaceutical industry concerning the manufacture and supply of novel versions of existing drugs as well as generic versions of existing drugs. Regardless of FDA or Health Canada approval, should anyone commence a lawsuit with respect to any alleged patent infringement by the Company, the uncertainties inherent in patent litigation make the outcome of such litigation difficult to predict and the cost involved in defending every lawsuit can be substantial.

When a drug developer files a 505(b)(2) NDA or abbreviated new drug application (“ANDA”), it is required to certify to the FDA that no patent information on the drug product and drug substance that claims the reference listed drug, in the case of an ANDA, or on which investigations that were relied on by the developer for approval of its application were conducted, in the case of a 505(b)(2) application,

as well as claiming methods of use for such drug, has been submitted to FDA. Alternatively, applicants may certify that such patents have expired, the date any such patent will expire, or that any such patent is invalid or will not be infringed by the manufacture, sale or use of the new drug for which the 505(b)(2) NDA or ANDA is submitted. Approval of an NDA is not effective until each listed patent expires, unless the applicant certifies that the patents are not infringed or invalid, or indicates, in the case of method of use patents, that the applicant is not seeking approval for the patented method of use. If the applicant certifies that the patents are not infringed or are invalid, the applicant must so notify the patent holder and the holder of the branded product NDA within set timeframes. A patent holder or NDA holder may then bring a patent infringement lawsuit within 45 days of receiving notice. In such a case, the FDA is precluded by statute from making an approval effective until the earlier of 30 months after the receipt of the certification notice by the patent or NDA holder, a final court decision of non-infringement or patent invalidity, settlement, or a shorter or longer period as determined by the court. Challenges of this type are not uncommon. Similar procedures exist in Canada under the Patented Medicines (Notice of Compliance) Regulations.

Third parties' own patents relating to product formulations. Claims by these companies that Cipher infringes their proprietary technology may result in liability for damages or may delay the development and commercialization of Cipher's products. In the pharmaceutical industry, it is not uncommon for competitors to advance such claims for strategic purposes. There can be no assurance that additional patents or other litigation will not arise in connection with any of our current or future products or product candidates. Patent litigation, with or without merit, is time-consuming and costly and may significantly impact our financial condition and results of operations, even if the Company prevails. If Cipher does infringe the intellectual property rights of others, the Company could lose the right to develop, manufacture or sell products or could be required to pay monetary damages or royalties to license proprietary rights from third parties. The outcomes of infringement actions are uncertain and infringement actions are costly and divert technical and management personnel from their normal responsibilities.

To the extent our products are patented and the patents are suitable for listing in the FDA's Approved Drug Products List (the "Orange Book"), and are listed in the Orange Book, as required, the patents can be challenged, generic products can be approved under an ANDA, or changes to our drug products can be approved under a 505(b)(2) application. In the United States, under the "Hatch-Waxman Act", the FDA can approve an ANDA, for a generic version of a branded drug. In place of clinical studies, an ANDA applicant usually needs only to submit data demonstrating that its product has the same active ingredient(s), dosage form, strength, route of administration, labeling, performance characteristics and intended use as our product. An ANDA applicant must also demonstrate that the proposed generic product is bioequivalent to the reference listed drug. This is referred to as the ANDA process. The "Hatch-Waxman Act" requires an applicant for a drug that relies, at least in part, on the patent of a branded drug, to go through the patent certification process described above.

Any litigation could have a material adverse effect on our business, financial condition and operating results.

If Cipher is unable to protect our trademarks from infringement, our business prospects may be harmed.

Cipher owns and has licensed trademarks that identify our products and these trademarks have been registered in the U.S. and Canada. Although steps are taken to monitor the possible infringement or misuse of our trademarks, it is possible that third parties may infringe, dilute or otherwise violate our trademark rights. Any unauthorized use of our trademarks could harm our reputation or commercial interests. In addition, our enforcement against third-party infringers or violators may be unduly expensive and time-consuming and the outcome may be an inadequate remedy.

RISKS RELATED TO OUR COMMON SHARES

Shareholders of the Company may be further diluted.

In order to finance our operations, we may need, or choose, to issue additional common shares in the future, which would result in dilution to our existing shareholders. Our long-term capital requirements will depend on many factors, including potential acquisitions of entities or products, continued scientific progress in our product discovery and development programs, progress in our pre-clinical and clinical evaluation of products and product candidates, time and expense associated with filing, prosecuting and enforcing patent claims and costs associated with obtaining regulatory approvals. In order to meet such capital requirements, Cipher will consider contract fees, collaborative research and development arrangements, public financing or private financing (including the issuance of additional equity securities and/or additional debt) to fund all or part of our particular programs. We may need to continue our reliance on the sale of such securities for future financing, resulting in dilution to our existing shareholders. Our long-term capital requirements will depend on many factors, including potential acquisitions of entities or products, continued scientific progress in our product discovery and development programs, progress in our pre-clinical and clinical evaluation of products and product candidates, time and expense associated with filing, prosecuting and enforcing patent claims and costs associated with obtaining regulatory approvals. In order to meet such capital requirements, Cipher will consider contract fees, collaborative research and development arrangements, public financing or additional private financing (including the issuance of additional equity securities and/or additional debt) to fund all or part of our particular programs.

Our business, financial condition and results of operations may depend on our ability to obtain additional financing, which may not be available under favourable terms, if at all. Our ability to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as our business performance. If our capital resources are exhausted and adequate funds are not available, Cipher may have to reduce substantially, or eliminate, expenditures for research and development, testing, production and marketing of our proposed products, or obtain funds through arrangements with corporate partners that require us to relinquish rights to certain of our technologies or products.

Our share price has been volatile, and an investment in our common shares could suffer a decline in value.

Market prices for the securities of pharmaceutical and biotechnology companies have historically been highly volatile and the market has, from time to time, experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. In addition to the risk factors described herein, factors such as fluctuations in our operating results, the aftermath of any public announcements made by us, concern as to the safety of any drugs developed by us, and general market conditions can, and have had an adverse effect on the market price of the common shares.

In the past, when the market price of a stock has been volatile, shareholders have often instituted securities class action litigation against that company. If any of our shareholders brought a lawsuit against us, the Company could incur substantial costs defending the lawsuit. The lawsuit could also divert the time and attention of our management.

We have a significant shareholder.

The Interim Chief Executive Officer and a director of the Company, Mr. Craig Mull, controls 10,285,285 common shares, representing 42.9% of the total outstanding common shares as of March 14, 2024. If Mr. Mull was to sell his interest in the Company into the public market, or even if the market was to perceive that such a sale may occur, such event might lower the market price of the common shares. In addition, Mr. Mull's interests as a shareholder may not be aligned at all times with the interests of all of the other shareholders of the Company and in light of his ownership, he is able to influence and/or affect the outcome of our decisions.

Our operating results may fluctuate significantly and any failure to meet financial expectations may disappoint securities analysts or investors and result in a decline in the price of our common shares.

Our operating results have fluctuated in the past and are likely to do so in the future. These fluctuations could cause the price of the common shares to decline. Some of the factors that could cause operating results to fluctuate include the following:

- the inability to complete product development in a timely manner that results in a failure or delay in receiving the required regulatory approvals or allowances to commercialize product candidates;
- the timing of regulatory submissions and approvals;
- the timing and willingness of any current or future collaborators to invest the resources necessary to commercialize our product candidates, and the timing of payments Cipher may make or receive under these arrangements;
- any intellectual property infringement or other lawsuits in which Cipher may become involved;
- foreign currency fluctuations;
- the timing of achievement and the receipt of milestone payments from current or future third parties;
- failure to enter into new or the expiration or termination of current agreements with third parties;
- failure to introduce the product candidates to the market in a manner that generates anticipated revenues;
- changes in costs and/or reimbursement for the Company's products;
- costs related to business development transactions;
- changes in the amount the Company spends to market its products;
- delays between the Company's expenditures to acquire new products, technologies or businesses and the generation of revenues from those acquired products, technologies or businesses;
- changes in treatment practices of physicians that currently prescribe certain of the Company's products;
- increases in the cost of raw materials used to manufacture the Company's products;
- manufacturing and supply interruptions;
- the Company's responses to price competition;
- inventory has a limited shelf life and may require write-downs

- the timing of wholesaler and distributor purchases;
- the occurrence of one or more of the items referred to in the risk factors described in this MD&A; and
- general economic and industry conditions, including potential fluctuations in interest rates.

As a result, the Company believes that quarter-to-quarter comparisons of results from operations, or any other similar period-to-period comparisons, should not be construed as reliable indicators of the Company's future performance. The above factors may cause the Company's operating results to fluctuate and could have a material adverse effect on the Company's business, financial condition and results of operations. In any period, the Company's results may be below the expectations of market analysts and investors, which could cause the trading price of the common shares to decline.

Intangible assets represent a significant portion of the Company's total assets. Finite-lived intangible assets are subject to an impairment analysis whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. Indefinite-lived intangible assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. If an impairment exists, the Company would be required to take an impairment charge with respect to the impaired asset. Events giving rise to impairment are difficult to predict and are an inherent risk in the pharmaceutical industry. Because of the significance of intangible assets, should such an impairment of intangible assets occur, it could have a material adverse effect on the Company's business, financial condition and results of operations. As at December 31, 2023, the Company's intangible assets have a net book value of $1.8 million.

All of the Company's debt obligations, and any future indebtedness the Company may incur, will have priority over the common shares with respect to payment in the event of a liquidation, dissolution or winding up.

In any liquidation, dissolution or winding up of the Company, the common shares would rank below all debt claims against the Company. In addition, any convertible or exchangeable securities or other equity securities that the Company may issue in the future may have rights, preferences and privileges more favourable than those of the common shares. As a result, holders of the common shares will not be entitled to receive any payment or other distribution of assets upon the liquidation or dissolution until after the Company's obligations to its debt holders and holders of equity securities that rank senior to the common shares have been satisfied.