MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2025

cipher™ PHARMACEUTICALS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the operating results and financial position of Cipher Pharmaceuticals Inc. and its subsidiaries ("Cipher" or "the Company") as at and for the three and six months ended June 30, 2025. This document should be read in conjunction with the unaudited condensed interim consolidated financial statements of Cipher for the three and six months ended June 30, 2025 and the accompanying notes, and Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2024. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. Additional information about the Company, including the audited annual financial statements for the year ended December 31, 2024 and the Company's Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.

The discussion and analysis within this MD&A are prepared as of August 7, 2025. All dollar figures are stated in thousands of United States ("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 objectives and goals and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "will", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective", "hope" and "continue" (or the negative thereof), and words and expressions of similar import, are intended to identify forward-looking statements.

By their nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. We caution readers not to place undue reliance on these statements as a number of important factors, many of which are beyond our control, could cause our actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, 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; the extent and impact of health pandemic outbreaks on our business; integration difficulties and other risks if we acquire or in-license technologies or product candidates; reliance on third parties for the marketing of certain products; the product approval process by regulators which can be highly unpredictable; the timing of completion of clinical trials, regulatory submissions and regulatory approvals; reliance on third parties to manufacture our products and events outside of our control that could adversely impact the ability of our manufacturing partners to supply products to meet our demands; we may be subject to future product liability claims; unexpected product safety or efficacy concerns may arise; we generate license revenue from a limited number of distribution and supply agreements; the Company's performance depends, in part, on the performance of its distributors and suppliers; 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; the ability to receive regulatory approvals for products in development or future products; certain of our products are subject to regulation as controlled substances; limitations on reimbursement in the healthcare industry; the ability to convince public payors and hospitals to include our products on the approved formulary lists; ability to receive timely payment from certain customers; application of various laws pertaining to health care fraud and abuse; the Company's reliance on the success of strategic investments and partnerships; the publication of negative results of clinical trials; unpredictable development goals and projected time frames; rising insurance costs; ability to enforce covenants not to compete; risks associated with the healthcare industry generally; 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; success in applying tax loss carry forwards; inability to meet covenants under our long-term debt arrangement; 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; application of regulations that could restrict our activities and abilities to generate revenues as planned; reliance on third parties to perform distribution, logistics, invoicing, regulatory and sales services; 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; increases in tariffs, trade restrictions or taxes on our products; 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 for the year ended December 31, 2024, 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 diversified portfolio of commercial and early to late-stage products. Cipher acquires products that fulfill unmet medical needs, manages the required regulatory approval process, and currently markets these products either directly or indirectly in North America.

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

- Strategically market and distribute its North American commercial assets directly or indirectly;
- Out-license products in markets where Cipher does not have a commercial presence;
- Acquire additional products that are complementary to Cipher's existing portfolio; and
- Conservatively manage capital and maximize cashflow.

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

Product Revenue	Therapeutic Area	Product Description
Distributed by Cipher in Canada		
epuris®	Dermatology	Epuris® (isotretinoin) is an oral retinoid indicated for the treatment of severe nodular and/or inflammatory acne, acne conglobate and recalcitrant acne in patients 12 years of age and older.
actikerall™	Dermatology	Actikerall is a topical solution indicated for the treatment of slightly palpable and/or moderately thick hyperkeratotic actinic keratosis (Grade I/II) of the face, forehead and balding scalp in immunocompetent adult patients.
VANIQA®	Dermatology	Vaniqa is a topical cream indicated for the slowing of the growth of unwanted facial hair in women.
Durela tramadol hydrochloride	Pain Management	Durela is an opioid analgesic indicated for the management of moderate to moderately severe pain in adults who require continuous treatment for several days or more.
BRINAVESS®	Hospital Acute Cardiovascular Care	Brinavess® (vernakalant hydrochloride) is for the rapid conversion of recent onset atrial fibriallation ("AF") to sinus rhythm in adults, for non-surgery patients with AF of seven days or less and for use in post-cardiac surgery patients with AF of three days or less.
AGGRASTAT®	Hospital Acute Cardiovascular Care	Aggrastat® (tirofiban hydrochloride) is a reversible GP IIb/IIIa inhibitor (an intravenous anti-platelet drug) for use in patients with Acute Coronary Syndrome.
Distributed by Cipher in the United States		
Natroba™ (spinosad) Topical Suspension, 0.9%	Dermatology & Infectious Disease	Natroba™ (spinosad) Topical Suspension is indicated for the topical treatment of head lice and scabies infestations in adult and pediatric patients. For use on pediatric patients six (6) months of age and older for the treatment of head lice, and for patients four (4) years of age and older for the treatment of scabies.

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

Key Performance Measures

Key performance measures for the second quarter and year-to-date periods ended June 30, 2025 and 2024 are presented in the tables below, along with the quarterly information for the preceding three quarters:

Financial Summary	YTD 2025	% Change vs. YTD 2024	Q2 2025	% Change vs. Q2 2024	Q1 2025	Q4 2024	Q3 2024
Licensing revenue	**2,213**	-48%	**1,478**	-9%	735	1,350	1,055
Product revenue	**23,187**	233%	**11,903**	223%	11,284	10,472	9,315
Net revenue	**25,400**	127%	**13,381**	152%	12,019	11,822	10,370
Gross profit	**20,023**	122%	**10,883**	159%	9,140	6,693	8,400
EBITDA *	**12,736**	160%	**8,557**	290%	4,179	(799)	2,543
Adjusted EBITDA *	**13,772**	108%	**7,586**	148%	6,186	4,966	4,086
Net income	**8,517**	8%	**5,893**	97%	2,624	3,344	283
Basic EPS	**0.33**	0%	**0.23**	92%	0.10	0.13	0.01
Diluted EPS	**0.32**	0%	**0.22**	83%	0.10	0.13	0.01
Total assets	**152,394**	62%	**152,394**	62%	163,074	162,512	153,855
Increase (decrease) in Cash balances for the period	**(6,498)**		**(10,661)**		4,163	8,313	(38,460)

Financial Summary	YTD 2024	% Change vs. YTD 2023	Q2 2024	% Change vs. Q2 2023	Q1 2024	Q4 2023	Q3 2023
Licensing revenue	**4,218**	10%	**1,618**	-25%	2,600	1,547	3,090
Product revenue	**6,953**	10%	**3,686**	18%	3,267	3,373	2,978
Net revenue	**11,171**	10%	**5,304**	0%	5,867	4,920	6,068
Gross profit	**9,010**	11%	**4,198**	-1%	4,812	3,965	4,992
EBITDA *	**4,898**	-15%	**2,196**	-29%	2,702	3,399	2,858
Adjusted EBITDA *	**6,632**	6%	**3,064**	0%	3,568	2,864	3,607
Net income	**7,918**	39%	**2,995**	-2%	4,923	7,655	7,031
Basic EPS	**0.33**	50%	**0.12**	0%	0.21	0.32	0.28
Diluted EPS	**0.32**	46%	**0.12**	0%	0.20	0.30	0.27
Total assets	**93,910**	16%	**93,910**	16%	92,552	86,031	90,529
Increase (decrease) in Cash balances for the period	**8,159**		**6,003**		2,156	(2,261)	5,748

* See “Non-IFRS Financial Measures”

Recent Events

CORPORATE EVENTS

Debt Repayments

On May 8, 2025, the Company repaid $15.0 million of the outstanding balance on its revolving credit facility.

On August 6, 2025, the Company further repaid an additional $7.0 million of the outstanding balance on its revolving credit facility.

As a result of the repayments, the outstanding balance on the Company's revolving credit facility has been reduced to $18.0 million as of August 6, 2025. Due to the revolving nature of the credit facility, an additional $47.0 million remains available to the Company to draw upon, should financing be required.

Normal Course Issuer Bid

On May 1, 2025, the Company announced that it had received approval from the Toronto Stock Exchange (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 May 5, 2025, and ending no later than May 4, 2026, purchase for cancellation through the facilities of the TSX or alternative Canadian trading systems (or by such other means as may be permitted by applicable securities laws, including private agreements), up to 1,485,260 of its common shares, representing 10% of its public float of 14,852,604 common shares as of April 22, 2025 (a total of 25,622,940 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 10,427 common shares, which represents 25% of the average daily trading volume on the TSX of 41,708 for the six months ended March 31, 2025.

To facilitate larger repurchases, the Company is entitled to make one weekly block purchase on the TSX that may exceed the daily repurchase restrictions.

COMMERCIAL EVENTS

Medicaid Step-Through Preferred Drug Status for Natroba™ in the State of Illinois

On April 29, 2025, the Company announced that the state of Illinois had updated its Preferred Drug Listing ("PDL") where Cipher's product Natroba™, for the treatment of scabies and head lice, has obtained preferred drug status on the Medicaid state plan, and whereby its main competitive product Permethrin 5% has been downgraded to non-preferred status. As a result of this change, all Medicaid treatments for scabies and Permethrin 5% prescriptions in the state must first step through Natroba™, being the preferred treatment in Illinois.

Medicaid PDLs typically influence the prescribing habits of physicians as they generally represent the most restrictive formulary plans. Cipher believes that changes to Medicaid PDLs, such as the recent change in Illinois, will influence prescribing habits of physicians for commercial patients and other payor plans.

Piclidenoson CF-101 Pivotal Phase III Study Initiated

On March 24, 2025, the Company's partner, Can-Fite BioPharma Ltd. ("Can-Fite"), announced that it initiated a pivotal Phase III study of Piclidenoson CF-101 ("Piclidenoson"), for the treatment of moderate to severe psoriasis, with the U.S. Food and Drug Administration ("FDA") and the European Medicines Agency ("EMA") approved clinical study protocol. Patient enrolment will be initiated in Europe and US and Canada are expected to follow.

The study is a randomized, double-blind, placebo-controlled Phase III study aimed at demonstrating clinical safety and efficacy for the treatment of patients with moderate to severe plaque psoriasis. Patients will be treated with 3 mg twice daily orally Piclidenoson tablets or a placebo. The co-primary efficacy objectives of this study are the proportion of subjects who achieve a Psoriasis Area and Severity Index (PASI) score response of ≥75% (PASI 75) and the proportion of subjects who achieve a Static Physician's Global Assessment (sPGA) of 0 or 1 at Week 16. The FDA requested two Phase III safety and efficacy studies and also 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.

Upon positive conclusion of the Phase III study, Can-Fite plans to submit a New Drug Application to the FDA and Marketing Authorization Plan to the EMA.

Review of Operating Results

REVENUE

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended June 30, 2025**	Three months ended June 30, 2024	**Six months ended June 30, 2025**	Six months ended June 30, 2024
	$	$	**$**	$
Licensing revenue	**1,478**	1,618	**2,213**	4,218
Product revenue	**11,903**	3,686	**23,187**	6,953
Net revenue	**13,381**	5,304	**25,400**	11,171

Total net revenue of $13.4 million for the three months ended June 30, 2025 increased by $8.1 million or 152%, compared to $5.3 million for the three months ended June 30, 2024. Total net revenue of $25.4 million for the six months ended June 30, 2025 increased by $14.2 million or 127%, compared to $11.2 million for the six months ended June 30, 2024.

Licensing Revenue

Licensing revenue decreased by $0.1 million or 9% to $1.5 million for the three months ended June 30, 2025, compared to $1.6 million for the three months ended June 30, 2024. Licensing revenue decreased by $2.0 million or 48% to $2.2 million for the six months ended June 30, 2025, compared to $4.2 million for the six months ended June 30, 2024.

Licensing revenue from Absorica in the U.S. was $1.0 million for the three months ended June 30, 2025, a decrease of $0.1 million or 9%, compared to $1.1 million for the three months ended June 30, 2024. The overall decrease in licensing revenue on the Absorica portfolio (inclusive of the brand, Authorized Generic ("AG") and LD products) for the three months ended June 30, 2025 is due to lower sales volumes and lower net sales realized by Cipher's distribution partner, on which the Company earns a net sales royalty. Additionally, there was a contractual reduction in royalty rates on the Absorica portfolio beginning in the third quarter of 2024, as well as the Company no longer earns a royalty on the Absorica LD product effective January 1, 2025. The combination of these contributing factors has resulted in $0.5 million lower royalty revenue for the three months ended June 30, 2025, compared to the three months ended June 30, 2024. However, the decrease in royalty revenue has been partially offset by higher product shipments of $0.4 million for the three months ended June 30, 2025, compared to the three months ended June 30, 2024, on which the Company earns revenue from supplying product to its distribution partner.

Licensing revenue from Absorica in the U.S. was $1.3 million for the six months ended June 30, 2025, a decrease of $1.7 million or 56%, compared to $3.0 million for the six months ended June 30, 2024. The overall decrease in licensing revenue on the Absorica portfolio for the six months ended June 30, 2025 is attributable to lower product shipments on which the Company earns revenue from supplying product, combined with lower sales volumes and lower net sales realized by Cipher's distribution partner on the Absorica brand and AG, on which the Company earns a net sales royalty. For the six months ended June 30, 2025, product shipments decreased by $0.6 million, compared to the six months ended June 30, 2024. The competitive landscape in which the Absorica portfolio products compete in the U.S. market has contributed to lower sales volumes and net sales, which combined with a contractual reduction in royalty rates on the Absorica portfolio beginning in the third quarter of 2024, and the Company no longer earning a royalty on the Absorica LD product effective January 1, 2025, have resulted in $1.1 million lower royalty revenue for the six months ended June 30, 2025, compared to the six months ended June 30, 2024.

The decrease in the net sales royalty included in licensing revenue associated with the Absorica brand and AG as described above, is representative of the Absorica brand and AG combined market share which has decreased by 3.4% to 3.0% market share at June 30, 2025, from 6.4% market share at June 30, 2024, according to Symphony Health market data.

Licensing revenue from Lipofen and Lipofen AG was $0.4 million for the three months ended June 30, 2025, consistent with the three months ended June 30, 2024. Licensing revenue from Lipofen and Lipofen AG was $0.8 million for the six months ended June 30, 2025, representing a decrease of $0.3 million or 29%, compared to $1.1 million for the six months ended June 30, 2024. The decrease in licensing revenue from Lipofen and Lipofen AG for the six months ended June 30, 2025 is primarily attributable to lower sales volumes and net sales realized by Cipher's distribution partner on these products, on which the Company earns a royalty.

Product Revenue

Product revenue increased by $8.2 million or 223% to $11.9 million for the three months ended June 30, 2025, compared to $3.7 million for the three months ended June 30, 2024. Product revenue increased by $16.2 million or 233% to $23.2 million for the six months ended June 30, 2025, compared to $7.0 million for the six months ended June 30, 2024.

Product revenue from Natroba and its authorized generic Spinosad, was $7.8 million and $14.4 million, respectively, for the three and six months ended June 30, 2025. The Company did not have any revenue from these products for the three and six months ended June 30, 2024, since the products were acquired in connection with the Company's acquisition of the global product rights for Natroba™ and it's authorized generic Spinosad, as well as the commercial sales team in the United States (the "Natroba Acquisition"), during the third quarter of 2024.

Product revenue from the Company's Canadian product portfolio for the three months ended June 30, 2025 was $4.1 million, an increase of $0.4 million or 12%, compared to $3.7 million for the three months ended June 30, 2024. Product revenue from Epuris was $3.6 million for the three months ended June 30, 2025, an increase of $0.4 million or 12%, from $3.2 million for the three months ended June 30, 2024. Product revenue from Epuris is transacted in Canadian dollars and is therefore subject to foreign exchange rate changes with the U.S. dollar. The impact from such foreign exchange translation was nominal for the three months ended June 30, 2025, compared to the same period in prior year. Accordingly, the increase in Epuris revenue was primarily attributable to higher sales volumes year-over-year. Market share of Epuris during this same period has increased by 7.1% to 51.3% at June 30, 2025, from 44.2% at June 30, 2024, according to IQVIA market data.

Product revenue from the Company's Canadian product portfolio for the six months ended June 30, 2025 was $8.7 million, an increase of $1.7 million or 26%, compared to $7.0 million for the six months ended June 30, 2024, led by Epuris. Product revenue from Epuris was $7.7 million for the six months ended June 30, 2025, an increase of $1.6 million or 25%, from $6.1 million for the six months ended June 30, 2024. Excluding the impact from foreign exchange translation of $0.3 million, Epuris revenue expressed on a constant currency basis has increased by $1.9 million or 30% for the six months ended June 30, 2025, compared to the comparative period. Accordingly, the increase in Epuris revenue was primarily attributable to higher sales volumes year-over-year, which was partially offset by higher foreign exchange rates for the period.

Product revenue for the remaining portfolio (Actikerall, Brinavess, Aggrastat, Vaniqa and Durela) was $0.5 million for the three months ended June 30, 2025, which is consistent with the three months ended June 30, 2024.

Product revenue for the remaining portfolio was $1.1 million for the six months ended June 30, 2025, an increase of $0.3 million or 32%, compared to $0.8 million for the six months ended June 30, 2024. The increase in product revenue was mainly due to increased sales of Durela.

OPERATING EXPENSES

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended June 30, 2025**	Three months ended June 30, 2024	**Six months ended June 30, 2025**	Six months ended June 30, 2024
	$	$	**$**	$
Cost of products sold	**2,498**	1,106	**5,377**	2,161
Research and development	**—**	—	**21**	—
Depreciation and amortization	**1,807**	292	**3,629**	581
Selling, general and administrative	**4,085**	1,601	**9,036**	3,069
Total operating expenses	**8,390**	2,999	**18,063**	5,811

Total operating expenses increased by $5.4 million or 180% to $8.4 million for the three months ended June 30, 2025, compared to $3.0 million for the three months ended June 30, 2024. Total operating expenses increased by $12.3 million or 211% to $18.1 million for the six months ended June 30, 2025, compared to $5.8 million for the six months ended June 30, 2024.

The increase in operating expenses for the three and six months ended June 30, 2025 is primarily associated with the Natroba Acquisition, including operating costs incurred for the acquired business post-acquisition; as well as additional amortization for acquired intangible assets. Further contributing to the increase in operating expenses year-over-year were non-recurring legal costs incurred during the three and six months ended June 30, 2025, in connection with Cipher's claim that one of its partners breached the supply and distribution agreement in place between the parties, culminating in an arbitration hearing during the first quarter of 2025.

Cost of Products Sold

Cost of products sold for the three months ended June 30, 2025 was $2.5 million, which increased by $1.4 million or 126%, compared to $1.1 million for the three months ended June 30, 2024.

The increase of $1.4 million for the three months ended June 30, 2025, included cost of products sold of $1.3 million attributable to the products acquired in the Natroba Acquisition. For the Company's existing product portfolio, cost of products sold for the three months ended June 30, 2025 increased by $0.1 million, compared to the three months ended June 30, 2024, attributable to increased product revenues from the existing product portfolio, primarily for Epuris.

The Company calculates gross margin as a percentage of product revenue (excluding licensing revenue), which increased by 9% to 79% for the three months ended June 30, 2025, compared to 70% for the three months ended June 30, 2024. This overall increase in gross margin is largely due to the addition of Natroba and its authorized generic Spinosad for the three months ended June 30, 2025, as the products were acquired subsequent to the three-month period ended June 30, 2024.

Gross margin on the Company's existing product portfolio remained consistent year-over-year at 70% for the three months ended June 30, 2025 and 2024. Gross margin from Natroba and its authorized generic Spinosad, acquired in the Natroba Acquisition, was 84% for the three months ended June 30, 2025, which was partially impacted by a non-cash fair value adjustment on acquired inventory of $0.1 million and has been charged to the statement of income and comprehensive income related to certain inventory sold in the period, as further described below. Excluding the non-cash fair value adjustment, gross margin from Natroba and its authorized generic Spinosad was 86%, and the resulting consolidated gross margin was 80%, representing an increase of 10% for the three months ended June 30, 2025, compared to the three months ended June 30, 2024.

Cost of products sold for the six months ended June 30, 2025 was $5.4 million, which increased by $3.2 million or 149% compared to $2.2 million for the six months ended June 30, 2024.

The increase of $3.2 million for the six months ended June 30, 2025, included cost of products sold of $2.8 million attributable to the products acquired in the Natroba Acquisition. Included within the cost of products sold for the Natroba Acquisition products is a non-cash fair value adjustment for acquired inventory of $0.8 million. In accordance with *IFRS 3 – Business Combinations*, a fair value adjustment on finished goods inventory acquired in an acquisition is required to be added to the carrying value of the acquired inventory in the statement of financial position as at the date of acquisition, and amounts associated with this fair value adjustment are subsequently charged to the statement of income and comprehensive income as the acquired inventory is sold by the Company. There will not be any further impact to cost of products sold in future periods from such fair value adjustment, since the remaining acquired inventory was sold during the three months ended June 30, 2025.

For the Company's existing product portfolio, cost of products sold for the six months ended June 30, 2025 increased by $0.4 million, compared to the six months ended June 30, 2024, with such increases attributable to increased product revenues from the existing product portfolio, primarily for Epuris.

The Company's gross margin as a percentage of product revenue (excluding licensing revenue), increased by 8% to 77% for the six months ended June 30, 2025, compared to 69% for the six months ended June 30, 2024. This overall increase in gross margin is largely due to the addition of Natroba and its authorized generic Spinosad for the six months ended June 30, 2025, as the products were acquired subsequent to the six-month period ended June 30, 2024.

Gross margin on the Company's existing product portfolio increased by 1% to 70% for the six months ended June 30, 2025, compared to 69% for the six months ended June 30, 2024. This increase in gross margin on product revenue for the existing product portfolio is primarily attributable to the increase in product sales volumes for the portfolio, primarily for Epuris, for which a portion of the cost of products sold is not impacted by the higher sales volumes because of certain fixed cost components included within cost of products sold.

Gross margin from Natroba and its authorized generic Spinosad, acquired in the Natroba Acquisition, was 81% for the six months ended June 30, 2025, which was impacted by the non-cash fair value adjustment on acquired inventory described above. Excluding the non-cash fair value adjustment, gross margin from Natroba and its authorized generic Spinosad was 86%, and the resulting consolidated gross margin was 80%, representing an increase of 11% for the six months ended June 30, 2025, compared to the six months ended June 30, 2024.

Depreciation and amortization

Depreciation and amortization for the three months ended June 30, 2025 was $1.8 million, an increase of $1.5 million, compared to $0.3 million for the three months ended June 30, 2024. Depreciation and amortization for the three months ended June 30, 2025 includes $1.7 million for amortization of intangible assets and $0.1 million of depreciation of property and equipment, compared to $0.3 million of amortization of intangible assets and a nominal amount for depreciation of property and equipment for the three months ended June 30, 2024.

Depreciation and amortization for the six months ended June 30, 2025 was $3.6 million, an increase of $3.0 million, compared to $0.6 million for the six months ended June 30, 2024. Depreciation and amortization includes $3.4 million for amortization of intangible assets

and $0.2 million for depreciation of property and equipment, compared to $0.6 million of amortization of intangible assets and a nominal amount for depreciation of property and equipment for the six months ended June 30, 2024.

The increase in amortization of intangible assets for the three and six months ended June 30, 2025 is due to additional intangible assets acquired during the third quarter of 2024, in connection with the Natroba Acquisition.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expense for the three months ended June 30, 2025 was $4.1 million, an increase of $2.5 million or 155%, from $1.6 million for the three months ended June 30, 2024. SG&A expense for the six months ended June 30, 2025 was $9.0 million, an increase of $5.9 million or 194%, from $3.1 million for the six months ended June 30, 2024.

A further breakdown of SG&A expense for the three months and six months ended June 30, 2025 and 2024 is presented in the table below:

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended June 30, 2025**	Three months ended June 30, 2024	**Six months ended June 30, 2025**	Six months ended June 30, 2024
	$	$	**$**	$
Salaries and benefits	**1,658**	355	**3,611**	774
Share-based compensation	**436**	183	**680**	407
Acquisition, restructuring and other costs	**—**	284	**128**	284
Professional fees	**839**	499	**2,331**	1,002
Selling and marketing	**690**	47	**1,341**	92
Other general and administrative	**462**	233	**945**	510
Total selling, general and administrative	**4,085**	1,601	**9,036**	3,069

Salaries and benefits included in SG&A for the three months ended June 30, 2025 was $1.7 million, an increase of $1.3 million from $0.4 million for the three months ended June 30, 2024. Salaries and benefits included in SG&A for the six months ended June 30, 2025 was $3.6 million, an increase of $2.8 million from $0.8 million for the six months ended June 30, 2024. The increased salaries and benefits costs for both the three and six months ended June 30, 2025, compared to the same periods in the prior year, are reflective of a higher employee headcount as a result of the U.S. based commercial sales team acquired as part of the Company's Natroba Acquisition in the third quarter of 2024.

Share-based compensation expense included in SG&A for the three and six months ended June 30, 2025 was $0.4 million and $0.7 million, respectively, compared to $0.2 million and $0.4 million, respectively, for the three and six months ended June 30, 2024. The increased share-based compensation reflects the higher employee headcount, compared to the same periods in the prior year.

Acquisition, restructuring and other costs for the three and six months ended June 30, 2025 were $nil and $0.1 million, respectively, compared to $0.3 million for both the three and six months ended June 30, 2024. Acquisition, restructuring and other costs for the six months ended June 30, 2025 relate to severance of certain employees during the period. Whereas acquisition, restructuring and other costs for the three and six months ended June 30, 2024 are comprised primarily of non-recurring legal fees and other professional services fees related to the Natroba Acquisition.

Professional fees included in SG&A for the three months ended June 30, 2025 were $0.8 million, compared to $0.5 million for the three months ended June 30, 2024. Professional fees included in SG&A for the six months ended June 30, 2025 were $2.3 million, compared to $1.0 million for the six months ended June 30, 2024. The increase in professional fees of $0.3 million and $1.3 million for the three and six months ended June 30, 2025, respectively, was primarily associated with legal costs incurred in connection with Cipher's claim that one of its partners breached the supply and distribution agreement in place between the parties, culminating in an arbitration hearing during the first quarter of 2025. Refer to the "Litigation" section of this MD&A for further information.

Selling and marketing expenses included in SG&A are comprised of costs associated with the Company's commercial and promotional activities, including data management and market research, however these expenses exclude compensation related costs for the Company's sales representatives, which are included in salaries and benefits. For the three and six months ended June 30, 2025, selling and marketing expenses were $0.7 million and $1.3 million, respectively, compared to a nominal amount and $0.1 million for the three and six months ended June 30, 2024, respectively. This increase in selling and marketing expenses of $0.7 million and $1.2 million, respectively, represents commercial and promotional activities within the business acquired in the Natroba Acquisition, which

are incremental to the Company's existing business for the three and six months ended June 30, 2025, compared to the three and six months ended June 30, 2024.

Other general and administrative expenses included in SG&A are comprised of costs associated with regulatory and pharmacovigilance activities, and various other administrative costs. For the three and six months ended June 30, 2025, other general and administrative costs were $0.5 million and $0.9 million, respectively, compared to $0.2 million and $0.5 million for the three and six months ended June 30, 2024, respectively. This increase in other general and administrative expenses of $0.3 million and $0.4 million, respectively, for the three and six months ended June 30, 2025 was primarily attributable to costs incurred within the business acquired in the Natroba Acquisition completed during the third quarter of 2024. Particularly, additional costs associated with regulatory activities for the acquired products, as well as incremental general operating costs.

OTHER (INCOME) EXPENSES

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended June 30, 2025**	Three months ended June 30, 2024	**Six months ended June 30, 2025**	Six months ended June 30, 2024
	$	$	**$**	$
Interest expense (income)	**345**	(611)	**815**	(1,166)
Unrealized foreign exchange (gain) loss	**(1,759)**	401	**(1,770)**	1,043
Total other (income) expenses	**(1,414)**	(210)	**(955)**	(123)

Total other (income) expense for the three and six months ended June 30, 2025 was income of $1.4 million and $1.0 million, respectively, compared to $0.2 million and $0.1 million for the three and six months ended June 30, 2024, respectively. The increase in other income of $1.2 million and $0.9 million, respectively, for the three and six months ended June 30, 2025 results from an unrealized foreign exchange gain for both the three and six months ended June 30, 2025, respectively, compared to a foreign exchange loss for both the three and six months ended June 30, 2024, respectively. This increase in other income is partially offset by interest expense in connection with the drawn portion of the Company's revolving credit facility for the three and six months ended June 30, 2025, compared with interest income earned on cash and cash equivalents held at financial institutions for the three and six months ended June 30, 2024.

Interest expense (income)

Interest income decreased by $0.9 million and $2.0 million for the three and six months ended June 30, 2025, respectively, compared to the three and six months ended June 30, 2024. For the three and six months ended June 30, 2025, interest expense was $0.3 million and $0.8 million, respectively, whereas for the three and six months ended June 30, 2024 interest income was $0.6 million and $1.2 million, respectively.

The interest expense of $0.3 million and $0.8 million for the three and six months ended June 30, 2025 resulted from the Company drawing $40.0 million on its revolving credit facility during the third quarter of 2024, in order to partially fund the Natroba Acquisition. Further, as a result of the Company utilizing $40.0 million of cash on-hand, as well as a drawdown of $40.0 million on its revolving credit facility, to partially fund the Natroba Acquisition, there was a reduction of interest income earned on cash and cash equivalents held at financial institutions for the three and six months ended June 30, 2025, due to the lower balances on-hand throughout the period. The interest expense incurred during the three months ended June 30, 2025 was reduced from the amount of interest expense incurred during the first quarter of 2025, as a result of the Company making a repayment of $15.0 million on its revolving credit facility at the beginning of May 2025.

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) loss increased by $2.2 million and $2.8 million, respectively, to an unrealized foreign exchange gain of $1.8 million and $1.8 million for the three and six months ended June 30, 2025, respectively, compared to an unrealized foreign exchange loss of $0.4 million and $1.0 million for the three and six months ended June 30, 2024, respectively. Due to the depreciation of the U.S. dollar relative to the Canadian dollar during the three and six months ended June 30, 2025, there has been a positive impact on the translation to U.S. dollars of the Company's net assets. However, during the three and six months ended June 30, 2024, there was an appreciation of the U.S. dollar relative to the Canadian dollar, resulting in a negative impact on the translation to U.S. dollars of the Company's net assets, and a corresponding unrealized foreign exchange loss was recognized.

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 expense (recovery) for the three and six months ended June 30, 2025 was an expense of $0.5 million and a recovery of $0.2 million, respectively, compared to tax recovery of $0.5 million and $2.4 million, respectively, for the three and six months ended June 30, 2024. The income tax expense (recovery) is associated with changes in the Company's deferred tax assets during the period, associated with unused tax loss carryforwards. The Company's assessments during the three and six months ended June 30, 2025, with respect to the recovery of the deferred tax asset, did not change as significantly compared to the Company's assessments during the three and six months ended June 30, 2024, based on the probable nature of future taxable income projections for which the loss carryforwards can be applied. As a result of the Company's assessments in each period, the impact to the income tax recovery for the three and six months ended June 30, 2025 was lower than the impact to the income tax recovery for the three and six months ended June 30, 2024.

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

As at June 30, 2025, the Company has recognized deferred tax assets in the condensed interim consolidated statement of financial position of $28.3 million, compared to $26.8 million as at December 31, 2024. The Company believes that it is probable that future taxable income will be available against which tax losses can be utilized.

NET INCOME AND INCOME PER COMMON SHARE

(IN THOUSANDS OF U.S. DOLLARS, except for per share amounts)	**Three months ended June 30, 2025**	Three months ended June 30, 2024	**Six months ended June 30, 2025**	Six months ended June 30, 2024
	$	$	**$**	$
Net income and comprehensive income for the period	**5,893**	2,995	**8,517**	7,918
Basic income per share	**0.23**	0.12	**0.33**	0.33
Diluted income per share	**0.22**	0.12	**0.32**	0.32

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

The weighted average number of common shares outstanding for the three months ended June 30, 2025 was 25,869,112 (three months ended June 30, 2024 – 24,112,979). The weighted average number of common shares outstanding for the six months ended June 30, 2025 was 25,598,564 (six months ended June 30, 2024 – 24,053,902).

The dilutive weighted average number of common shares outstanding for the three months ended June 30, 2025 was 26,507,100 (three months ended June 30, 2024 – 24,568,461). The dilutive weighted average number of common shares outstanding for the six months ended June 30, 2025 was 26,238,810 (six months ended June 30, 2024 – 24,498,986).

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, costs and provisions for legal matters, loss on disposal of assets and loss on extinguishment of leases, impairment of intangible assets, acquisition costs, restructuring costs, fair value adjustments to acquired inventory and unrealized foreign exchange gains and losses.

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

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

(IN THOUSANDS OF U.S. DOLLARS, except for per share amounts)	**Three months ended June 30, 2025**	Three months ended June 30, 2024	**Six months ended June 30, 2025**	Six months ended June 30, 2024
	$	$	**$**	$
Net income and comprehensive income	**5,893**	2,995	**8,517**	7,918
Add back:				
Depreciation and amortization	**1,807**	292	**3,629**	581
Interest expense (income)	**345**	(611)	**815**	(1,166)
Income tax expense (recovery)	**512**	(480)	**(225)**	(2,435)
EBITDA	**8,557**	2,196	**12,736**	4,898
Unrealized foreign exchange (gain) loss	**(1,759)**	401	**(1,770)**	1,043
Acquisition, restructuring and other costs	**—**	284	**128**	284
Fair value adjustment to acquired inventory	**131**	—	**777**	—
Costs and provisions for legal matter	**221**	—	**1,221**	—
Share-based compensation	**436**	183	**680**	407
Adjusted EBITDA	**7,586**	3,064	**13,772**	6,632
Adjusted EBITDA per share – basic	**0.29**	0.13	**0.54**	0.28
Adjusted EBITDA per share – dilutive	**0.29**	0.12	**0.52**	0.27

Liquidity and Capital Resources

(IN THOUSANDS OF U.S. DOLLARS)	**Three months ended June 30, 2025**	Three months ended June 30, 2024	**Six months ended June 30, 2025**	Six months ended June 30, 2024
	$	$	**$**	$
Cash provided by operating activities	**6,020**	6,225	**10,240**	8,659
Cash used in investing activities	**—**	(11)	**(2)**	(17)
Cash used in financing activities	**(17,211)**	(5)	**(17,256)**	(106)
Net change in cash	**(11,191)**	6,209	**(7,018)**	8,536
Impact of foreign exchange on cash	**530**	(206)	**520**	(377)
Cash and cash equivalents, beginning of period	**22,000**	41,981	**17,837**	39,825
Cash and cash equivalents, end of period	**11,339**	47,984	**11,339**	47,984

Cash

As at June 30, 2025, the Company had cash and cash equivalents of $11.3 million, compared to $17.8 million as at December 31, 2024.

Cash and cash equivalents of $11.3 million as at June 30, 2025 have decreased by $6.5 million or 48%, compared to $17.8 million as at December 31, 2024. The decrease in cash and cash equivalents results from cash provided by operating activities of $10.2 million, offset by the Company's use of cash in financing activities, including the $15.0 million repayment on the revolving credit facility (refer to the "Recent Events – Corporate Events" section of this MD&A) and share repurchases totalling $2.1 million under the NCIB, during the six months ended June 30, 2025.

Operating Activities

Cash provided by operating activities was $10.2 million for the six months ended June 30, 2025, compared to $8.7 million for the six months ended June 30, 2024. Cash provided by operations, excluding working capital, was $10.9 million for the six months ended June 30, 2025 compared to $7.5 million for the six months ended June 30, 2024. The change in cash provided by operating activities reflects a use of cash of $0.7 million in working capital for the six months ended June 30, 2025, compared to a recovery of $1.2 million in working capital in the comparative period, primarily attributable to timing differences associated with invoice receipts and the related payments on accounts payable and accrued liabilities, as well as settlements of contract liabilities associated with Natroba product sales which did not occur in the comparative period due to the timing of the Natroba Acquisition occurring in the third quarter of 2024.

Investing Activities

Cash used in investing activities was a nominal amount for the six months ended June 30, 2025 and 2024.

Financing Activities

Cash used in financing activities was $17.3 million for the six months ended June 30, 2025, compared to $0.1 million for the six months ended June 30, 2024. The increase in cash used in financing activities was primarily attributable to a repayment of $15.0 million on the Company's revolving credit facility, combined with the purchase of common shares under the Company's NCIB for $2.1 million during the six months ended June 30, 2025, compared to $0.2 million in share purchases for the six months ended June 30, 2024. The number of common shares purchased under the NCIB was significantly higher during the six months ended June 30, 2025 with 230,278 common shares purchased during the period, compared to 25,685 common shares purchased during the six months ended June 30, 2024.

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

Financial Instruments

As at June 30, 2025, the Company’s financial instruments consisted of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, lease obligations and long-term debt, which are measured at amortized cost and their fair values approximate carrying values.

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

Risk Management

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

Credit Risk

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

The Company has concentration risk, as approximately 77% of total revenue came from five customers during the six months ended June 30, 2025 and 86% of total accounts receivable is due from six customers as at June 30, 2025.

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 revolving credit facility.

The Company anticipates that its current cash balance and the remaining balance available on its revolving credit facility, together with cash flows generated from operations, will be sufficient to execute its current business plan for the remainder of 2025 and beyond.

Market Risk

The Company is exposed to currency risk related to the fluctuation of foreign exchange rates. The Company operates primarily in U.S. dollars. The Company is exposed to currency risk through its net assets and certain recurring transactions that are denominated in Canadian dollars (“CDN$”). A change of 10 basis points in the U.S./CDN exchange rate on June 30, 2025 would have had a $3 impact on income and comprehensive income for the period. The following is a summary of the financial assets and financial liabilities denominated in Canadian dollars as of June 30, 2025:

	CDN$
Cash and cash equivalents	3,898
Accounts receivable	3,526
Accounts payable and accrued liabilities	(2,359)
Finance lease obligations	(282)
Net financial assets	4,783

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.

The Company is exposed to interest rate risk on its revolving credit facility. The amount drawn on the revolving credit facility currently bears interest at the adjusted term Secured Overnight Financing Rate (“SOFR”), plus a tiered applicable margin determined quarterly based on the Company’s leverage ratio, and as such is subject to interest rate risk resulting from market fluctuations in interest rates.

A 1% change in the interest rate for the six months ended June 30, 2025 would have had a $78 impact on income and comprehensive income for the period.

Capital Management Risk

The Company's managed capital is comprised of cash and cash equivalents, the revolving 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 revolving credit facility, and additional debt financing where necessary to finance growth initiatives.

Outstanding Share Data

The Company is authorized to issue an unlimited number of preference shares, issuable in series, and an unlimited number of common shares. As at June 30, 2025, the Company had 25,393,384 common shares issued and outstanding, compared to 25,598,267 common shares as at December 31, 2024. No preference shares were issued and outstanding as at June 30, 2025 or December 31, 2024. Subsequent to June 30, 2025, 422 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 25,393,806 as of the date of this MD&A.

During the six months ended June 30, 2025, a total of 8,173 stock options were exercised with a weighted average exercise price of CDN$3.94. As at June 30, 2025, there were 1,601,929 options outstanding of which 526,422 have vested.

During the six months ended June 30, 2025, a total of 15,000 RSUs vested and were settled in common shares. As at June 30, 2025, there were 248,513 RSUs outstanding for which common shares may be issued upon vesting.

Contractual Obligations

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

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

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

Development Milestones

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

Licensing Agreements with Galephar

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

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

with respect to CIP-FENOFIBRATE and CIP-TRAMADOL ER in the U.S. The Company has opted to market and sell CIP-TRAMADOL ER directly in Canada effective April 2022.

Supply Agreement with ParaPRO

On July 26, 2024, in connection with the Natroba Acquisition, a subsidiary of Cipher entered into an API Supply Agreement with ParaPRO LLC ("ParaPRO"). Under the API Supply Agreement, the Company obtains exclusive purchasing access to a supply of the active pharmaceutical ingredient ("API") used in the production of Natroba™ and its authorized generic Spinosad.

The API Supply Agreement requires that Cipher's subsidiary purchase from ParaPRO a minimum quantity of API annually. The financial commitments associated with this annual minimum purchase quantity vary by period. For the fiscal year ending December 31, 2025, the minimum purchase requirement is calculated taking into consideration certain inventory and sales performance metrics for Natroba™ and its authorized generic Spinosad. Accordingly, it is currently estimated that Cipher's subsidiary will be required to purchase a minimum quantity of API valued at approximately $5,000 for the fiscal year ending December 31, 2025. For the fiscal year ending December 31, 2026, the minimum quantity of API required to be purchased is calculated taking into consideration certain sales performance metrics for Natroba™ and its authorized generic Spinosad, and accordingly the minimum purchase commitment is currently estimated to be valued at approximately $2,200. For the fiscal years ending December 31, 2027 and thereafter, the minimum quantity of API required to be purchased is estimated to be valued at approximately $2,400, on an annual basis.

Lease Obligations

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 Company also has vehicle leases used in its U.S. operations. The terms of the vehicle leases range from three to five years, with various lease commencement dates.

The following table outlines the Company's undiscounted contractual obligations as at June 30, 2025.

Description	Less than one year	Years two and three	Beyond three years	Total
	$	$	$	$
Accounts payable and accrued liabilities	4,846	—	—	4,846
Interest payable	82	—	—	82
Contract liabilities	12,564	—	—	12,564
Lease obligations	277	216	—	493
Long-term debt	—	25,000	—	25,000
Total	**17,769**	**25,216**	**—**	**42,985**

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Selected Quarterly Information

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

(IN MILLIONS OF U.S. DOLLARS, EXCEPT FOR PER SHARE AMOUNTS)	**Jun 30, 2025**	Mar 31, 2025	Dec 31, 2024	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023
	$	$	$	$	$	$	$	$
Net revenue	**13.4**	12.0	11.8	10.4	5.3	5.9	4.9	6.1
Net income and comprehensive income for the period	**5.9**	2.6	3.3	0.3	3.0	4.9	7.7	7.0
Basic income per Common Share	**0.23**	0.10	0.13	0.01	0.12	0.21	0.32	0.28
Diluted income per Common Share	**0.22**	0.10	0.13	0.01	0.12	0.20	0.30	0.27

Selected Financial Information

The following information has been prepared in accordance with IFRS.

(IN THOUSANDS OF U.S. DOLLARS, EXCEPT FOR PER SHARE AMOUNTS)	**Three months ended June 30, 2025**	Three months ended June 30, 2024	**Six months ended June 30, 2025**	Six months ended June 30, 2024
	$	$	**$**	$
Period ended				
Net revenue	**13,381**	5,304	**25,400**	11,171
Total operating expenses	**8,390**	2,999	**18,063**	5,811
Total other (income) expenses	**(1,414)**	(210)	**(955)**	(123)
Net income for the period	**5,893**	2,995	**8,517**	7,918
Income per share:				
Basic	**0.23**	0.12	**0.33**	0.33
Diluted	**0.22**	0.12	**0.32**	0.32
As at				
Total assets	**152,394**	93,910	**152,394**	93,910
Total non-current liabilities	**25,193**	200	**25,193**	200

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.

The Galephar Agreement gives the Company the right to conduct all studies and tests required by the FDA and other regulatory authorities in the geographic area where the pharmaceutical product is being packaged, tested, approved and/or marketed, as well as the right to prepare, file and prosecute any regulatory submissions for approval in such geographic area. Milestone payments for these products have been paid in full.

On sales by Cipher or its affiliates of those products set out in the Galephar Agreement, 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 if a patent has not yet been issued for such product, only 30% of royalties are payable. If Cipher or its affiliates are directly selling to wholesalers, an amount equal to 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 that product in the country or, if a patent is obtained, when the patent lapses 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 Pharma AB ("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.

MOB-015 is a 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 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 was to include approximately 350 patients in North America. The patients were to be evaluated over 52 weeks and the primary endpoint was planned to be the proportion of subjects achieving complete cure of their target nail. The purpose of the new study was to facilitate market approval in the US as well as strengthen the product's clinical evidence and marketing claims globally. Moberg announced it had completed the recruitment and enrollment of 384 patients on October 6, 2023.

On September 13, 2024, Moberg issued a news release stating that it has received information about clinical cure in a subset of patients in the ongoing North American Phase 3 study for MOB-015. Moberg noted that the number of patients who have achieved clinical cure in this blinded subset of patients is lower than its expectations.

On December 10, 2024, Moberg issued a news release stating that MOB-015 did not meet the primary endpoint in the North American Phase 3 study being conducted by Moberg. The results of the North American Phase 3 study communicated by Moberg confirm the initial indications previously announced by Moberg, on September 13, 2024. The primary endpoint, achieving the desired complete cure of the patient's target toenail at 52 weeks, was not achieved. Complete cure requires both a completely clear nail and mycological cure.

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.

Piclidenoson completed a phase II/III double-blind, placebo-controlled study, which was designed to test the efficacy of Piclidenoson 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 commenced two phase III programs, one for RA (ACROBAT) and one for psoriasis (COMFORT).

In November 2021, Can-Fite's Phase III COMFORT study had completed patient enrollment. The study was designed to establish Piclidenoson's superiority compared to placebo and non-inferiority compared to apremilast in patients with moderate to severe plaque psoriasis.

In June 2022, Can-Fite reported topline results from its Phase III COMFORT™ study which met its primary endpoint with statistically significant improvement over the 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 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 Piclidenoson 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 Piclidenoson for the treatment of moderate to severe psoriasis. Can-Fite stated that the clinical trial is aimed at demonstrating clinical safety and efficacy for the treatment of patients with moderate to severe plaque psoriasis. The FDA requested two Phase III safety and efficacy studies and encouraged Can-Fite to enroll adolescent patients due to the strong safety profile of the drug demonstrated over the development history and prior clinical studies. To align the requests of the EMA and the FDA, Can-Fite confirmed that it plans to conduct two Phase III studies in parallel, including adolescent patients and that upon positive conclusion of the Phase III program, Can-Fite plans to submit a New Drug Application to the FDA and a Marketing Authorization Plan to the EMA.

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

In March 2025, Can-Fite announced that it initiated a pivotal Phase III study of Piclidenoson, for the treatment of moderate to severe psoriasis, with the FDA and the EMA approved clinical study protocol. Can-Fite confirmed that patient enrolment will be initiated in Europe and US and Canada expected to follow.

The study is a randomized, double-blind, placebo-controlled Phase III study aimed at demonstrating clinical safety and efficacy for the treatment of patients with moderate to severe plaque psoriasis. Patients will be treated with 3 mg twice daily orally Piclidenoson tablets

or placebo. The co-primary efficacy objectives of this study are the proportion of subjects who achieve a Psoriasis Area and Severity Index (PASI) score response of ≥75% (PASI 75) and the proportion of subjects who achieve a Static Physician's Global Assessment (sPGA) of 0 or 1 at Week 16. The FDA requested two Phase III safety and efficacy studies and also 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. Upon positive conclusion of the Phase III study, Can-Fite plans to submit a New Drug Application to the FDA and Marketing Authorization Plan to the EMA.

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. Cipher has invested in further development of the formulation to facilitate key proof of concept studies.

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

Litigation

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

The Company completed an arbitration hearing in mid-January 2025 in connection with its supply and distribution agreement with Sun Pharmaceuticals Industries, Inc. ("Sun") relating to the drug Absorica LD in Canada. The arbitration was initiated by the Company as a result of an alleged breach of the agreement by Sun relating to a purported misappropriation of Cipher's clinical data. The arbitration decision is currently pending.

Critical Accounting Estimates and Judgments

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

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

A detailed description of the Company's critical accounting estimates is provided in Note 4 of the consolidated financial statements for the year ended December 31, 2024 and in the "Critical Accounting Estimates and Judgments" section of the Company's annual MD&A for the year ended December 31, 2024, dated March 18, 2025.

Disclosure Controls and Procedures

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

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

There have been no changes in ICFR that occurred during the three month period ended June 30, 2025 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. As a result, management's conclusion on the design effectiveness of the Company's ICFR reporting and its DC&P has not changed.

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

Risk Factors

There have been no changes to the risk factors with respect to the Company and its business as outlined in the Company's most recently filed Annual Information Form for the year ended December 31, 2024 filed on SEDAR+ at www.sedarplus.ca and to related information in other filings with Canadian securities regulatory authorities.