

This document is important and requires your immediate attention. If you are in doubt as to how to deal with it, you should consult your investment dealer, stockbroker, bank manager, lawyer, accountant or other professional advisor.

This Offer has not been approved by any securities regulatory authority nor has any securities regulatory authority passed upon the fairness or merits of the Offer or upon the adequacy of the information contained in this document. Any representation to the contrary is an offence.

This document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, and deposits will not be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of that jurisdiction. However, Cipher Pharmaceuticals may, in its sole discretion, take such action as it may deem necessary to make the Offer in any such jurisdiction and to extend the Offer to Shareholders in such jurisdiction.

For Shareholders in the United States: The Offer is made by a Canadian issuer for its own securities, and while the Offer is subject to disclosure requirements of Canada, investors should be aware that these requirements are different from those of the United States. Financial statements of the Company have been prepared in accordance with international financial reporting standards and thus may not be comparable to financial statements of U.S. companies. The enforcement by investors of civil liabilities under the U.S. federal securities laws may be affected adversely by the fact that the Company is located in Canada, and that some of its officers and directors are non-residents of the United States.

September 6, 2023



CIPHER PHARMACEUTICALS INC.

OFFER TO PURCHASE FOR CASH

**UP TO CDN\$6,000,000 IN VALUE OF ITS COMMON SHARES AT A PURCHASE PRICE OF NOT LESS THAN
CDN\$3.95 AND NOT MORE THAN CDN\$4.75 PER COMMON SHARE**

Cipher Pharmaceuticals Inc. ("**Cipher Pharmaceuticals**" or the "**Company**") hereby offers to purchase common shares of the Company (the "**Common Shares**") validly tendered and not properly withdrawn having an aggregate purchase price not exceeding CDN\$6,000,000. The purchase price per Common Share will be determined by the Company in the manner described below but will not be less than CDN\$3.95 and not more than CDN\$4.75. The offer and all deposits of Common Shares are subject to the terms and conditions set forth in this Offer to Purchase, the accompanying Issuer Bid Circular (the "**Circular**"), the related Letter of Transmittal and the Notice of Guaranteed Delivery (which together constitute the "**Offer**").

The Offer will commence on September 6, 2023 and expires at 5:00 p.m. (Eastern time) on October 11, 2023 or at such later time and date to which the Offer may be extended by Cipher Pharmaceuticals (the "Expiration Date"). The Offer is not conditional upon a minimum number of Common Shares being tendered. The Offer is, however, subject to certain other conditions. Cipher Pharmaceuticals reserves the right to withdraw the Offer and not take up and pay for any Common Shares deposited under the Offer unless certain conditions are satisfied. See Section 7 of the Offer to Purchase – "*Certain Conditions of the Offer*".

Holders of Common Shares ("**Shareholders**") who wish to accept the Offer may do so in one of two ways: (a) by making an auction tender ("**Auction Tender**") pursuant to which they agree to sell to the Company at a specified price per Common Share

(not less than \$3.95 and not more than \$4.75 and in increments of \$0.05 within that range) a specified number of Common Shares owned by them; or (b) by making a purchase price tender in which the tendering Shareholders do not specify a price per Common Share, but rather agree to have a specified number of Common Shares purchased at the Purchase Price (as defined below), to be determined pursuant to the Offer ("**Purchase Price Tender**"), understanding that if they make a Purchase Price Tender, for the purpose of determining the Purchase Price, such Common Shares will be deemed to have been tendered at the minimum price of \$3.95 per Common Share.

Shareholders who wish to deposit Common Shares without specifying a price at which such Common Shares may be purchased by the Company should make a Purchase Price Tender. Under a Purchase Price Tender, Common Shares will be purchased, upon the terms and subject to the conditions of the Offer, at the Purchase Price (as defined below) determined as provided herein. Shareholders who validly deposit Common Shares without specifying the method in which they are tendering their Common Shares will be deemed to have made a Purchase Price Tender.

Cipher Pharmaceuticals is conducting the Offer through a "modified Dutch Auction" procedure. Through this procedure, Cipher Pharmaceuticals will, upon the terms and subject to the conditions of the Offer, determine a single price per Common Share (the "**Purchase Price**") (which will be not more than \$4.75 and not less than \$3.95 per Common Share) that it will pay for Common Shares validly deposited pursuant to the Offer and not properly withdrawn, taking into account the number of Common Shares deposited pursuant to Auction Tenders and Purchase Price Tenders and the prices specified by Shareholders depositing Common Shares pursuant to Auction Tenders. Common Shares deposited pursuant to Purchase Price Tenders will be deemed to have been deposited at a price of \$3.95 per Common Share for purposes of determining the Purchase Price (which is the minimum price per Common Share under the Offer). The Purchase Price will be the lowest price per Common Share of not more than \$4.75 and not less than \$3.95 per Common Share at which Common Shares have been deposited or have been deemed to be deposited under the Offer that will enable Cipher Pharmaceuticals to purchase the maximum number of Deposited Common Shares (as defined below) having an aggregate purchase price not exceeding \$6,000,000. Common Shares validly deposited pursuant to an Auction Tender will only be taken up if the price specified in the Auction Tender by the depositing Shareholder is equal to or less than the Purchase Price.

Each Shareholder who has properly deposited Common Shares pursuant to an Auction Tender at or below the Purchase Price or pursuant to a Purchase Price Tender and who has not properly withdrawn such Common Shares will receive the Purchase Price, payable in cash (subject to applicable withholding taxes, if any), for all Common Shares purchased, on the terms and subject to the conditions of the Offer, including the provisions relating to proration and the preferential acceptance of odd lots, each as described herein. Cipher Pharmaceuticals will first accept for purchase Common Shares validly deposited by any Shareholder who beneficially holds, as of the close of business on the Expiration Date, odd lots of fewer than 100 Common Shares in the aggregate and who deposits all such Common Shares pursuant to an Auction Tender at a price equal to or less than the Purchase Price or pursuant to a Purchase Price Tender.

Shareholders validly depositing Common Shares pursuant to Auction Tenders at \$3.95 per Common Share (the minimum purchase price under the Offer) and Shareholders validly depositing Common Shares pursuant to Purchase Price Tenders can reasonably expect to have all or a portion of such Common Shares purchased at the Purchase Price if any Common Shares are purchased under the Offer (subject to the proration provisions and the preferential acceptance of Odd Lot Holders, each as described herein).

If the number of Common Shares validly deposited prior to the Expiration Date (and not properly withdrawn in accordance with Section 6 of the Offer to Purchase, "*Withdrawal Rights*") pursuant to Auction Tenders at a price equal to or less than the Purchase Price and pursuant to Purchase Price Tenders would result in an aggregate purchase price in excess of \$6,000,000, then such Deposited Common Shares will be purchased on a *pro rata* basis according to the number of Common Shares deposited or deemed to be deposited at a price equal to or less than the Purchase Price by the depositing Shareholders (with adjustments to avoid the purchase of fractional Common Shares), except that odd lot deposits will not be subject to proration. See Section 3 of the Offer to Purchase, "*Number of Common Shares, Proration*", for additional details, including the formula that we will use to determine proration. If no Auction Tenders or Purchase Price Tenders are made pursuant to the Offer, the Company will not purchase any Common Shares pursuant to the Offer.

All Auction Tenders and Purchase Price Tenders will be subject to adjustment to avoid the purchase of fractional Common Shares (rounding down to the nearest whole number of Common Shares). All payments to Shareholders will be subject to deduction of applicable withholding taxes. See Section 15 of the Circular, "*Income Tax Considerations*".

All Deposited Common Shares not purchased, including all Common Shares deposited pursuant to Auction Tenders at prices in excess of the Purchase Price, Common Shares not purchased due to proration and Common Shares not accepted for purchase, will be returned promptly after the Expiration Date or termination of the Offer without expense to the depositing Shareholder.

As of September 1, 2023, 25,310,551 Common Shares were issued and outstanding. The Common Shares are listed on the Toronto Stock Exchange ("**TSX**") under the symbol "CPH". Accordingly, the Offer is for up to 1,518,987 Common Shares or approximately 6.00% of the total number of issued and outstanding Common Shares if the Purchase Price is determined to be \$3.95 (which is the minimum price per Common Share pursuant to the Offer) or up to 1,263,157 Common Shares or approximately 4.99% of the total number of issued and outstanding Common Shares if the Purchase Price is determined to be \$4.75 (which is the maximum Purchase Price per Common Share pursuant to the Offer). On September 1, 2023 (the last trading day before the intention to commence the Offer was publicly announced), the closing price of the Common Shares on the TSX was \$3.97 per Common Share. During the 12 months leading up to and including September 1, 2023, the closing prices of the Common Shares on the TSX have ranged from a low of \$2.63 to a high of \$4.10.

Under the Company's normal course issuer bid (the "**NCIB**") which commenced on September 19, 2022, and expires on September 18, 2023, the Company has purchased 284,843 Common Shares at an average price of \$3.61. The range of the closing prices may have been influenced by the NCIB. In accordance with applicable securities laws, the Company will suspend purchases of its Common Shares pursuant to the NCIB until 20 business days after the Expiration Date (as defined below) or the date of termination of the Offer.

None of Cipher Pharmaceuticals, its Board of Directors, the Depositary or the Dealer Manager makes any recommendation to any Shareholder as to whether to deposit or refrain from depositing Common Shares under the Offer. See Section 4 of the Circular, "*Purpose and Effect of the Offer*". Shareholders must make their own decisions as to whether to deposit Common Shares under the Offer. **Shareholders should carefully consider the income tax consequences of depositing Common Shares pursuant to the Offer. For some Shareholders, the income tax treatment of selling Common Shares to the Company under the Offer may be materially different from the income tax treatment of selling Common Shares in the market. See Section 15 of the Circular – "*Income Tax Considerations*".** Shareholders wishing to deposit all or any portion of their Common Shares pursuant to the Offer must comply in all respects with the delivery procedures described herein. See Section 5 of the Offer to Purchase, "*Procedure for Depositing Common Shares*".

The Offer expires at 5:00 p.m. (Eastern time) on October 11, 2023, unless extended, varied or withdrawn.

The Depositary for the Offer is:

Computershare Investor Services Inc.

By Registered Mail, Hand or Courier

100 University Avenue
8th Floor
Toronto, ON
M5J 2Y1
Attn: Corporate Actions

By Mail

P.O. Box 7021
31 Adelaide St E
Toronto, ON M5C 3H2
Attn: Corporate Actions

Telephone: (416) 263-9200
Toll Free: 1-800-564-6253
Email: corporateactions@computershare.com

The Dealer Manager for the Offer is:

Research Capital Corporation

199 Bay Street, Suite 4500
Toronto ON, M5L 1G2
Telephone: 416-860-8643
Email: dkeating@researchcapital.com

FORWARD-LOOKING STATEMENTS

Certain statements made in this Offer and Circular may constitute "forward-looking information" within the meaning of applicable securities laws. All information contained in this Offer and Circular, other than statements of current and historical fact, is forward-looking information. Forward-looking information includes, but is not limited to, statements regarding the timing, completion and announcement of the results of the Offer, the Company continuing to have sufficient financial resources and working capital to conduct its ongoing business and operations and to pursue its foreseeable or planned business, strategic direction and capital allocation priorities, potential future purchases of additional Common Shares by the Company following expiry of the Offer, if any, the Company's status as a reporting issuer and the continued listing of the Common Shares on the TSX, the purchase of Common Shares under the Offer being in the best interests of the Company and an appropriate use of financial resources, the intentions of the Company's officers and directors to participate in the Offer, certain Shareholders' intentions regarding the Offer, and the costs and expenses incurred in connection with the Offer, as well as statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of Cipher Pharmaceuticals and its subsidiaries. All of the forward-looking information in this Offer and Circular is qualified by this cautionary statement.

Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results, performance or achievements, industry results or events to be materially different from those expressed or implied by the forward-looking information. The material factors or assumptions that were identified and applied in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to: the successful execution of our business strategies and expansion plans, consistent and stable economic conditions and conditions in the financial markets, the consistent and stable legislative environment in which the Company operates, our ability to build our market share and enter new markets, our ability to retain key personnel, our ability to maintain and expand geographic scope, our ability to continue investing in infrastructure to support our growth, our ability to obtain and maintain financing on acceptable terms, currency exchange and interest rates, the impact of competition on our business, and our ability to respond to any changes and trends in our industry or the global economy.

Inherent in the forward-looking information are known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements, or industry results, to differ materially from any results, performance or achievements expressed or implied by such forward-looking information. Those risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information include, but are not limited to: the Company's ability to integrate acquired companies; the variability of the value of the Canadian dollar relative to foreign currencies; general market, economic or political conditions; the duration and impact of pandemics and epidemics on the Company's financial position and operations; the impact of natural disasters on operations, or the operations of customers and their clients; failure to successfully implement the Company's growth strategy; the ability of the Company to successfully develop or acquire and sell new products; and other factors set forth under the heading "Risk Factors" in the Company's most recently filed annual management's discussion and analysis and under the heading "*Risk Factors*" in the Company's most recently filed annual information form (which are available on SEDAR+ at www.sedarplus.ca).

Given these risks, uncertainties and other factors, investors should not place undue reliance on forward-looking information as a prediction of actual results. The forward-looking information reflects management's current expectations and beliefs regarding future events and operating performance and is based on information currently available to management. Although management has attempted to identify important factors that could cause actual results to differ materially from the forward-looking information contained herein, there are other factors that could cause results not to be as anticipated, estimated or intended. The forward-looking information contained herein is current as of the date of this Offer and Circular and, except as required under applicable law, the Company does not undertake the obligation to update or publicly revise any forward-looking statements to reflect new information, subsequent events or circumstances or other factors.

INFORMATION FOR UNITED STATES SHAREHOLDERS ONLY

The Offer is made by Cipher Pharmaceuticals, an Ontario corporation, for its own securities, and while the Offer is subject to the disclosure requirements of the province of Ontario and the other provinces and territories of Canada, Shareholders in the United States should be aware that these disclosure requirements are different from those of the United States.

Neither the Common Shares nor any other class of equity securities of the Company have been registered under Section 12 of the Exchange Act, nor are the Common Shares or any other class of equity securities of the Company subject to a reporting obligation under Section 15(d) of the Exchange Act. As a result, the Offer is not subject to the requirements of Rule 13e-4 under the Exchange Act but is being conducted in compliance with the requirements of Regulation 14E under the Exchange Act, to the extent applicable.

It is a violation of Rule 14e-4 promulgated under the Exchange Act for a person acting alone or in concert with others, directly or indirectly, to tender Common Shares for such person's own account unless at the time of tender and at the Expiry Time such person has a "net long position" in (i) a number of Common Shares that is equal to or greater than the amount tendered and will deliver or cause to be delivered such Common Shares for the purpose of tendering to the Company within the period specified in the Offer; or (ii) other securities immediately convertible into, exercisable for or exchangeable into a number of Common Shares ("**Equivalent Securities**") that is equal to or greater than the number of Common Shares tendered and, upon the acceptance of such tender, will acquire such Common Shares by conversion, exchange, or exercise of such Equivalent Securities to the extent required by the terms of the Offer and will deliver or cause to be delivered such Common Shares so acquired for the purpose of tender to the Company within the period specified in the Offer. Rule 14e-4 also provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person. A tender of Common Shares made pursuant to any method of delivery set forth in the Circular will constitute the tendering Shareholder's acceptance of the terms and conditions of the Offer, as well as the tendering Shareholder's representation and warranty to the Company that (i) such Shareholder has a "net long position" in a number of Common Shares or Equivalent Securities at least equal to the Common Shares being tendered within the meaning of Rule 14e-4; and (ii) such tender of Common Shares complies with Rule 14e-4. The Company's acceptance for payment of Common Shares tendered pursuant to the Offer will constitute a binding agreement between the tendering Shareholder and the Company upon the terms and subject to the conditions of the Offer.

Financial statements of Cipher Pharmaceuticals have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and are subject to Canadian auditing and auditor independence standards and, therefore, they may not be comparable to financial statements of U.S. companies prepared in accordance with United States generally accepted accounting principles and United States auditing and auditor independence standards.

The enforcement by Shareholders of civil liabilities under U.S. federal securities laws may be adversely affected by the fact that the Company is organized under the laws of the province of Ontario, that certain of its directors and officers are residents of Canada, that some or all of the experts named in the Circular are non-residents of the United States and that all or a substantial portion of the assets of the Company and said persons are located outside the United States. It may be difficult to effect service of process on the Company, its officers and directors and the experts named in the Circular. Additionally, it might be difficult for Shareholders to enforce judgments of U.S. courts based on civil liability provisions of the U.S. federal securities laws or the securities or "blue sky" laws of any state within the U.S. in a Canadian court against the Company or any of its non-U.S. resident directors, officers or the experts named in the Circular or to bring an original action in a Canadian court to enforce liabilities based on the federal or state securities laws against such persons.

Shareholders should be aware that the acceptance of the Offer will have certain tax consequences under U.S. and Canadian law. See Section 15 of the Circular – "*Income Tax Considerations*". Shareholders should consult their tax advisors with respect to their particular circumstances and tax considerations applicable to them.

Neither the U.S. Securities and Exchange Commission, nor any U.S. domestic state, Canadian provincial, territorial or foreign securities commission, has approved or disapproved of this transaction or passed upon the merits or fairness of such transaction or passed upon the adequacy or accuracy of the information contained in this Offer. Any representation to the contrary is a criminal offence.

NOTICE TO HOLDERS OF OPTIONS AND CONVERTIBLE OR EXCHANGEABLE SECURITIES

The Offer is made only for Common Shares and is not made for any options to purchase Common Shares or any other securities of Cipher Pharmaceuticals that are convertible into or exchangeable or exercisable for Common Shares. Any holder of such options or other securities convertible into or exchangeable or exercisable for Common Shares who wishes to accept the Offer must, to the extent permitted by the terms of the security and applicable laws, exercise the option or other securities convertible into or exchangeable or exercisable for Common Shares in order to obtain Common Shares and deposit those Common Shares in accordance with the terms of the Offer. Any such conversion, exchange or exercise must be completed sufficiently in advance of the Expiry Time to ensure that the holder of such options or other securities will have the Common Shares issued or deliverable and, if applicable, will have received the certificate(s) or DRS position(s) representing the Common Shares, on such exercise, available for deposit at or prior to the Expiry Time, or in sufficient time to comply with the procedures referred to below in Section 5 of the Offer to Purchase, "*Procedure for Depositing Common Shares*". Any such conversion, exercise or exchange will be irrevocable, including where the Common Shares tendered are subject to proration or otherwise are not taken up.

CURRENCY

All references to "\$" in the Offer to Purchase Common Shares and the Circular are in Canadian dollars, except where otherwise indicated.

The Company's presentation currency for continuous disclosure purposes is United States ("U.S.") dollars, therefore certain financial information of the Company contained in "Schedule "A" – *Valuation Report*" is expressed in U.S. dollars, except where otherwise indicated.

INTERPRETATION

Unless the context otherwise requires, all references in the Offer to Purchase and Circular to "we", "us", "Cipher Pharmaceuticals" or the "Company" refer solely to Cipher Pharmaceuticals Inc., except for such references in Section 1 of the Circular where such terms refer to Cipher Pharmaceuticals Inc. and its subsidiaries. All information in this Offer to Purchase and Circular is given as of September 6, 2023 unless otherwise indicated.

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GLOSSARY

In this document, unless the subject matter or context is inconsistent therewith, the following terms have the following meanings:

"**Agent's Message**" means a message, transmitted by DTC, to and received by the Depository and forming a part of a DTC book entry confirmation.

"**Auction Tender**" means an auction tender delivered by Shareholders wishing to tender to the Offer in which the tendering Shareholders specify the number of Common Shares being tendered at a price per Common Share of not less than \$3.95 and not more than \$4.75 and in increments of \$0.05 within that range.

"**Board of Directors**" means the board of directors of the Company.

"**Book Entry Confirmation**" means a confirmation of a book entry transfer of Common Shares into the Depository's account established at CDS in accordance with the terms of the Offer.

"**business day**" means any day other than a Saturday, a Sunday and a statutory holiday in Toronto, Ontario.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**CDS Participant**" means a participant in CDSX.

"**CDSX**" means the book entry system administered by CDS.

"**Cipher Pharmaceuticals**" means Cipher Pharmaceuticals Inc.

"**Circular**" means the attached issuer bid circular.

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended.

"**Common Shares**" means common shares in the capital of the Company.

"**Company**" means Cipher Pharmaceuticals Inc.

"**Dealer Manager**" means Research Capital Corporation.

"**Depository**" means Computershare Investor Services Inc.

"**Deposited Common Shares**" means Common Shares validly deposited pursuant to the Offer and not properly withdrawn.

"**DRS**" means the Direct Registration System maintained by the Company's transfer agent.

"**DTC**" means the Depository Trust Company.

"**Eligible Institution**" means a Canadian Schedule I chartered bank, a member of the Securities Transfer Agent Medallion Program (STAMP), a member of the Stock Exchanges Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP).

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**Expiration Date**" means October 11, 2023 or such later date to which the Offer may be extended by the Company.

"**Expiry Time**" means 5:00 p.m. (Eastern time) on the Expiration Date or such later time on the Expiration Date to which the Offer may be extended by the Company.

"**IRS**" means the United States Internal Revenue Service.

"**Letter of Transmittal**" means the letter of transmittal in the form forwarded with the Circular.

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, as amended.

"**NCIB**" means the normal course issuer bid of the Company that was announced on September 19, 2022, under which the Company is authorized to acquire for up to a maximum of 1,403,293 Common Shares, or approximately 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), for cancellation over the subsequent 12 months.

"**Notice of Guaranteed Delivery**" means the notice of guaranteed delivery in the form forwarded with the Circular.

"**Odd Lot Holders**" means Shareholders who beneficially own fewer than 100 Common Shares.

"**Offer**" means the offer made to Shareholders to purchase that number of Common Shares having an aggregate purchase price not exceeding \$6,000,000, the terms and conditions of which are set forth in the Offer to Purchase, the accompanying Circular and the related Letter of Transmittal and Notice of Guaranteed Delivery.

"**Offer to Purchase**" means the attached offer to purchase.

"**person**" means and includes any individual, sole proprietorship, partnership, joint venture, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, a trustee, executor, administrator or other legal representative and any governmental authority or any agency or instrumentality thereof.

"**PFIC**" means a "passive foreign investment company" within the meaning of Section 1297(a) of the Code.

"**Purchase Price**" means the price per Common Share (being not more than \$4.75 and not less than \$3.95 per Common Share) that the Company will pay for Deposited Common Shares, determined in accordance with the process described in Section 2 of this Offer to Purchase.

"**Purchase Price Tender**" means a deposit (or deemed deposit) where tendering Shareholders do not specify a price per Common Share, but rather agree to have a specified number of Common Shares purchased at the Purchase Price as determined under the Offer, it being understood that, for the purposes of determining the Purchase Price, Shares that are the subject of Purchase Price Tenders will be deemed to have been tendered at the minimum price of \$3.95 per Common Share.

"**SEDAR+**" means the Canadian System for Electronic Document Analysis and Retrieval.

"**Shareholder**" means the registered or beneficial holder of outstanding Common Shares, as the context requires.

"**Tax Act**" means the *Income Tax Act* (Canada), as amended, and the regulations promulgated thereunder.

"**TSX**" means the Toronto Stock Exchange.

"**Valuation Report**" means the report entitled "Comprehensive Valuation Report on Cipher Pharmaceuticals Inc." of the Valuator as set forth in Schedule A to the Circular.

"**Valuator**" or "**Evans & Evans**" means Evans & Evans, Inc.

SUMMARY

*This general summary ("**Summary**") is solely for the convenience of Shareholders and is qualified in its entirety by reference to the full text and more specific details in the Offer. This Summary highlights material information relating to this Offer, but it is not meant to be a substitute for the information contained in the Offer to Purchase, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery. Therefore, the Company urges Shareholders to carefully read the Offer to Purchase, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery in their entirety prior to making any decision regarding whether or not to deposit Common Shares held or the price or prices at which a Shareholder may choose to deposit Common Shares to the Offer. The Company has included cross-references in this Summary to other sections of the Offer to Purchase, the Circular and the Letter of Transmittal where a Shareholder will find a more complete discussion of the topics mentioned in this Summary. Unless otherwise defined in this Offer to Purchase, capitalized terms have the meaning assigned to them under the heading "Glossary" above.*

Shareholders who are in doubt as to how to deal with this Offer should consult their investment dealer, stockbroker, bank manager, lawyer, accountant or other professional advisor.

WHO IS OFFERING TO PURCHASE MY COMMON SHARES?

Cipher Pharmaceuticals is offering to purchase for cancellation that number of Common Shares validly tendered and not properly withdrawn pursuant to the Offer having an aggregate purchase price not exceeding \$6,000,000.

WHY IS CIPHER PHARMACEUTICALS MAKING THE OFFER?

Cipher Pharmaceuticals is making the Offer because its Board of Directors, based on a number of factors (including recommendations from management), believes that the purchase of Common Shares is in the best interests of the Company and represents an appropriate use of its available cash on hand. Cipher Pharmaceuticals and its Board of Directors also believe that the Offer represents an equitable and efficient means for the Company to distribute up to \$6,000,000 of capital to Shareholders who elect to tender, while at the same time proportionately increasing the equity interest in the Company of Shareholders who do not deposit their Common Shares to the Offer. See Section 4 of the Circular, "*Purpose and Effect of the Offer*".

WHAT WILL THE PURCHASE PRICE FOR THE COMMON SHARES BE AND WHAT WILL BE THE FORM OF PAYMENT?

The Company is conducting the Offer through a procedure called a "modified Dutch Auction". This procedure allows Shareholders making Auction Tenders to select a price of not more than \$4.75 per Common Share and not less than \$3.95 per Common Share (and in increments of \$0.05 within that range) at which they are willing to deposit all or part of their Common Shares. As promptly as practicable after 5:00 p.m. (Eastern time) on October 11, 2023, the Company will, upon the terms and subject to the conditions of the Offer, determine a single Purchase Price (which will be not more than \$4.75 and not less than \$3.95 per Common Share) that the Company will pay for Common Shares validly deposited pursuant to the Offer and not properly withdrawn, taking into account the number of Common Shares deposited pursuant to Auction Tenders and Purchase Price Tenders and the prices specified by Shareholders depositing Common Shares pursuant to Auction Tenders. Common Shares deposited pursuant to Purchase Price Tenders will be deemed to have been deposited at a price of \$3.95 per Common Share for purposes of determining the Purchase Price (which is the minimum price per Common Share under the Offer). Shareholders who validly deposit Common Shares without specifying the method in which they are tendering their Common Shares will be deemed to have made a Purchase Price Tender.

The Purchase Price will be the lowest price per Common Share of not more than \$4.75 and not less than \$3.95 per Common Share at which Common Shares have been deposited or have been deemed to be deposited under the Offer that will enable the Company to purchase the maximum number of Common Shares deposited pursuant to the Offer, having an aggregate purchase price not exceeding \$6,000,000. Cipher Pharmaceuticals will publicly announce the Purchase Price promptly after it has been determined and, upon the terms and subject to the conditions of the Offer (including the proration provisions and the preferential acceptance of odd lots, each as described herein), the Company will pay the Purchase Price in cash to all Shareholders who have validly deposited (and have not properly withdrawn) their Common Shares pursuant to Auction Tenders at prices equal to or less than the Purchase Price or pursuant to Purchase Price Tenders, subject to proration and applicable withholding taxes.

See Section 2 of the Offer to Purchase, "*Purchase Price*". All Common Shares purchased by the Company pursuant to the Offer (including Common Shares tendered at auction prices below the Purchase Price) will be purchased at the same Purchase Price.

HOW MANY COMMON SHARES WILL CIPHER PHARMACEUTICALS PURCHASE?

Cipher Pharmaceuticals will purchase, at the Purchase Price, Common Shares validly deposited under the Offer and not properly withdrawn up to a maximum aggregate purchase price of \$6,000,000. Since the Purchase Price will only be determined after the Expiry Time, the number of Common Shares that will be purchased will not be known until after that time.

If the Purchase Price is determined to be \$3.95 per Common Share, the minimum Purchase Price under the Offer, the maximum number of Common Shares that will be purchased under the Offer is 1,518,987. Assuming that the Offer is fully subscribed, if the Purchase Price is determined to be \$4.75 per Common Share, the maximum Purchase Price under the Offer, the maximum number of Common Shares that will be purchased under the Offer is 1,263,157.

As at September 1, 2023, there were 25,310,551 Common Shares issued and outstanding. The maximum of 1,518,987 Common Shares that the Company is offering to purchase hereunder represents approximately 6.00% of the total number of Common Shares issued and outstanding as at September 1, 2023. Assuming the Offer is fully subscribed, the minimum of 1,263,157 Common Shares that the Company is offering to purchase hereunder represents approximately 4.99% of the total number of Common Shares issued and outstanding as at September 1, 2023. See Section 3 of the Offer to Purchase, "*Number of Common Shares, Proration*".

WHAT HAPPENS IF THE NUMBER OF COMMON SHARES DEPOSITED TO THE OFFER WOULD RESULT IN AN AGGREGATE PURCHASE PRICE OF MORE THAN \$6,000,000?

If the Offer would result in an aggregate purchase price of more than \$6,000,000, we will purchase a pro-rated portion of the Common Shares so tendered pursuant to Auction Tenders at or below the Purchase Price and Purchase Price Tenders (after giving preferential treatment to Odd Lot Holders).

See Section 3 of the Offer to Purchase, "*Number of Common Shares, Proration*", for additional details, including the formula that we will use to determine proration. If no Auction Tenders or Purchase Price Tenders are made pursuant to the Offer, we will not purchase any Common Shares pursuant to the Offer.

CAN A SHAREHOLDER DEPOSIT THE COMMON SHARES IT HOLDS AT DIFFERENT PRICES?

Yes. A Shareholder making an Auction Tender can elect to deposit some of the Common Shares held by that Shareholder to the Offer at one price and other Common Shares at one or more other prices, but a Shareholder may not deposit the same Common Shares pursuant to more than one method of tender or pursuant to an Auction Tender at more than one price. A Shareholder may deposit different Common Shares pursuant to Auction Tenders and Purchase Price Tenders. If a Shareholder desires to deposit Common Shares in separate lots pursuant to more than one method of tender or pursuant to an Auction Tender at a different price for each lot, that Shareholder must complete a separate Letter of Transmittal (and, if applicable, a Notice of Guaranteed Delivery) for each method and/or price pursuant to an Auction Tender at which that Shareholder is depositing Common Shares. See Section 5 of the Offer to Purchase, "*Procedure for Depositing Common Shares*".

CAN A SHAREHOLDER TENDER ONLY A PORTION OF THE COMMON SHARES IT OWNS?

Yes. A Shareholder does not have to tender all of the Common Shares it owns to participate in the Offer, unless the Shareholder is an Odd Lot Holder in which case the Shareholder must tender all of its Common Shares. The Shareholder may not tender more Common Shares than it owns in the Offer.

Odd Lot Holders making an Auction Tender or a Purchase Price Tender will be required to tender all of the Common Shares owned by the Shareholder. Partial tenders will not be accepted from Odd Lot Holders. See Section 5 of this Offer to Purchase, "*Procedure for Depositing Common Shares*".

HOW DOES A SHAREHOLDER DEPOSIT COMMON SHARES?

In order to deposit Common Shares pursuant to the Offer, a Shareholder must either:

- deliver a properly completed and duly executed Letter of Transmittal (or a manually executed photocopy thereof) with any required signatures guaranteed by an Eligible Institution, and any other documents required by the Letter of Transmittal, to the Depository at its address set forth on the Letter of Transmittal, prior to 5:00 p.m. (Eastern time) on October 11, 2023 (or such later date and time if the Expiry Time of the Offer is extended). A Shareholder who holds share certificates must deliver the certificates for all Common Shares validly deposited pursuant to the Offer in proper form for transfer, together with its Letter of Transmittal. A Shareholder whose Common Shares are held through DRS or represented by ownership statements must only deliver its Letter of Transmittal and is not required to submit their DRS positions or ownership statement;
- tender by following the procedures for book-entry transfer, provided that a Book Entry Confirmation through the CDSX system (in the case of Common Shares held in CDS) or an Agent's Message (in the case of Shares held in DTC) is received by the Depository at its office in Toronto, Ontario prior to the Expiry Time; or
- follow the guaranteed delivery procedures described under Section 5 of the Offer to Purchase, "*Procedure for Depositing Common Shares*".

If a Shareholder wishes to deposit Common Shares under the Offer and the Common Shares held are registered in the name of an investment dealer, stockbroker, bank, trust company or other nominee, the Shareholder should immediately contact its nominee in order to take the necessary steps to be able to deposit the Common Shares held under the Offer. See Section 5 of the Offer to Purchase, "*Procedure for Depositing Common Shares*".

A Shareholder may deposit Common Shares pursuant to the Offer either pursuant to an "Auction Tender" or a "Purchase Price Tender". A Shareholder may deposit some Common Shares pursuant to an Auction Tender and others pursuant to a Purchase Price Tender. A Shareholder may not deposit the same Common Shares pursuant to more than one method of tender or pursuant to an Auction Tender at more than one price. See Section 5 of this Offer to Purchase, "*Procedure for Depositing Common Shares*". Odd Lot Holders making an Auction Tender or a Purchase Price Tender will be required to tender all Common Shares owned by the Shareholder. Partial tenders will not be accepted from Odd Lot Holders. See Section 5 of the Offer to Purchase, "*Procedure for Depositing Common Shares*".

Auction Tender: If a Shareholder is making an Auction Tender, the Shareholder must specify the minimum price per Common Share (of not more than \$4.75 and not less than \$3.95 per Common Share, in increments of \$0.05) at which that Shareholder is willing to sell its Common Shares to the Company. Common Shares validly deposited pursuant to an Auction Tender and not properly withdrawn will only be taken up if the price specified in the Auction Tender is equal to or less than the Purchase Price determined by the Company.

Purchase Price Tender: If a Shareholder wishes to deposit Common Shares but does not wish to specify a minimum price at which the Company may purchase such Common Shares, the Shareholder should make a Purchase Price Tender. Shareholders should be aware that Common Shares tendered in Purchase Price Tenders will be deemed to have been tendered at the minimum purchase price of \$3.95 per Common Share.

If a Shareholder validly deposits Common Shares pursuant to an Auction Tender at \$3.95 per Common Share (the minimum purchase price under the Offer) or if a Shareholder validly deposits Common Shares pursuant to a Purchase Price Tender, that Shareholder can reasonably expect to have all or a portion of such Common Shares purchased at the Purchase Price if any Common Shares are purchased under the Offer (subject to the proration provisions and the preferential acceptance of Odd Lot Holders).

Shareholders who validly deposit Common Shares without specifying the method in which they are tendering their Common Shares will be deemed to have made a Purchase Price Tender. No alternative, conditional or contingent tenders will be accepted.

See Section 2 of the Offer to Purchase, "*Purchase Price*".

HOW LONG DOES A SHAREHOLDER HAVE TO DEPOSIT COMMON SHARES IT OWNS?

A Shareholder may deposit Common Shares held up until the Offer expires. The Offer expires at 5:00 p.m. (Eastern time) on October 11, 2023, or at a later time as the Company may determine. If an investment dealer, stockbroker, bank, trust company or other nominee holds Common Shares for a Shareholder, it is likely that the nominee has established an earlier deadline for that Shareholder to instruct the nominee to accept the Offer on its behalf. A Shareholder should immediately contact the Shareholder's investment dealer, stockbroker, bank, trust company or other nominee to determine the nominee's deadline. See Section 8 of the Offer to Purchase, "*Extension and Variation of the Offer*".

CAN THE OFFER BE EXTENDED, VARIED OR TERMINATED?

Absent regulatory relief, Cipher Pharmaceuticals will not be permitted to extend the Offer in the event the Offer is undersubscribed on the original Expiration Date and all conditions of the Offer have been satisfied or waived by Cipher Pharmaceuticals without first taking up all Common Shares validly deposited under the Offer and not withdrawn. See Section 8 of the Offer to Purchase, "*Extension and Variation of the Offer*".

The Company expressly reserves the right, in its sole discretion (i) to terminate the Offer and not take up and pay for any Shares not theretofore taken up and paid for upon the occurrence of any of the events specified under Section 7 of the Offer to Purchase, "*Certain Conditions of the Offer*", and (ii) at any time or from time to time prior to the Expiration Date, to amend the Offer in any respect, including increasing or decreasing the number of Common Shares the Company may purchase or the range of prices it may pay pursuant to the Offer, subject to compliance with applicable securities legislation.

The Company will not provide for any subsequent offering period following the Expiration Date.

HOW WILL A SHAREHOLDER BE NOTIFIED IF CIPHER PHARMACEUTICALS EXTENDS THE OFFER?

If Cipher Pharmaceuticals extends the Offer, Cipher Pharmaceuticals will issue a press release no later than 9:00 a.m. (Eastern time) on the next business day following the last previously scheduled or announced Expiration Date. See Section 8 of the Offer to Purchase, "*Extension and Variation of the Offer*".

WHAT WILL HAPPEN IF A SHAREHOLDER DOES NOT DEPOSIT COMMON SHARES HELD?

Upon completion of the Offer, if a Shareholder does not deposit the Common Shares held by it to the Offer, that Shareholder will realize a proportionate increase in its equity interest in Cipher Pharmaceuticals to the extent the Company purchases Common Shares pursuant to the Offer. See Section 4 of the Circular, "*Purpose and Effect of the Offer*".

ARE THERE ANY CONDITIONS TO THE OFFER?

Yes. The Offer is subject to a number of conditions that are customary for transactions of this nature, such as changes in market price of the Common Shares or in stock markets generally, the absence of court and governmental action prohibiting the Offer and the absence of changes in general market conditions or Cipher Pharmaceuticals' business that, in the Company's sole judgment, acting reasonably, make it inadvisable to proceed with the Offer. The Offer is not conditional upon any minimum number of Common Shares being tendered. See Section 7 of the Offer to Purchase, "*Certain Conditions of the Offer*".

ONCE A SHAREHOLDER HAS DEPOSITED COMMON SHARES TO THE OFFER, CAN THAT SHAREHOLDER WITHDRAW THOSE COMMON SHARES?

Yes. A Shareholder may withdraw Common Shares deposited pursuant to the Offer (i) at any time before those Common Shares have been taken up by the Company; (ii) at any time before the expiration of 10 days from the date that a notice of change or variation (unless the Common Shares deposited pursuant to the Offer have been taken up by the Company before the date of the notice of change or variation, and other than a variation that (a) consists solely of an increase in the consideration offered for those Common Shares under the Offer where the time for deposit is not extended for greater than 10 days, or (b) consists solely of the waiver of a condition of the Offer) has been given in accordance with Section 8 of the Offer to Purchase, "*Extension and Variation of the Offer*"; and (iii) if those Common Shares have not been paid for by the Company within three business days after having been taken up. See Section 6 of the Offer to Purchase, "*Withdrawal Rights*".

HOW DOES A SHAREHOLDER WITHDRAW COMMON SHARES PREVIOUSLY DEPOSITED?

For a withdrawal to be effective, a written notice of withdrawal from or on behalf of the Shareholder must be received by the Depositary prior to the time at which the Common Shares deposited pursuant to the Offer are taken up by the Company at the office as set forth on the Letter of Transmittal or Notice of Guaranteed Delivery of the relevant Common Shares. Any such notice of withdrawal must be signed by or on behalf of the person who signed the Letter of Transmittal or Notice of Guaranteed Delivery that accompanied the Common Shares being withdrawn and must specify the name of the person who deposited the Common Shares to be withdrawn, the name of the registered holder, if different from that of the person who deposited such Common Shares, and the number of Common Shares to be withdrawn. Some additional requirements apply if the Common Shares to be withdrawn have been delivered to the Depositary. The withdrawal will take effect only upon actual receipt by the Depositary of the properly completed and executed written notice. See Section 6 of the Offer to Purchase, "*Withdrawal Rights*".

WHAT DOES A SHAREHOLDER DO IF THAT SHAREHOLDER OWNS AN "ODD LOT" OF COMMON SHARES?

If a Shareholder owns in the aggregate fewer than 100 Common Shares as of the close of business on the Expiration Date and that Shareholder validly deposits all such Common Shares pursuant to an Auction Tender at a price equal to or less than the Purchase Price or pursuant to a Purchase Price Tender, the Company will purchase all of those Common Shares without proration (but otherwise subject to the terms and conditions of the Offer) if the Company purchases any Common Shares pursuant to the Offer. This proration preference is not available to holders of 100 or more Common Shares even if holders have separate share certificates, ownership statements or DRS positions for fewer than 100 Common Shares or hold fewer than 100 Shares in different accounts. Odd Lot Holders making an Auction Tender or a Purchase Price Tender will be required to tender all Common Shares owned by the Shareholder. Partial tenders will not be accepted from Odd Lot Holders. If a Shareholder owns an "odd lot" of Common Shares, that Shareholder must check (or tick) the "Odd Lots" box in either the Letter of Transmittal or the Notice of Guaranteed Delivery. See Section 3 of the Offer to Purchase, "*Number of Common Shares, Proration*" and Section 5 of the Offer to Purchase, "*Procedure for Depositing Common Shares*".

WHEN WILL CIPHER PHARMACEUTICALS PAY FOR THE COMMON SHARES DEPOSITED?

Cipher Pharmaceuticals will publicly announce the Purchase Price promptly after it has been determined and will take up Common Shares to be purchased pursuant to the Offer promptly after the Expiry Time (which is required to occur no later than 10 days after such time). Cipher Pharmaceuticals will pay for such Common Shares promptly after taking up such Common Shares (which payment is required to occur no later than three business days after the Common Shares have been taken up). See Section 9 of the Offer to Purchase, "*Taking Up and Payment for Deposited Common Shares*". In the event that the Company elects to extend the Offer, it will not take up or pay for any Common Shares until the expiry of such extension.

WHAT IS THE RECENT MARKET PRICE OF THE COMMON SHARES?

On September 1, 2023, the last trading day prior to the announcement by Cipher Pharmaceuticals of the intention to commence the Offer, the closing price of the Common Shares on the TSX was \$3.97. During the past 12 months, the closing prices of the Common Shares on the TSX have ranged from a low of \$2.63 to a high of \$4.10. See Section 6 of the Circular, "*Trading Price and Volume*". The range of the closing prices may have been influenced by NCIB.

WILL A SHAREHOLDER HAVE TO PAY BROKERAGE COMMISSIONS IF COMMON SHARES ARE DEPOSITED?

If a Shareholder is a registered Shareholder and deposits Common Shares directly to the Depositary, the Shareholder will not incur any brokerage commissions. If the Shareholder holds Common Shares through an investment dealer, broker, bank, trust company or other nominee, Cipher Pharmaceuticals urges the Shareholder to consult its nominee to determine whether the Shareholder will incur any brokerage commissions or other transaction costs. See Section 5 of the Offer to Purchase, "*Procedure for Depositing Common Shares*".

WHAT ARE THE INCOME TAX CONSEQUENCES OF DEPOSITING COMMON SHARES TO THE OFFER?

Shareholders should carefully consider the income tax consequences of depositing Common Shares pursuant to the Offer. See Section 15 of the Circular – "Income Tax Considerations".

For Canadian federal income tax purposes, a Shareholder who sells Common Shares to Cipher Pharmaceuticals under the Offer will be deemed to receive a dividend under the Tax Act equal to the amount by which the amount paid by Cipher Pharmaceuticals for the Common Shares exceeds the "paid-up capital" of the Common Shares for purposes of the Tax Act. In view of the deemed dividend tax treatment that would apply under the Tax Act to a sale of Common Shares under the Offer, as opposed to the capital gain or capital loss treatment that would generally apply to a sale of Common Shares in the market, Shareholders who wish to sell their Common Shares should consult their tax advisors regarding selling their Common Shares in the market as an alternative to accepting the Offer, in order to receive capital gain (or capital loss) treatment on the disposition of their Common Shares and further in the case of Non-Resident Shareholders for the proceeds not to be subject to Canadian withholding tax. The selling price for such market sales may be different from the Purchase Price.

For U.S. federal income tax purposes, the receipt of cash by a U.S. Holder (as defined in Section 15 of the Circular – "Income Tax Considerations") pursuant to the Offer generally will be treated either as (a) a sale or exchange eligible for capital gain or loss treatment or (b) a distribution by Cipher Pharmaceuticals in respect of its Common Shares, depending on the circumstances of such U.S. Holder and its ownership of shares before and after the Offer. The Company does not believe that it was a PFIC for its tax year ended December 31, 2022, and no determination has been made regarding the Company's PFIC status for the current tax year. The PFIC determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our control, including the value of our assets and the amount and type of our income. Accordingly, there can be no assurance that the Company has not been or will not be classified as a PFIC for any taxable year. If the Company were a PFIC with respect to a U.S. Holder, then such U.S. Holder generally could be subject to adverse U.S. federal income tax consequences upon the sale of Common Shares pursuant to the Offer.

The deemed dividend tax treatment of a sale of Common Shares under the Offer, as well as certain other Canadian federal income tax considerations and certain U.S. federal income tax considerations, including PFIC considerations, are described in general terms in Section 15 of the Circular – "Income Tax Considerations". Shareholders are urged to carefully consider the income tax consequences of depositing Common Shares pursuant to the Offer and consult with their tax advisors in this regard.

HAS CIPHER PHARMACEUTICALS OR ITS BOARD OF DIRECTORS ADOPTED A POSITION ON THE OFFER?

None of the Company, its Board of Directors, the Valuator, the Depositary or the Dealer Manager makes any recommendation to any Shareholder as to whether to deposit or refrain from depositing Common Shares under the Offer or as to the purchase price or purchase prices at which any Shareholder may deposit Common Shares under the Offer. Shareholders must make their own decisions as to whether to deposit or refrain from depositing Common Shares pursuant to the Offer and, if so, how many Common Shares to deposit and whether to specify a price and, if so, at what price to deposit such Common Shares. Shareholders should carefully consider all relevant factors with their own financial advisors, including the income tax consequences of depositing Common Shares pursuant to the Offer.

WILL CIPHER PHARMACEUTICALS'S DIRECTORS OR OFFICERS OR ANY SIGNIFICANT SHAREHOLDER DEPOSIT COMMON SHARES TO THE OFFER?

The persons named under "Interest of Directors and Officers and Transactions and Arrangements Concerning Securities – Ownership of the Securities of the Company" have indicated that they do not intend to deposit any of such person's or company's Common Shares pursuant to the Offer.

However, in the event that the circumstances or decisions of any such persons or companies change, they may decide to tender, or not to tender, Common Shares to the Offer or sell their Common Shares through the facilities of the TSX or otherwise during the period prior to the Expiration Date. See Section 14 of the Circular – "Intention to Deposit Common Shares".

HOW WILL CIPHER PHARMACEUTICALS PAY FOR THE COMMON SHARES DEPOSITED TO THE OFFER?

Cipher Pharmaceuticals intends to fund any purchase of Common Shares pursuant to the Offer, including related fees and expenses, from available cash on hand. The Offer is not conditional upon the receipt of financing. See Section 4 of the Circular, "*Purpose and Effect of the Offer*" and Section 17 of the Circular, "*Source of Funds*".

WILL CIPHER PHARMACEUTICALS HAVE SUFFICIENT FINANCIAL RESOURCES REMAINING UPON COMPLETION OF THE OFFER?

After giving effect to the Offer, Cipher Pharmaceuticals believes that it will continue to have sufficient financial resources and working capital to conduct its business.

WHO CAN I TALK TO IF I HAVE QUESTIONS?

For further information regarding the Offer, a Shareholder may contact the Depositary, the Dealer Manager or consult its own stockbroker or other professional advisors. The telephone numbers of the Depositary and the Dealer Manager are set forth on the back cover page of this Offer to Purchase and Circular.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY RECOMMENDATION ON BEHALF OF THE COMPANY AS TO WHETHER SHAREHOLDERS SHOULD DEPOSIT OR REFRAIN FROM DEPOSITING COMMON SHARES PURSUANT TO THE OFFER. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFER OTHER THAN AS SET FORTH IN THE OFFER. IF GIVEN OR MADE, ANY SUCH RECOMMENDATION OR ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY.

OFFER TO PURCHASE

To the Holders of the Common Shares of Cipher Pharmaceuticals:

1. The Offer

The Company hereby offers to purchase for cancellation that number of Common Shares validly tendered and not properly withdrawn pursuant to the Offer having an aggregate purchase price not exceeding \$6,000,000 pursuant to: (a) Auction Tenders at a price per Common Share of not more than \$4.75 and not less than \$3.95, in increments of \$0.05 per Common Share, as specified by such Shareholders or (b) Purchase Price Tenders, in any case, on the terms and subject to the conditions set forth in this Offer to Purchase, the accompanying Circular, the related Letter of Transmittal and the Notice of Guaranteed Delivery. Shareholders who validly deposit Common Shares without specifying the method in which they are tendering their Common Shares will be deemed to have made a Purchase Price Tender.

The Offer will commence on September 6, 2023, the date of this Offer to Purchase, and expire at 5:00 p.m. (Eastern time) on October 11, 2023, or at such later time and date to which the Offer may be extended by Cipher Pharmaceuticals.

THE OFFER IS NOT CONDITIONAL UPON ANY MINIMUM NUMBER OF COMMON SHARES BEING DEPOSITED. THE OFFER IS, HOWEVER, SUBJECT TO CERTAIN OTHER CONDITIONS. SEE SECTION 7 OF THE OFFER TO PURCHASE, "CERTAIN CONDITIONS OF THE OFFER".

All Shareholders who have validly deposited and not properly withdrawn their Common Shares pursuant to Auction Tenders at prices equal to or less than the Purchase Price or pursuant to Purchase Price Tenders will receive the Purchase Price, payable in cash (but subject to applicable withholding taxes, if any), for all Common Shares purchased, upon the terms and subject to the conditions of the Offer, including the provisions relating to proration and the preferential acceptance of Odd Lot Holders described herein. Registered Shareholders who deposit their Common Shares directly to the Depositary will not incur any brokerage commissions. Shareholders who hold Common Shares through an investment dealer, stockbroker, bank, trust company or other nominee are urged to consult with their nominee to determine whether they will incur any brokerage commissions or other transaction costs. See Section 5 of the Offer to Purchase, "*Procedure for Depositing Common Shares*".

All Common Shares not purchased, including all Common Shares deposited pursuant to Auction Tenders at prices in excess of the Purchase Price, Common Shares not purchased due to proration and Common Shares not accepted for purchase, will be returned promptly after the Expiration Date or termination of the Offer without expense to the depositing Shareholder.

None of Cipher Pharmaceuticals, its Board of Directors, the Valuator, the Depositary or the Dealer Manager makes any recommendation to any Shareholder as to whether to deposit or refrain from depositing Common Shares. Shareholders must make their own decisions as to whether to deposit or refrain from depositing Common Shares pursuant to the Offer and, if they decide to deposit, how many Common Shares to deposit and whether to specify a price, and, if so, at what price to deposit such Common Shares. Shareholders should carefully consider all relevant factors with their own financial advisors, including the income tax consequences of depositing Common Shares pursuant to the Offer. See Section 15 of the Circular – "*Income Tax Considerations*".

The accompanying Circular, Letter of Transmittal and Notice of Guaranteed Delivery contain important information and should be read carefully before making a decision with respect to the Offer.

2. Purchase Price

As promptly as practicable following the Expiration Date, the Company will determine a single Purchase Price per Common Share (not less than \$3.95 and not more than \$4.75) that it will pay for Deposited Common Shares, taking into account the number of Common Shares deposited pursuant to Auction Tenders and Purchase Price Tenders and the prices specified by Shareholders depositing Common Shares pursuant to Auction Tenders. Common Shares deposited pursuant to Purchase Price Tenders will be deemed to have been deposited at a price of \$3.95 per Common Share (which is the minimum price per Common Share under the Offer) for the purpose of determining the Purchase Price. The Purchase Price will be the lowest price per Common Share that will enable Cipher Pharmaceuticals to purchase the maximum number of Common Shares validly

deposited pursuant to Auction Tenders and Purchase Price Tenders and not properly withdrawn having an aggregate purchase price not exceeding \$6,000,000.

As promptly as practicable after determining the Purchase Price, Cipher Pharmaceuticals will publicly announce the Purchase Price and all Shareholders who have validly deposited and not properly withdrawn their Common Shares pursuant to Auction Tenders at prices equal to or less than the Purchase Price or pursuant to Purchase Price Tenders will receive the Purchase Price, payable in cash (but subject to applicable withholding taxes), for all Common Shares purchased upon the terms and subject to the conditions of the Offer, including the provisions relating to proration and the preferential acceptance of Odd Lot Holders described below. See Section 3 of the Offer to Purchase, "*Number of Common Shares, Proration*".

Shareholders validly depositing Common Shares pursuant to Auction Tenders at \$3.95 per Common Share (the minimum purchase price under the Offer) and Shareholders validly depositing Common Shares pursuant to Purchase Price Tenders can reasonably expect to have all or a portion of such Common Shares purchased at the Purchase Price if any Common Shares are purchased under the Offer (subject to provisions relating to proration and the preferential acceptance of Odd Lot Holders described below).

All Auction Tenders and Purchase Price Tenders will be subject to adjustment to avoid the purchase of fractional Common Shares (rounding down to the nearest whole number of Common Shares). All payments to Shareholders will be subject to deduction of applicable withholding taxes. See Section 15 of the Circular – "*Income Tax Considerations*".

The Purchase Price will be denominated in Canadian dollars. If you are a registered Shareholder, you will receive the Purchase Price in Canadian dollars unless you exercise the right to elect in your Letter of Transmittal or Notice of Guaranteed Delivery to receive the Purchase Price in U.S. dollars.

If you are a non-registered Shareholder, you will receive the Purchase Price in Canadian dollars unless you contact the intermediary in whose name your Common Shares are registered and request that the intermediary make an election on your behalf. If your intermediary does not make an election on your behalf, you will receive payment in Canadian dollars.

The exchange rate that will be used to convert payments from Canadian dollars into U.S. dollars will be the rate established by Computershare Trust Company of Canada, in its capacity as foreign exchange service provider to the Company, on the date the funds are converted, which rate will be based on the prevailing market rate on the date the funds are converted. The risk of any fluctuations in such rates, including risks relating to the particular date and time at which funds are converted, will be solely borne by the Common Shareholder. Computershare Trust Company of Canada will act as principal in such currency conversion transactions.

3. Number of Common Shares, Proration

Cipher Pharmaceuticals will purchase, upon the terms and subject to the conditions of the Offer, at the Purchase Price, Deposited Common Shares up to a maximum aggregate purchase price of \$6,000,000. Since the Purchase Price will only be determined after the Expiration Date, the number of Common Shares that will be purchased will not be known until after the Expiration Date. If the Purchase Price is determined to be \$3.95 per Common Share (being the minimum purchase price under the Offer), the maximum number of Common Shares that will be purchased under the Offer is 1,518,987. Assuming that the Offer is fully subscribed, if the Purchase Price is determined to be \$4.75 per Common Share (being the maximum purchase price under the Offer), the minimum number of Common Shares that will be purchased under the Offer is 1,263,157.

As at September 1, 2023, there were 25,310,551 Common Shares issued and outstanding. The maximum of 1,518,987 Common Shares that Cipher Pharmaceuticals is offering to purchase hereunder represents approximately 6.00% of the total number of Common Shares issued and outstanding as at September 1, 2023. Assuming the Offer is fully subscribed, the minimum of 1,263,157 Common Shares that Cipher Pharmaceuticals is offering to purchase hereunder represents approximately 4.99% of the total number of Common Shares issued and outstanding as at September 1, 2023.

Under the NCIB which commenced on September 19, 2022, and expires on September 18, 2023, the Company has purchased 284,843 Common Shares. In accordance with applicable securities laws, the Company will suspend purchases of its Common Shares pursuant to the NCIB until 20 business days after the Expiration Date or date of termination of the Offer.

If the aggregate purchase price (calculated at the Purchase Price per Common Share) for Deposited Common Shares deposited pursuant to Auction Tenders at prices equal to or less than the Purchase Price and pursuant to Purchase Price Tenders is less than or equal to \$6,000,000, Cipher Pharmaceuticals will, upon the terms and subject to the conditions of the Offer, purchase at the Purchase Price all Deposited Common Shares.

If the number of Deposited Common Shares deposited pursuant to Auction Tenders at prices equal to or less than the Purchase Price and pursuant to Purchase Price Tenders would result in an aggregate purchase price in excess of \$6,000,000, then such Deposited Common Shares will be purchased on a *pro rata* basis according to the number of Common Shares deposited or deemed to be deposited at prices equal to or less than the Purchase Price by the depositing Shareholders (with adjustments to avoid the purchase of fractional Common Shares), except that odd lot deposits will not be subject to proration.

For the purposes of the foregoing, an odd lot deposit is a deposit by a Shareholder owning in the aggregate fewer than 100 Common Shares as of the close of business on the Expiration Date, who validly deposits all such Common Shares pursuant to an Auction Tender at a price or prices equal to or less than the Purchase Price or pursuant to a Purchase Price Tender prior to the Expiry Time on the Expiration Date and who checks (or ticks) the box captioned "Odd Lots" in either the Letter of Transmittal or the Notice of Guaranteed Delivery, as the case may be. As set forth above, odd lots will be accepted for purchase before any proration. Cipher Pharmaceuticals' determination as to proration will be final and binding on all parties.

4. Announcement of Purchase Price, Number of Common Shares Validly Tendered and Aggregate Purchase Price

The Company will publicly announce the Purchase Price, the number of Common Shares validly tendered to the Offer, the number of Deposited Common Shares to be purchased and the aggregate purchase price promptly after the Expiration Date.

5. Procedure for Depositing Common Shares

Proper Deposit of Common Shares

To deposit Common Shares pursuant to the Offer, (a) a properly completed and duly executed Letter of Transmittal (or a manually executed photocopy thereof) relating to such Common Shares with signatures that are guaranteed if so required in accordance with the Letter of Transmittal, and any other documents required by the Letter of Transmittal must be received by the Depository at one of the addresses listed in the Letter of Transmittal prior to the Expiration Date, (b) the guaranteed delivery procedure described below must be followed, or (c) such Common Shares must be transferred pursuant to the procedures for book-entry transfer described below (and a Book-Entry Confirmation through the CDSX system (in the case of Common Shares held by CDS) or an Agent's Message (in the case of Common Shares held in DTC) must be received by the Depository in lieu of a Letter of Transmittal). For greater certainty, Shareholders whose Common Shares are held through DRS or are represented by an ownership statement must only deliver a completed and duly executed Letter of Transmittal, and any other documents required by the Letter of Transmittal, in order to validly tender Common Shares.

A non-registered Shareholder who desires to deposit Common Shares under the Offer should immediately contact such Shareholder's investment dealer, stockbroker, commercial bank, trust company or other nominee in order to take the necessary steps to be able to deposit such Common Shares under the Offer. If an investment dealer, stockbroker, bank, trust company or other nominee holds Common Shares for a Shareholder, it is likely that the nominee has established an earlier deadline for that Shareholder to instruct the nominee to accept the Offer on its behalf.

Participants of CDS or DTC should contact CDS or DTC, as applicable, to obtain instructions as to the method of depositing Common Shares under the terms of the Offer. CDS and DTC will be issuing instructions to their participants as to the method of depositing Common Shares under the terms of the Offer.

In accordance with Instruction 5 contained in the Letter of Transmittal, each registered Shareholder desiring to deposit Common Shares pursuant to the Offer must indicate (a) in Box A captioned "Type of Tender" on such Letter of Transmittal and, if applicable, the Notice of Guaranteed Delivery, whether Common Shares are deposited pursuant to an Auction Tender or Purchase Price Tender (b) in Box B, if an Auction Tender is made, the price per Common Share (of not more than \$4.75 and not less than \$3.95 per Common Share, in increments of \$0.05 per Common Share within that range) at which such Common Shares are being deposited, and (c) in Box C, if applicable, whether the Shareholder is making an odd lot deposit in accordance with Instruction 6 of the Letter of Transmittal.

Common Shares deposited pursuant to an Auction Tender will only be taken up if the price specified in the Auction Tender is equal to or less than the Purchase Price.

A Shareholder desiring to deposit Common Shares in separate lots at a different price for each lot must complete a separate Letter of Transmittal (and, if applicable, a separate Notice of Guaranteed Delivery) for each price at which the Shareholder is depositing Common Shares. The same Common Shares cannot be deposited pursuant to different tender methods or pursuant to an Auction Tender at more than one price.

Odd Lot Holders making an Auction Tender or a Purchase Price Tender will be required to tender all Common Shares owned by the Shareholder. Partial tenders will not be accepted from Odd Lot Holders.

Shareholders who tender Common Shares without specifying whether the tender is an Auction Tender or Purchase Price Tender will be deemed to have made a Purchase Price Tender. If multiple boxes are checked in the same Letter of Transmittal indicating that Common Shares are being deposited pursuant to an Auction Tender or Purchase Price Tender, all Common Shares identified will be deemed to have been tendered pursuant to a Purchase Price Tender.

Notice to Holders of Options and Convertible or Exchangeable Securities

The Offer is made only for Common Shares and is not made for any options to purchase Common Shares or any other securities of Cipher Pharmaceuticals that are convertible into or exchangeable or exercisable for Common Shares. Any holder of such options or other securities convertible into or exchangeable or exercisable for Common Shares who wishes to accept the Offer must, to the extent permitted by the terms of the security and applicable laws, exercise the option or other securities convertible into or exchangeable or exercisable for Common Shares in order to obtain Common Shares and deposit those Common Shares in accordance with the terms of the Offer. Any such conversion, exchange or exercise must be completed sufficiently in advance of the Expiry Time to ensure that the holder of such options or other securities will have the Common Shares issued or deliverable and, if applicable, will have received the certificate(s) or DRS position(s) representing the Common Shares, on such exercise, available for deposit at or prior to the Expiry Time, or in sufficient time to comply with the procedures referred to in this Section 5 "*Procedure for Depositing Common Shares*". Any such conversion, exercise or exchange will be irrevocable, including where the Common Shares tendered are subject to proration or otherwise are not taken up. Holders of options or other securities should consult their income tax advisors, as there are income tax consequences associated with the exercise of such securities, and should read Section 15 of the Circular – "*Income Tax Considerations*" as there are tax consequences associated with the deposit of Common Shares pursuant to the Offer.

Signature Guarantees

No signature guarantee by a Canadian Schedule I chartered bank, a member of the Securities Transfer Agent Medallion Program (STAMP), a member of the Stock Exchanges Medallion Program (SEMP) or a member of the New York Exchange Inc. Medallion Signature Program (MSP) (each such entity, an "**Eligible Institution**") is required on the Letter of Transmittal if (a) the Letter of Transmittal is signed by the registered holder of the Common Shares exactly as the name of the registered holder appears on the share certificate, ownership statement or DRS position deposited therewith, and payment and delivery is to be made directly to such registered holder, or (b) Common Shares are deposited for the account of an Eligible Institution. In all other cases, all signatures on the Letter of Transmittal must be guaranteed by an Eligible Institution.

If a certificate, ownership statement or DRS position representing Common Shares is registered in the name of a person other than the signatory to a Letter of Transmittal, or if payment is to be made, or certificates, ownership statements or DRS positions representing Common Shares not purchased or deposited are to be issued, to a person other than the registered holder, the certificate, ownership statement or DRS position must be endorsed or accompanied by an appropriate share transfer power of attorney, in either case, signed exactly as the name of the registered holder appears on the certificate, ownership statement or DRS position with the signature on the certificate or share transfer power of attorney signature guaranteed by an Eligible Institution.

Book-Entry Transfer Procedures

Any financial institution that is a CDS Participant may make book-entry delivery of the Common Shares through CDSX, CDS's on-line tendering system pursuant to which book-entry transfers may be effected by causing CDS to transfer such Common

Shares into the Depository's account in accordance with CDS's procedures for such transfer. Delivery of Common Shares to the Depository by means of a book-entry transfer through CDSX will constitute a valid tender under the Offer.

Shareholders may accept the Offer by following the procedures for a book-entry transfer established by CDS, provided that a Book-Entry Confirmation through CDSX is received by the Depository at its Toronto, Ontario office address set forth on the back cover page of this Offer to Purchase and Circular prior to the Expiration Date. Shareholders, through their respective CDS Participants, who utilize CDSX to accept the Offer through a book-entry transfer of their holdings into the Depository's account with CDS shall be deemed to have completed and submitted a Letter of Transmittal and to be bound by the terms thereof and, therefore, such instructions received by the Depository are considered a valid tender in accordance with the terms of the Offer. Delivery of documents to CDS in accordance with its procedures does not constitute delivery to the Depository.

Shareholders who have an account maintained by DTC may accept the Offer by following the procedures for book-entry transfer established by DTC, provided that a Book-Entry Confirmation, together with an Agent's Message in respect thereof, or a properly completed and duly executed Letter of Transmittal and any other required documents, are received by the Depository at its office specified in the Letter of Transmittal prior to the Expiry Time of the Offer. If necessary, the Depository will establish an account at DTC for the purpose of the Offer. Any financial institution that is a participant in DTC's systems may cause DTC to make a book-entry transfer of a Shareholder's Common Shares into the Depository's account in accordance with DTC's procedures for such transfer. However, as noted above, although delivery of Common Shares may be effected through book-entry transfer at DTC, either a Letter of Transmittal (or a manually executed photocopy thereof), properly completed and duly executed, together with any required signature guarantees, or an Agent's Message in lieu of a Letter of Transmittal, and any other required documents, must, in any case, be received by the Depository, at its office specified in the Letter of Transmittal prior to the Expiry Time of the Offer. Delivery of documents to DTC in accordance with its procedures does not constitute delivery to the Depository.

Method of Delivery

The method of delivery of certificates representing Common Shares and all other required documents is at the option and risk of the depositing Shareholder. If certificates representing Common Shares are to be sent by mail, then registered mail, properly insured, is recommended and it is suggested that the mailing be made sufficiently in advance of the Expiration Date to permit delivery to the Depository on or prior to such date. Delivery of a share certificate representing Common Shares will only be complete upon actual receipt of such share certificate (and all required accompanying documents) representing such Common Shares by the Depository.

Procedure for Guaranteed Delivery

If a Shareholder wishes to deposit Common Shares pursuant to the Offer and cannot deliver certificates for such Common Shares, or the book-entry transfer procedures described above cannot be completed, prior to the Expiry Time or time will not permit all required documents to reach the Depository prior to the Expiry Time, such Common Shares may nevertheless be deposited if all of the following conditions are met:

- (a) such deposit is made by or through an Eligible Institution;
- (b) a properly completed and duly executed Notice of Guaranteed Delivery, or a manually executed photocopy thereof, substantially in the form provided by Cipher Pharmaceuticals indicating the type of deposit and, in the case of an Auction Tender, the price at which the Common Shares are being deposited, is received by the Depository at its mailing address in Toronto, Ontario as set out in the Notice of Guaranteed Delivery prior to the Expiry Time on the Expiration Date; and
- (c) all Deposited Common Shares (including original share certificates, if such Common Shares are held in certificated form) in proper form for transfer (or confirmation of book-entry transfer), together with a properly completed and duly executed Letter of Transmittal or a manually executed photocopy thereof or, in the case of a book-entry transfer, a Book-Entry Confirmation through the CDSX system (in the case of Shares held in CDS) or an Agent's Message (in the case of Shares held in DTC), and any other documents required by the Letter of Transmittal, are received by the Toronto, Ontario office of the Depository, before 5:00 p.m. (Eastern time) on or before the second trading day on the TSX after the Expiration Date.

The Notice of Guaranteed Delivery may be hand delivered, couriered, mailed or transmitted by e-mail to the Toronto office of the Depositary listed in the Notice of Guaranteed Delivery, and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

Notwithstanding any other provision hereof, payment for Common Shares deposited and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of certificates for such Common Shares, a properly completed and duly executed Letter of Transmittal (or a manually executed photocopy thereof) relating to such Common Shares with signatures that are guaranteed if so required or, in the case of a book entry transfer, a Book Entry Confirmation through the CDSX system (in the case of Common Shares held in CDS) or an Agent's Message (in the case of Common Shares held in DTC) and any other documents required by the Letter of Transmittal.

The tender information specified in a Notice of Guaranteed Delivery by a person completing such Notice of Guaranteed Delivery will, in all circumstances, take precedence over the tender information that is specified in the related Letter of Transmittal that is subsequently deposited.

Determination of Validity, Rejection and Notice of Defect

All questions as to the number of Common Shares to be accepted, the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any deposit of Common Shares will be determined by the Company, in its sole discretion, which determination shall be final and binding on all parties. Cipher Pharmaceuticals reserves the absolute right to reject any deposits of Common Shares determined by it not to be in proper form or completed in accordance with the instructions herein and in the Letter of Transmittal or the acceptance for payment of or payment for which may, in the opinion of the Company's counsel, be unlawful. Cipher Pharmaceuticals also reserves the absolute right to waive any of the conditions of the Offer or any defect or irregularity in the deposit of any particular Common Shares and Cipher Pharmaceuticals' interpretation of the terms of the Offer (including these instructions) will be final and binding on all parties. No individual deposit of Common Shares will be deemed to be properly made until all defects and irregularities have been cured or waived. Unless waived, any defects or irregularities in connection with deposits must be cured within such time as Cipher Pharmaceuticals shall determine. **None of Cipher Pharmaceuticals, the Depositary, the Dealer Manager nor any other person is or will be obligated to give notice of defects or irregularities in deposits, nor shall any of them have any liability for failure to give any such notice.** The Company's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the Notice of Guaranteed Delivery) will be final and binding.

Under no circumstances will interest be paid by the Company or the Depositary by reason of any delay in making payment to any person using the guaranteed delivery procedures, including without limitation any delay arising because the Common Shares to be delivered pursuant to the guaranteed delivery procedures are not so delivered to the Depositary, and therefore payment by the Depositary on account of such Common Shares is not made until after the date the payment for the Deposited Common Shares accepted for payment pursuant to the Offer is to be made by the Company.

Formation of Agreement

The proper deposit of Common Shares pursuant to any one of the procedures described above will constitute a binding agreement between the depositing Shareholder and the Company, effective as of the Expiration Date, upon the terms and subject to the conditions of the Offer.

Further Assurances

Each Shareholder accepting the Offer covenants under the terms of the Letter of Transmittal to execute, upon request of Cipher Pharmaceuticals, any additional documents, transfers and other assurances as may be necessary or desirable to complete the sale, assignment and transfer of the Common Shares to the Company. Each authority therein conferred or agreed to be conferred may be exercised during any subsequent legal incapacity of such Shareholder and shall, to the extent permitted by law, survive the death or incapacity, bankruptcy or insolvency of the Shareholder and all obligations of the Shareholder therein shall be binding upon the heirs, personal representatives, successors and assigns of such Shareholder.

6. Withdrawal Rights

Except as otherwise provided in this Section 6, deposits of Common Shares pursuant to the Offer will be irrevocable. A Shareholder may withdraw Common Shares deposited pursuant to the Offer: (a) at any time before those Common Shares have been taken up by the Company; (b) at any time before the expiration of 10 days from the date that a notice of change or variation (unless the Common Shares deposited pursuant to the Offer have been taken up by the Company before the date of the notice of change or variation, and other than a variation that (i) consists solely of an increase in the consideration offered for those Common Shares under the Offer where the time for deposit is not extended for greater than 10 days, or (ii) consists solely of the waiver of a condition of the Offer) has been given in accordance with Section 8 of this Offer to Purchase, "*Extension and Variation of the Offer*"; or (c) if those Common Shares have not been paid for by the Company, within three business days after having been taken up.

For a withdrawal to be effective, a written or printed copy of a notice of withdrawal must be actually received by the Depositary by the applicable date and time specified above at the place of deposit of the relevant Common Shares. Any such notice of withdrawal must be signed by or on behalf of the person who signed the Letter of Transmittal or Notice of Guaranteed Delivery in respect of the Common Shares being withdrawn or, in the case of Common Shares tendered by a CDS Participant, be signed by such participant in the same manner as the participant's name is listed on the applicable Book-Entry Confirmation through the CDSX system or, in the case of Common Shares tendered by a DTC participant, be signed by such participant in the same manner as the participant's name is listed on the applicable Agent's Message, and must specify the name of the person who deposited the Common Shares to be withdrawn, the name of the registered holder, if different from that of the person who deposited such Common Shares, and the number of Common Shares to be withdrawn. If the certificates for the Common Shares deposited pursuant to the Offer have been delivered or otherwise identified to the Depositary, then, prior to the release of such certificates, the depositing Shareholder must submit the serial numbers shown on the particular certificates evidencing the Common Shares to be withdrawn and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined in Section 5 of this Offer to Purchase – "*Procedure for Depositing Common Shares*"), except in the case of Common Shares deposited by an Eligible Institution. A withdrawal of Common Shares deposited pursuant to the Offer may only be accomplished in accordance with the foregoing procedure. The withdrawal shall take effect only upon actual receipt by the Depositary of a written or printed copy of a properly completed and executed notice of withdrawal.

A Shareholder who wishes to withdraw Common Shares under the Offer and who holds Common Shares through an investment dealer, stockbroker, bank, trust company or other nominee should immediately contact such nominee in order to take the necessary steps to be able to withdraw such Common Shares under the Offer. Participants of CDS or DTC should contact these depositories with respect to the withdrawal of Common Shares under the Offer.

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Company, in its sole discretion, which determination shall be final and binding. None of the Company, the Depositary, the Dealer Manager or any other person shall be obligated to give any notice of any defects or irregularities in any notice of withdrawal and none of them shall incur any liability for failure to give any such notice.

Any Common Shares properly withdrawn will thereafter be deemed not deposited for purposes of the Offer. However, withdrawn Common Shares may be redeposited by a Shareholder prior to the Expiry Time by again following the procedures described in Section 5 of this Offer to Purchase – "*Procedure for Depositing Common Shares*".

If the Company extends the period of time during which the Offer is open, is delayed in its purchase of Common Shares or is unable to purchase Common Shares pursuant to the Offer for any reason, then, without prejudice to the Company's rights under the Offer, the Depositary may, subject to applicable law, retain on behalf of the Company all Deposited Common Shares, and such Common Shares may not be withdrawn except to the extent that depositing Shareholders are entitled to withdrawal rights as described in this Section 6.

7. Certain Conditions of the Offer

Notwithstanding any other provision of the Offer, the Company shall not be required to accept for purchase, to purchase or to pay for any Deposited Common Shares, and may withdraw, terminate, extend, vary or cancel the Offer or may postpone the payment for Common Shares deposited, if, at any time before the payment for any such Common Shares, any of the following events shall have occurred (or shall have been determined by the Company, in its sole judgment, to have occurred), which in the Company's sole discretion and judgement, acting reasonably, in any such case and regardless of the circumstances

(including any action or inaction by the Company), makes it inadvisable to proceed with the Offer or with such acceptance for purchase or payment:

- (a) there shall have been threatened, taken or pending any action, suit or proceeding by any government or governmental authority or regulatory or administrative agency in any jurisdiction, or by any other person in any jurisdiction, before any court or governmental authority or regulatory or administrative agency in any jurisdiction (i) challenging or seeking to cease trade, make illegal, delay or otherwise directly or indirectly restrain or prohibit the making of the Offer, the acceptance for payment of some or all of the Common Shares by the Company or otherwise directly or indirectly relating in any manner to or affecting the Offer, or (ii) seeking material damages or that otherwise, in the sole judgment of the Company, acting reasonably, has or may have a material adverse effect on the Company's securities or the business, income, assets, liabilities, condition (financial or otherwise), properties, operations, results of operations or prospects of the Company and its subsidiaries taken as a whole or has impaired or may materially impair the contemplated benefits of the Offer to the Company, or otherwise make it inadvisable to proceed with the Offer;
- (b) there shall have been any action, suit or proceeding threatened, pending or taken or approval withheld or any statute, rule, regulation, stay, decree, judgment or order or injunction proposed, sought, enacted, enforced, promulgated, amended, issued or deemed applicable to the Offer or the Company or any of its subsidiaries by or before any court, government or governmental authority or regulatory or administrative agency or any statute, rule or regulation shall become operative or applicable in any jurisdiction that, in the sole judgment of the Company, acting reasonably, might directly or indirectly result in any of the consequences referred to in clauses (i) or (ii) of paragraph (a) above or would or might prohibit, prevent, restrict or delay consummation of or materially impair the contemplated benefits to the Company of the Offer, or otherwise make it inadvisable to proceed with the Offer;
- (c) no other approval, permit, authorization, favorable review or consent or waiver of or filing with any government or governmental authority or regulatory or administrative agency in any jurisdiction, or any third party consent, required in the reasonable judgment of the Company to be obtained or made in connection with the Offer shall not have been obtained, completed or made on terms and conditions satisfactory to the Company, acting reasonably;
- (d) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities on any securities exchange or in the over-the-counter market in Canada or the U.S.; (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in Canada or the U.S. (whether or not mandatory); (iii) a natural disaster, the commencement or escalation of a war, armed hostilities, act of terrorism or other international or national calamity directly or indirectly involving Canada or the U.S. or any other country or region where the Company maintains significant business activities (including the global pandemic caused by COVID-19, to the extent that there is any material adverse development related thereto on or after the date hereof, or similar event or the escalation thereof); (iv) any escalation of the Russian Federation's military invasion of the Ukraine, including any response to the invasion from any country which is a member of the North Atlantic Treaty Organization, that, in the sole judgment of the Company, acting reasonably, has or may have a material adverse effect on the Company's business, income, assets, liabilities, condition (financial or otherwise), properties, operations, results of operations or the trading in, or value of, the Common Shares; (v) any limitation by any government or governmental authority or regulatory or administrative authority or agency or any other event that, in the sole judgment of the Company, acting reasonably, might affect the extension of credit by banks or other lending institutions; (vi) any significant change, in the sole judgment of the Company, acting reasonably, in the market price of the Common Shares since the close of business on September 1, 2023; (vii) any material change in short term or long term interest rates; (viii) any change or changes (or any development involving any prospective change or changes) in the general political, market, economic or financial conditions that, in the sole judgment of the Company, acting reasonably, has or may have a material adverse effect on the Company's business, income, assets, liabilities, condition (financial or otherwise), properties, operations, results of operations or prospects of the Company and its subsidiaries taken as a whole, or the trading in, or value of, the Common Shares (including any change attributable to the COVID -19 pandemic); (ix) any decline in any of the S&P/TSX Composite Index, the Dow Jones Industrial Average or the S&P 500 by an amount in excess of 10%, measured from the close of business

on September 1, 2023, or (x) in the case of any of the foregoing existing at the time of the commencement of the Offer, an acceleration or worsening thereof;

- (e) there shall have occurred any significant decrease in the value of the Company's principal assets, individually or in the aggregate;
- (f) there shall have occurred any change or changes (or any development involving any prospective change or changes) in the business, assets, liabilities, properties, condition (financial or otherwise), operations, results of operations or prospects of the Company or its subsidiaries that, in the sole discretion or judgment of the Company, acting reasonably, has, had or may have a material adverse effect with respect to the Company and its subsidiaries taken, as a whole, or a material acceleration of the foregoing;
- (g) any take-over bid or tender or exchange offer with respect to some or all of the securities of Cipher Pharmaceuticals, or any merger, plan of arrangement, business combination or acquisition proposal, disposition of assets, or other similar transaction with or involving Cipher Pharmaceuticals or any of its affiliates, other than the Offer, or any solicitation of proxies, other than by management, to seek to control or influence the Board of Directors, shall have been proposed, announced or made by any individual or entity;
- (h) the Company shall have determined, in its sole judgment, acting reasonably, that the Purchase Price for a Common Share exceeds the fair market value of such Share at the time of the acquisition of such Share by the Company pursuant to the Offer, determined without reference to the Offer;
- (i) Evans & Evans will have withdrawn or amended its opinion with respect to the valuation of the Shares;
- (j) the Company will have determined that the consummation of the Offer is reasonably likely to cause the Common Shares to be delisted from the TSX;
- (k) the Company will have determined, in its sole judgment, acting reasonably, that it would be subject to Part VI.1 tax under the Tax Act in connection with the Offer;
- (l) the completion of the Offer subjects the Company to any material tax liability;
- (m) a material change in Canadian, the U.S. or any other currency exchange rates or a suspension of or limitation on the markets for such currencies that in the sole judgment of the Company, acting reasonably, could have, a material adverse effect on the business, properties, assets, liabilities, capitalization, shareholders' equity, condition (financial or otherwise), operations, results of operations or prospects of the Company and its subsidiaries, taken as a whole, or on the trading in the Common Shares;
- (n) the Company shall have concluded, in its sole judgment, acting reasonably, that the Offer or the take-up and payment for any or all of the Common Shares by the Company is illegal or not in compliance with applicable law, or that necessary exemptions under applicable securities legislation are not available to the Company for the Offer and, if required under any such legislation, the Company shall not have received the necessary exemptions from, approvals or waivers of the appropriate courts or securities regulatory authorities in respect of the Offer, or such exemptions, approvals or waivers are rescinded or modified in a manner that is not in form and substance satisfactory to the Company; or
- (o) any changes shall have occurred or been proposed to the Tax Act or the Code, the publicly available administrative policies or assessing practices of the Canada Revenue Agency or the IRS, or to relevant tax jurisprudence that, in the sole judgment of the Company, acting reasonably, are materially adverse to Cipher Pharmaceuticals or a Shareholder.

The foregoing conditions are for the sole benefit of the Company and may be asserted by the Company in its sole discretion, acting reasonably, regardless of the circumstances (including any action or inaction by the Company) giving rise to any such conditions, or may be waived by the Company, in its sole discretion, in whole or in part at any time. The failure by the Company at any time to exercise its rights under any of the foregoing conditions shall not be deemed a waiver of any such right; the

waiver of any such right with respect to particular facts and other circumstances shall not be deemed a waiver with respect to any other facts and circumstances; and each such right shall be deemed an ongoing right which may be asserted at any time or from time to time. Any determination by the Company concerning the events described in this Section 7 shall be final and binding on all parties.

Any waiver of a condition or the withdrawal of the Offer by the Company shall be deemed to be effective on the date on which notice of such waiver or withdrawal by the Company is delivered or otherwise communicated to the Depositary. Cipher Pharmaceuticals, after giving notice to the Depositary of any waiver of a condition or the withdrawal of the Offer, shall immediately make a public announcement of such waiver or withdrawal and provide or cause to be provided notice of such waiver or withdrawal to the TSX and the applicable Canadian securities regulatory authorities. If the Offer is withdrawn, the Company shall not be obligated to take up, accept for purchase or pay for any Common Shares deposited under the Offer, and the Depositary will return all certificates for Deposited Common Shares or the equivalent DRS positions, Letters of Transmittal and Notices of Guaranteed Delivery and any related documents to the parties by whom they were deposited.

8. Extension and Variation of the Offer

Subject to applicable law and the receipt of applicable regulatory relief, the Company expressly reserves the right, in its sole discretion, and regardless of whether or not any of the conditions specified in Section 7 of this Offer to Purchase, "*Certain Conditions of the Offer*" shall have occurred, at any time or from time to time, to extend the period of time during which the Offer is open or to vary the terms and conditions of the Offer by giving written notice, or oral notice to be confirmed in writing, of extension or variation to the Depositary and by causing the Depositary to provide to all Shareholders, where required by law, as soon as practicable thereafter, a copy of the notice in the manner set forth in Section 12 of this Offer to Purchase – "*Notice*". Promptly after giving notice of an extension or variation to the Depositary, but, in the case of an extension, no later than 9:00 a.m. (Eastern time) on the next business day following the last previously scheduled or announced Expiration Date, the Company will make a public announcement of the extension or variation and provide or cause to be provided notice of such extension or variation to the TSX and the applicable Canadian securities regulatory authorities. Any notice of extension or variation will be deemed to have been given and be effective on the day on which it is delivered or otherwise communicated by fax or electronic mail to the Depositary at its principal office in Toronto, Ontario.

Where the terms of the Offer are varied (other than a variation consisting solely of the waiver of a condition of the Offer), the period during which Common Shares may be deposited pursuant to the Offer shall not expire before 10 days (except for any variation increasing or decreasing the percentage of Common Shares to be purchased, the consideration provided for under the Offer or fees payable to the Dealer Manager or any soliciting dealer, in which case the Offer shall not expire before 10 business days) after the notice of variation has been given to holders of Common Shares, unless otherwise permitted by applicable law. In the event of any variation, all Common Shares previously deposited and not taken up or withdrawn will remain subject to the Offer and may be accepted for purchase by the Company in accordance with the terms of the Offer, subject to Section 6 of this Offer to Purchase – "*Withdrawal Rights*". An extension of the Expiration Date or a variation of the Offer does not constitute a waiver by the Company of its rights in Section 7 of this Offer to Purchase, "*Certain Conditions of the Offer*".

If the Company makes a material change in the terms of the Offer or there is a material change in the information concerning the Offer, the Company will extend the time during which the Offer is open to the extent required under applicable Canadian and U.S. securities legislation.

The Company also expressly reserves the right, in its sole discretion, (i) to terminate the Offer and not take up and pay for any Common Shares not theretofore taken up and paid for upon the occurrence of any of the conditions specified in Section 7 of this Offer to Purchase, "*Certain Conditions of the Offer*", and/or (ii) at any time or from time to time, to vary the Offer in any respect, including increasing or decreasing the aggregate purchase price for Common Shares that the Company may purchase or the range of prices it may pay pursuant to the Offer, subject to compliance with applicable Canadian and U.S. securities legislation.

Any such extension, delay, termination or variation will be followed as promptly as practicable by a public announcement. Without limiting the manner in which the Company may choose to make any public announcement, except as provided by applicable law, the Company shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release through its usual news wire service.

9. Taking Up and Payment for Deposited Common Shares

Promptly after it has determined the Purchase Price in accordance with Section 2 of the Offer to Purchase, "*Purchase Price*", Cipher Pharmaceuticals will publicly announce the Purchase Price and will take up and pay the Purchase Price for Common Shares to be purchased pursuant to the Offer promptly after the Expiration Date (which is required to occur no later than 10 days after such time). Cipher Pharmaceuticals will promptly pay for such Common Shares after taking up the Common Shares (which payment is required to occur no later than three business days after the Common Shares have been taken up).

Number of Common Shares

For purposes of the Offer, Cipher Pharmaceuticals will be deemed to have accepted for payment, subject to proration and the preferential acceptance of Odd Lot Holders, Common Shares deposited and not withdrawn pursuant to Auction Tenders equal to or less than the Purchase Price and pursuant to Purchase Price Tenders if, as and when Cipher Pharmaceuticals gives written notice to the Depository of its acceptance of such Common Shares for payment pursuant to the Offer.

Payment

The Purchase Price will be denominated in Canadian dollars and all payments to Shareholders under the Offer will be made in Canadian dollars, unless a Shareholder elects to be paid in U.S. dollars in accordance with their Letter of Transmittal.

Payment for Common Shares accepted for purchase pursuant to the Offer will be made by depositing the aggregate Purchase Price for such Common Shares with the Depository by bank transfer or other means satisfactory to the Depository, who will act as agent for the depositing Shareholders for the purpose of receiving payment from Cipher Pharmaceuticals and transmitting such payment to the depositing Shareholders. **Under no circumstances will interest accrue or be paid by Cipher Pharmaceuticals or the Depository on the Purchase Price to any person depositing Common Shares regardless of any delay in making payment, including any delay in making payment to any person using the guaranteed delivery procedures.**

In the event of proration of Common Shares deposited pursuant to Auction Tenders and Purchase Price Tenders, Cipher Pharmaceuticals will determine the proration factor and pay for those Deposited Common Shares accepted for payment promptly after the Expiration Date. However, Cipher Pharmaceuticals does not expect to be able to announce the final results of any such proration for at least three business days after the Expiration Date.

All Common Shares not purchased, including all Common Shares deposited pursuant to Auction Tenders at prices in excess of the Purchase Price, Common Shares not purchased due to proration and Common Shares not accepted for purchase, will be returned promptly after the Expiration Date or termination of the Offer without expense to the depositing Shareholder.

The Company reserves the right, in its sole discretion, to delay taking up or paying for any Common Shares or to terminate the Offer and not take up or pay for any Common Shares if any condition specified in Section 7 of this Offer to Purchase, "*Certain Conditions of the Offer*", is not satisfied or waived, by giving written notice thereof or other communication confirmed in writing to the Depository. The Company also reserves the right, in its sole discretion and notwithstanding any other condition of the Offer, to delay taking up and paying for Common Shares in order to comply, in whole or in part, with any applicable law.

The Purchase Price for Common Shares deposited and purchased will be paid by cheque or wire. Certificate(s) or equivalent ownership statement or DRS position(s) representing Common Shares not deposited or not purchased under the Offer will be issued to, the person signing the relevant Letter of Transmittal or to the order of such other person as identified by the person signing such Letter of Transmittal, by properly completing the appropriate boxes in such Letter of Transmittal. In the absence of an address being provided, cheques (if applicable) or certificates will be forwarded to the address of the person as shown on the share register for the Common Shares. Payments will be made net of any applicable withholding taxes. The Purchase Price for Common Shares deposited by book-entry transfer and purchased will be paid by credit to the relevant account at CDS/DTC.

The Depository will forward, at the Company's expense, cheques and certificates representing certificated Common Shares not purchased by first-class insured mail, postage pre-paid, to the person signing the relevant Letter of Transmittal or to such other person or such other address as identified by the person in such Letter of Transmittal (unless the person signing the Letter of

Transmittal instructs the Depository to hold such certificates for Common Shares and/or cheques for pickup. See Section 10 of the Offer to Purchase, "*Payment in the Event of Mail Service Interruption*", in the event of real or possible mail service interruption. Any Common Shares deposited by book-entry transfer and not purchased will be credited to the relevant account at CDS/DTC.

All Common Shares purchased by the Company pursuant to the Offer shall be cancelled.

10. Payment in the Event of Mail Service Interruption

Notwithstanding the provisions of the Offer, cheques issued in payment for Common Shares purchased under the Offer and certificates for any Common Shares to be returned will not be mailed if the Company determines that delivery by mail may be delayed. Persons entitled to cheques or certificates that are not mailed for this reason may take delivery at the office of the Depository at which the deposited certificates for the Common Shares were delivered until the Company has determined that delivery by mail will no longer be delayed. Cipher Pharmaceuticals will provide notice, in accordance with Section 12 of this Offer to Purchase, "*Notice*", of any determination not to mail under this Section 10 as soon as reasonably practicable after such determination is made.

11. Liens and Dividends

Common Shares acquired pursuant to the Offer shall be acquired by the Company free and clear of all liens, charges, encumbrances, security interests, claims, restrictions and equities whatsoever, together with all rights and benefits arising therefrom, provided that any dividends or distributions that may be paid, issued, distributed, made or transferred on or in respect of such Common Shares to Shareholders of record on or prior to the date upon which the Common Shares are taken up and paid for under the Offer shall be for the account of such Shareholders. Each Shareholder of record on that date will be entitled to receive that dividend or distribution whether or not such Shareholder deposits Common Shares pursuant to the Offer.

12. Notice

Except as may be otherwise required by law and without limiting any other lawful means of giving notice, any notice to be given by the Company or the Depository under the Offer will be deemed to have been properly given if it is broadly disseminated by press release or mailed by first-class mail, postage prepaid, to the registered holders of Common Shares at their respective addresses as shown on the share registers maintained in respect of the Common Shares and will be deemed to have been received following the issuance of such release or on the first business day following the date of mailing, as applicable. These provisions apply despite (i) any accidental omission to give notice to any one or more Shareholders, and (ii) an interruption of mail service following mailing, if applicable. In the event of an interruption of mail service following mailing, the Company will use reasonable efforts to disseminate the notice by other means, such as publication. If any notice is to be given by mail and post offices are not open for deposit of mail, or there is reason to believe there is or could be a disruption in all or any part of the postal service, any notice which the Company or the Depository may give or cause to be given under the Offer will be deemed to have been properly given and to have been received by Shareholders if it is issued by way of a news release and if it is published once in the National Edition of the *Globe and Mail* or the *National Post* and in a French language daily newspaper of general circulation in the Province of Québec.

13. Acquisitions and Dispositions of Common Shares by the Company

Except in limited circumstances under applicable law, the Company is not permitted to acquire, or make or enter into an agreement, commitment or understanding to acquire, beneficial ownership of the Common Shares, other than under the Offer until after the Expiry Time.

In addition, except for purchases made through the facilities of the TSX and in accordance with applicable law, during the period commencing on the Expiration Date and ending on the 20th business day after the Expiration Date, whether or not any Common Shares are taken up under the Offer, the Company must not acquire or offer to acquire beneficial ownership of any Common Shares except by way of a transaction that is generally available to all Shareholders on identical terms.

Although the Company has no present intention to sell Common Shares taken up under the Offer, the Company reserves the right to make or enter into agreements, commitments or understandings at or prior to the Expiry Time to sell any such Common

Shares after the Expiry Time, subject to applicable law and in compliance with section 2.7(2) of NI 62-104. For the purposes of this Section 13 of this Offer to Purchase, the "*Company*" includes any person acting jointly or in concert with the Company.

14. Other Terms

No stockbroker, dealer or other person has been authorized to give any information or to make any representation on behalf of the Company other than as contained in the Offer, and, if any such information or representation is given or made, it must not be relied upon as having been authorized by the Company or the Dealer Manager.

It is a term of the Offer that for the purposes of subsection 191(4) of the Tax Act, the "**specified amount**" in respect of each Common Share will be an amount equal to the closing trading price for the Common Shares on the TSX on the Expiration Date. We will publicly announce the specified amount when we announce the Purchase Price pursuant to the Offer.

Shareholders should carefully consider the income tax consequences of accepting the Offer. See Section 15 of the Circular – "*Income Tax Considerations*".

The Offer and all contracts resulting from the acceptance thereof shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

Cipher Pharmaceuticals, in its sole discretion, shall be entitled to make a final and binding determination of all questions relating to the interpretation of the Offer, the validity of any acceptance of the Offer and the validity of any withdrawals of Common Shares. The Offer is not being made to, and deposits of Common Shares will not be accepted from or on behalf of, Shareholders residing in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. Cipher Pharmaceuticals may, in its sole discretion, take such action as it may deem necessary to make the Offer in any such jurisdiction and extend the Offer to Shareholders in any such jurisdiction.

The accompanying Circular, together with this Offer to Purchase, constitutes the issuer bid circular required under Canadian securities legislation applicable to Cipher Pharmaceuticals with respect to the Offer.

The accompanying Circular contains additional information relating to the Offer.

DATED this 6th day of September, 2023, at Mississauga, Ontario.

CIPHER PHARMACEUTICALS INC.

(Signed) *Craig Mull*
Craig Mull
Interim Chief Executive Officer and Chairman

CIRCULAR

This Circular is being furnished in connection with the Offer by Cipher Pharmaceuticals to purchase for not more than \$6,000,000 in value of its Common Shares at a Purchase Price of not less than \$3.95 per Common Share and not more than \$4.75 per Common Share. Terms defined in the Offer to Purchase and not otherwise defined herein have the same meaning in this Circular. The terms and conditions of the Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery are incorporated into and form part of this Circular. Reference is made to the Offer to Purchase for details of its terms and conditions.

1. Cipher Pharmaceuticals

Cipher Pharmaceuticals is a specialty pharmaceutical company with a diversified portfolio of commercial and early to late-stage products. The Company 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 Pharmaceuticals was incorporated under the *Business Corporations Act* (Ontario) on January 9, 2004. The Company's head office is located at 5750 Explorer Dr., Suite 404, Mississauga, Ontario, L4W 0A9, Canada and the Company's registered office is located at Suite 3000, 77 King St. West, Toronto, Ontario M5K 1G8.

Cipher Pharmaceuticals is subject to the continuous disclosure requirements of applicable Canadian securities legislation and the rules of the TSX, and in accordance therewith, files periodic reports and other information with Canadian provincial and territorial securities regulators and the TSX relating to its business, financial condition and other matters. Shareholders may access documents filed with Canadian provincial and territorial securities regulators through the Canadian System for Electronic Document Analysis and Retrieval (SEDAR+) at www.sedarplus.ca.

2. Authorized Capital

The authorized and issued capital of the Company consists of an unlimited number of preference shares, issuable in series, and an unlimited number of Common Shares, of which 25,310,551 Common Shares and no preference shares are issued and outstanding as of September 1, 2023.

The holders of the Common Shares are entitled to receive notice of and to attend any shareholders' meetings and are entitled to one vote in respect of each Common Share held at such meetings. The holders of the Common Shares are entitled to participate equally in dividends, if any, declared in the Common Shares. In the event of the liquidation, dissolution or wind-up of the Company or other distribution of assets of the Company among shareholders for the purpose of winding-up the Company's affairs, the Common Shares shall rank equally as to priority of distribution. Such distribution shall be made in equal amount per Common Share on all the Common Shares outstanding without preference or distinction.

3. Background to the Offer

On August 12, 2023, Research Capital Corporation, was retained by the Company to act as Dealer Manager and as the Company's financial advisor in connection with the Offer.

On August 31, 2023, the independent members of the Board of Directors met with the Dealer Manager and the Valuator to discuss the proposed terms of the Offer and for the Valuator to present its Valuation, and after discussion and consideration of the factors set forth below in Section 4 of this Circular, "*Purpose and Effect of the Offer*", among other factors, the independent members of the Board of Directors determined to proceed with the Offer subject to the finalization of the final pricing. On September 3, 2023, the Board of Directors, having been presented with the final pricing of the Offer, unanimously determined to proceed with the Offer. On September 5, 2023, the Company announced its intention to make the Offer.

The Board of Directors has reviewed the Offer and Circular and, based on that review, approved the contents and mailing of the Offer to Purchase, Circular and the related Letter of Transmittal.

4. Purpose and Effect of the Offer

Cipher Pharmaceuticals and its Board of Directors believe that the Offer represents an equitable and efficient means for the Company to distribute up to \$6,000,000 of capital to Shareholders who elect to tender, while at the same time proportionately increasing the equity interest in the Company of Shareholders who do not deposit their Common Shares to the Offer. The Offer is not expected to preclude the Company from completing any foreseeable or planned business opportunities. After giving effect to the Offer, Cipher Pharmaceuticals believes that it will continue to have sufficient financial resources and working capital to conduct its business.

On September 3, 2023, the Board of Directors unanimously determined to proceed with the Offer because, based on a number of factors (including recommendations from management), it believes the purchase of Common Shares is in the best interests of the Company and represents an appropriate use of its available cash on hand. In considering whether the Offer would be in the best interests of the Company and its Shareholders, the Board of Directors gave careful consideration to a number of factors, including, without limitation, the following:

- (a) the Offer is a prudent use of the Company's financial resources given its business profile and assets, the current market price of the Common Shares, the excess capital position of the Company and its cash requirements and borrowing costs;
- (b) the advice and recommendations of the Dealer Manager and legal counsel to the Board of Directors with regard to various aspects and elements of the Offer;
- (c) after giving effect to the Offer, the Company will continue to have sufficient financial resources and working capital to conduct its ongoing business and operations and expects that it will continue to have sufficient financial resources to pursue its foreseeable or planned business opportunities;
- (d) the positive impact that the purchase of Common Shares would have on the Company's earnings and cash flow calculated on a per Common Share basis, as well as on the return on equity on the Common Shares;
- (e) the Offer provides Shareholders who are considering the sale of all or a portion of their Shares with the opportunity to sell such Common Shares for cash should they desire liquidity in quantities and at prices which may otherwise be unavailable in the market and without the usual transaction costs associated with market sales;
- (f) the deposit of Common Shares under the Offer is optional for all Shareholders, and all Shareholders are free to accept or reject the Offer;
- (g) the Offer provides for equal and hence fair treatment of all Shareholders;
- (h) Shareholders wishing to tender Common Shares may do so pursuant to Auction Tenders or Purchase Price Tenders, or by tendering a portion of Common Shares pursuant to Auction Tenders and another portion of Shares pursuant to Purchase Price Tenders;
- (i) Shareholders owning fewer than 100 Common Shares whose Common Shares are purchased pursuant to the Offer will avoid any odd lot discounts which may be applicable to a sale of Common Shares over the facilities of the TSX;
- (j) the Offer is not conditional on any minimum number of Common Shares being deposited; and
- (k) Shareholders who do not deposit their Shares under the Offer will realize a proportionate increase in their equity interest in the Company to the extent that Shares are purchased by the Company pursuant to the Offer.

The foregoing summary of the factors considered by the Board of Directors is not, and is not intended to be, exhaustive. In view of the variety of factors and the amount of information considered in connection with its determination to proceed with

the Offer, the Board of Directors did not find it practical to, and did not, quantify or otherwise attempt to assign any relative weight to each specific factor considered in reaching its conclusion.

In summary, for all the reasons set out above, the Board of Directors has approved the making of the Offer, certain terms and conditions of the Offer, the Offer to Purchase, this Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery.

Subject to certain exceptions, applicable Canadian securities legislation prohibits the Company and its affiliates from acquiring any Common Shares, other than pursuant to the Offer, until at least 20 business days after the Expiration Date or date of termination of the Offer. In accordance with applicable securities laws, the Company will suspend purchases of its Common Shares pursuant to the NCIB until 20 business days after the Expiration Date or date of termination of the Offer. Subject to applicable law, Cipher Pharmaceuticals may purchase additional Common Shares in the future on the open market, in private transactions, through issuer bids or otherwise. Any such purchases may be on the same terms or on terms that are more or less favourable to Shareholders than the terms of the Offer. Any possible future purchases by the Company will depend on many factors, including the market price of the Common Shares, the Company's business and financial position, the results of the Offer and general economic and market conditions.

None of Cipher Pharmaceuticals, its Board of Directors, the Valuator, the Depositary or the Dealer Manager makes any recommendation to any Shareholder as to whether to deposit or refrain from depositing any or all of such Shareholder's Common Shares. No person has been authorized to make any such recommendation. Shareholders are urged to evaluate carefully all information in the Offer, consult their own investment and tax advisors and make their own decisions whether to deposit Common Shares and, if so, how many Common Shares to deposit and whether to specify a price and, if so, at what price to deposit such Common Shares. Shareholders should carefully consider the income tax consequences of accepting the Offer. See Section 15 of this Circular – "Income Tax Considerations".

Liquidity of Market

As at September 1, 2023, there were 25,310,551 Common Shares issued and outstanding, of which approximately 14,662,277 Common Shares comprised the "public float", which excludes Common Shares beneficially owned, or over which control or direction is exercised, by "related parties" of the Company, as defined under applicable securities laws (which includes directors and senior officers of Cipher Pharmaceuticals and any of its subsidiaries as well as any person that beneficially owns or exercises control or direction over 10% or more of the issued and outstanding Common Shares). The maximum number of Common Shares that Cipher Pharmaceuticals is offering to purchase pursuant to the Offer represents approximately 6.00% of the Common Shares issued and outstanding as at September 1, 2023. In the event that Cipher Pharmaceuticals takes up and purchases the maximum of 1,518,987 Common Shares pursuant to the Offer, the "public float" will comprise approximately 13,143,290 Common Shares. In the event that Cipher Pharmaceuticals takes up and purchases the minimum of 1,263,157 Common Shares pursuant to the Offer, the "public float" will comprise approximately 13,399,120 Common Shares.

For further information, see the tables and information included in Section 6 of the Circular, "*Trading Price and Volume*", Section 7 of the Circular, "*Dividends and Dividend Policy*" and Section 9 of the Circular, "*Previous Distributions and Purchases of Securities*".

5. Financial Statements

A copy of the audited consolidated financial statements of Cipher Pharmaceuticals and the related management's discussion and analysis as at and for the financial years ended December 31, 2022, and 2021 have previously been filed and are available under Cipher Pharmaceuticals' profile on SEDAR+ at www.sedarplus.ca. The unaudited condensed consolidated interim financial statements of Cipher Pharmaceuticals and the related management's discussion and analysis as at and for the three and six months ended June 30, 2023 have also previously been filed and are available under Cipher Pharmaceuticals' profile on SEDAR+ at www.sedarplus.ca. Shareholders may obtain copies of these financial statements, without charge, upon request to Cipher Pharmaceuticals, attention: Cipher Pharmaceuticals, attention: James Bowen at james.bowen@loderockadvisors.com. Such documents are also available on the Company's website at www.cipherpharma.com.

6. Trading Price and Volume

The Common Shares are listed on the TSX under the symbol "CPH".

The following table sets forth the high and low prices per Common Share and the monthly trading volume of the Common Shares on the TSX for the 12 months preceding the date of the Offer. Prices and volume are based on the reported amounts from ThomsonOne.

Period	High (\$)	Low (\$)	Volume
September, 2022	3.39	2.59	832,752
October, 2022	3.28	2.85	329,158
November, 2022	3.81	3.13	597,395
December, 2022	4.07	3.44	430,245
January, 2023	3.94	3.21	324,922
February, 2023	3.86	3.36	173,727
March, 2023	3.87	3.19	435,744
April, 2023	3.52	3.24	229,184
May, 2023	3.91	3.11	315,005
June, 2023	4.05	3.30	248,139
July, 2023	3.88	3.44	317,303
August, 2023	4.20	3.35	496,957
September 1, 2023	4.00	3.96	5,155

On September 1, 2023, the last trading day prior to the date of the announcement by Cipher Pharmaceuticals of its intention to commence the Offer, the closing price of the Common Shares on the TSX was \$3.97.

7. Dividends and Dividend Policy

The Company has not declared any dividends on the Common Shares to date, and the Company has no formal dividend policy. Cipher Pharmaceuticals may alter its policy relating to dividends at any time, in its sole discretion, after taking into account such factors as the Company's financial condition, results of operations, current and anticipated cash needs, regulatory capital requirements, the requirements of any future financing agreements and other factors that the Board of Directors of the Company may deem relevant, with a view to paying dividends whenever operational circumstances permit.

8. Valuation

Engagement of Valuator

The Company initially contacted Evans & Evans regarding a potential advisory assignment on or about July 7, 2023, and Evans & Evans was formally engaged by the Board of Directors pursuant to an agreement between the Company and Evans & Evans (the "**Engagement Agreement**"), dated August 11, 2023, to prepare a valuation report with respect to the Common Shares, as prescribed under MI 61-101. The Company retained Evans & Evans as it was determined that the Company was unable to rely on the liquidity exemption provided in section 3.4(b) of MI 61-101.

The terms of the Engagement Agreement provide for payment of a fixed fee of \$24,500 to Evans & Evans that is not contingent on the conclusions reached in the Valuation or the outcome of the Offer, and the amount of the fixed fee is not material to

Evans & Evans. Evans & Evans will also be reimbursed for its reasonable, documented out-of-pocket expenses, including reasonable fees paid to its legal counsel, and is to be indemnified by the Company in certain circumstances.

The Valuation Report

On August 30, 2023, the Valuator delivered its preliminary valuation report to the Board of Directors of the Offer and a final version of its Valuation Report, which is substantially the same form as the preliminary report, was delivered to the Board of Directors on August 31, 2023. The Valuation Report has been prepared in compliance with the provisions of MI 61-101. A copy of the Valuation Report is attached to the Circular as Schedule "A".

Shareholders should carefully review and consider the Valuation Report in its entirety. The Valuation Report is subject to the assumptions, limitations and qualifications set out therein and the conclusions of Evans & Evans in the Valuation Report are premised on the various assumptions including the value of the Common Shares. Changes in the trading price of the Common Shares or changes in the other underlying assumptions could cause the value conclusions to change.

Evans & Evans is a financial advisory services firm with offices and affiliates in Canada, the United States and Asia who provides various services in the areas of valuations, fairness opinions and business due diligence. Evans & Evans was retained by the Board of Directors to provide a "formal valuation" (as such term is defined in M1 61-101) with respect to the fair market value of the issued and outstanding Common Shares at a current date. For the purposes of the Valuation Report the Valuation Date was defined as July 31, 2023.

Credentials of Valuator

Evans & Evans is a Canadian independent valuation firm. Evans & Evans offers a range of independent and advocate services to its clients including capital formation assistance, mergers and acquisitions advice, valuation and fairness opinions, business due diligence, business planning, marketing and competitive research. Evans & Evans' valuation practice has broad experience in completing assignments involving the valuation of companies and assets for various purposes including transactions involving publicly traded companies, financial reporting, income tax compliance and planning, among others. Its team of valuers, who have professional designations including Chartered Business Valuator, Accredited Senior Appraiser and Chartered Financial Analyst, have experience in a broad range of industries.

Independence of Valuator

Evans & Evans is not an insider, associate or affiliate of the Company or any other interested party (as such term is defined in MI 61-101) and neither it nor any of its affiliates have ever acted as an advisor to the Company or any other interested party in connection with the subject transaction. Evans & Evans has not participated in any transactions of the Company or any other interested party. The compensation of Evans & Evans is not dependent in whole or in part on any agreement or understanding which gives Evans & Evans or any of its affiliates a financial incentive in respect of the conclusions of Evans & Evans reached in the Valuation Report or in the outcome of the Offer, and Evans & Evans has no financial interests, outside the ordinary course of its business, in any future business involving the Company or any other interested party.

There are no understandings or agreements between Evans & Evans and the Company or any other interested party with respect to future business dealings between them. Evans & Evans may in the future, in the normal course of its business, perform valuation services for the Company or any other interested party.

Conclusions of Valuation Report

The Valuation Report, dated August 31, 2023, contains Evans & Evans' opinion that, based on the scope of their review and subject to the restrictions, definitions and assumptions noted therein, the fair market value of the Common Shares at July 31, 2023 was in the range of \$5.08 to \$5.44. The valuation was based upon securities market, economic and general business conditions prevailing at July 31, 2023 and the conditions and prospects, financial and otherwise, of the Company as reflected in the information and documents reviewed by Evans & Evans and as they were represented to Evans & Evans in its discussions with the Company's management. For the purposes of the Valuation Report, Evans & Evans stated that fair market value is

defined as the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act.

9. Previous Distributions and Purchases of Securities

Previous Purchases and Sales of Securities

During the 12 months preceding the date of the Offer, excluding securities purchased or sold pursuant to the exercise of employee stock options, no securities were sold by the Company.

On March 16, 2023 and June 21, 2023, the Company granted 265,774 and 15,000 restricted share units, respectively, to certain directors, officers, employees and consultants of the Company.

During the twelve months preceding the date of the Offer, the Company has purchased for cancellation an aggregate of 284,843 Common Shares, through the facilities of the TSX and other applicable marketplaces in Canada pursuant to NCIB.

Details concerning each purchase of securities pursuant to such NCIB during the twelve months preceding the date of the Offer is set out in the following chart:

Month of Transaction	Number	Acquisition Prices per Common Share	Aggregate Gross Payment
September, 2022	39,317	\$3.15 to \$3.38	\$128,091
November, 2022	32,886	\$3.35 to \$3.47	\$113,069
December, 2022	45,610	\$3.47 to \$3.99	\$171,755
March, 2023	28,986	\$3.25 to \$3.52	\$97,992
May, 2023	26,817	\$3.51 to \$3.88	\$98,991
June, 2023	62,379	\$3.54 to \$4.05	\$237,160
August, 2023	48,848	\$3.54 to \$4.09	\$181,644

Previous Distributions of Securities

The following table sets out the Common Shares that were distributed by the Company (other than Common Shares issued upon the exercise of options to purchase Common Shares, which are set out in the following table) and selling security holders for the five years preceding the date of the Offer.

Year of Distribution	Number of Common Shares Issued on Exercise/Settlement	Average Distribution Price per Common Share	Aggregate Proceeds⁽¹⁾
Fiscal year ending Dec 31, 2018	98,994	\$3.98	\$394,312
Fiscal year ending Dec 31, 2019	170,921	\$2.75	\$469,875
Fiscal year ending Dec 31, 2020	85,076	\$1.40	\$119,412
Fiscal year ending Dec 31, 2021	141,846	\$1.19	\$168,363
Fiscal year ending Dec 31, 2022	127,779	\$1.41	\$179,912
Current fiscal year to date	271,397	\$2.65	\$719,164

Notes:

(1) The above distributions represent restricted share units (RSUs) that vested and employee share purchase plan issuances. As such there were no proceeds from these issuances. The amounts entered in this column represent the aggregate value of the Common Shares that were issued.

The table below indicates the numbers of Common Shares that were issued by the Company on an annual basis for the five years preceding the date of the Offer upon the exercise of stock options to purchase Common Shares:

Year of Distribution	Number of Common Shares Issued on Exercise	Average Exercise Price per Common Share	Aggregate Proceeds
Fiscal year ending Dec 31, 2018	375	\$4.29	\$1,607
Fiscal year ending Dec 31, 2019	Nil	\$Nil	\$Nil
Fiscal year ending Dec 31, 2020	Nil	\$Nil	\$Nil
Fiscal year ending Dec 31, 2021	32,615	\$1.10	\$35,814
Fiscal year ending Dec 31, 2022	91,318	\$1.21	\$110,476
Current fiscal year to date	143,204	\$2.03	\$291,061

10. Interest of Directors and Officers and Transactions and Arrangements Concerning Securities

Interest of Directors and Officers. Except as set forth in the Offer to Purchase and Circular, neither the Company nor, to the Company's knowledge, after reasonable inquiry, any of its officers or directors or any of the officers or directors of its subsidiaries, is a party to any contract, arrangement or understanding, formal or informal, with any securityholder relating, directly or indirectly, to the Offer or with any other person or company with respect to any securities of the Company in relation to the Offer, nor are there any contracts or arrangements made or proposed to be made between the Company and any of its directors or officers and no payments or other benefits are proposed to be made or given by way of compensation for loss of office or as to such directors or officers remaining in or retiring from office if the Offer is successful.

Except as publicly disclosed, neither the Company nor, to the Company's knowledge, any of its officers or directors has current plans or proposals which relate to, or would result in, any extraordinary corporate transaction involving the Company, such as a merger, a reorganization, the sale or transfer of a material amount of its assets or the assets of any of its subsidiaries (although the Company considers from time to time various acquisition or divestiture opportunities), any material change in its present Board of Directors or management, any material change in its indebtedness or capitalization, any other material change in its business or corporate structure, any material change in its articles, or any actions similar to any of the foregoing.

Ownership of the Securities of the Company. To the knowledge of the Company, after reasonable inquiry, the following table indicates, as at September 1, 2023, the number of securities of the Company beneficially owned or over which control or direction is exercised, by each director and officer of the Company and, to the extent known by the Company after reasonable inquiry, by (a) each associate or affiliate of an insider of the Company, (b) each associate or affiliate of the Company, (c) each other insider, as defined in applicable law, of the Company, other than a director or officer of the issuer, and (d) each person acting jointly or in concert with the Company, and the percentage such number of securities represents of the applicable total outstanding number of such securities.

		Common Shares		Options, SARs and DSUs			
Name⁽¹⁾	Relationship with Company	#	%⁽²⁾	# of Options	# of RSUs	# of PSUs	%⁽³⁾
Craig Mull ⁽⁴⁾	Chairman, Interim Chief Executive Officer and Significant shareholder	10,285,285	40.64%	408,234	298,831	Nil	2.79%
Bryan Jacobs	Chief Financial Officer	5,000	0.02%	162,109	16,719	Nil	0.71%
Harold Wolkin	Director	357,989	1.41%	47,521	7,500	Nil	0.22%
Douglas Deeth	Director	Nil	Nil	25,000	2,500	Nil	0.11%

Hubert Walinski	Director	Nil	Nil	25,000	2,500	Nil	0.11%
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Notes:

- (1) The information concerning securities beneficially owned, directly or indirectly, or over which control or direction is exercised, not being entirely within the knowledge of the Company, was furnished by the respective directors, officers and insiders listed above or, as applicable, based upon public information.
- (2) The percentage of outstanding Common Shares disclosed is calculated as the number of securities of the class held by such director, officer or insider divided by the aggregate number of securities of the class issued and outstanding as of the date hereof.
- (3) Represents the aggregate number of Options, RSUs and PSUs held by the director or officer as of the date hereof as a percentage of the outstanding Common Shares (on a non-diluted basis).
- (4) Mr. C. Mull is the President and sole shareholder of 1207407 Ontario Limited, which owns 9,566,150 common shares

11. Commitments to Acquire Common Shares

Cipher Pharmaceuticals has no agreements, commitments or understandings to purchase or otherwise acquire, and will not purchase or otherwise acquire prior to the Expiry Time, Common Shares or other securities of the Company.

To the Company's knowledge, after reasonably inquiry, aside from purchases through the exercise of options, no person or company named above under "*Interest of Directors and Officers and Transactions and Arrangements Concerning Securities*" has any agreements, commitments or understandings to purchase or otherwise acquire Common Shares or other securities of Cipher Pharmaceuticals.

12. Benefits from the Offer and Effect on Interested Parties

No person named under "*Interest of Directors and Officers and Transactions and Arrangements Concerning Securities – Ownership of the Securities of the Company*" will receive any direct or indirect benefit from accepting or refusing to accept the Offer other than the Purchase Price for any Common Shares tendered to the Offer and purchased by the Company in accordance with the terms of the Offer.

If the Company purchases Common Shares pursuant to the Offer, and assuming the persons listed under "*Interest of Directors and Officers and Transactions and Arrangements Concerning Securities – Ownership of the Securities of the Company*" do not tender any Common Shares to the Offer, such persons will realize a proportionate increase in their equity interest in the Company. See Section 14 of the Circular, "*Intention to Deposit Common Shares*". In addition, Craig Mull, the Chairman and the Interim Chief Executive Officer of the Company, who controls, directly or indirectly, 40.64% of the outstanding Common Shares would control 43.23% of the outstanding Common Shares if the Company purchases 1,518,987 Common Shares pursuant to the Offer. Mr. Mull had indicated that he does not intend to deposit any such Common Shares to the Offer.

13. Material Changes in the Affairs of the Company

Except as publicly disclosed by the Company or as described or referred to in the Offer to Purchase or this Circular, the directors and officers of the Company are not aware of any plans or proposals for material changes in the affairs of the Company, or of any undisclosed material changes that have occurred since March 16, 2023, being the date on which the Company's most recent audited consolidated annual financial statements were filed on SEDAR+.

From time to time, the Company explores potential strategic opportunities and transactions. These opportunities and transactions may include the acquisition or disposition of material assets, significant investments and other similar opportunities or transactions. Such opportunities or transactions may have a significant effect on the price or value of the Company's securities. The Company's general policy is to not publicly disclose the pursuit of a potential strategic opportunity or transaction until a binding definitive agreement has been signed.

14. Intention to Deposit Common Shares

The persons named under "*Interest of Directors and Officers and Transactions and Arrangements Concerning Securities – Ownership of the Securities of the Company*" have indicated that they do not intend to deposit any of such person's or company's Common Shares pursuant to the Offer.

15. Income Tax Considerations

Certain Canadian Federal Income Tax Considerations

General

This summary is of a general nature only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular Shareholder and no representation is made with respect to the income tax consequences to any particular Shareholder. Accordingly, Shareholders should consult their tax advisors concerning the application and effect of the income and other taxes of any country, province, territory, state or local tax authority, having regard to their particular circumstances.

Cipher Pharmaceuticals has been advised by Fogler, Rubinoff LLP that the following summary accurately describes, as of the date hereof, certain of the material Canadian federal income tax considerations under the Tax Act generally applicable to Shareholders who sell Common Shares beneficially owned by such Shareholders to Cipher Pharmaceuticals pursuant to the Offer.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency. The summary assumes that all of the Tax Proposals will be implemented in the form proposed, although no assurance in this regard can be given. This summary does not otherwise take into account or anticipate any changes in law or administrative policies and practices, whether by judicial, governmental or legislative decision or action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein. This summary is not exhaustive of all Canadian federal income tax considerations.

This summary is not applicable to a Shareholder (i) that is a "financial institution" for the purposes of the "mark-to-market" rules, (ii) that is a "specified financial institution", (iii) that reports its "Canadian tax results" in a currency other than Canadian dollars, (iv) an interest in which is a "tax shelter investment", or (v) that has entered into a "derivative forward agreement", a "synthetic disposition arrangement" or a "dividend rental agreement" in respect of the Common Shares, as each of those terms is defined in the Tax Act. This summary is also not applicable to a Shareholder that acquired Common Shares pursuant to the exercise of an employee stock option or otherwise in connection with his or her employment and who disposes of the Common Shares pursuant to the Offer. All of the foregoing Shareholders should consult their tax advisors regarding their particular circumstances.

THE DEEMED DIVIDEND TAX TREATMENT DESCRIBED BELOW ON THE SALE OF COMMON SHARES PURSUANT TO THE OFFER DIFFERS FROM THE CAPITAL GAIN (OR CAPITAL LOSS) TREATMENT WHICH WOULD GENERALLY APPLY TO A SALE OF COMMON SHARES IN THE MARKET. ACCORDINGLY, SHAREHOLDERS WHO WISH TO SELL THEIR COMMON SHARES AND WHO ARE NOT GENERALLY EXEMPT FROM CANADIAN FEDERAL INCOME TAX SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING SELLING THEIR COMMON SHARES IN THE MARKET AS AN ALTERNATIVE TO SELLING COMMON SHARES PURSUANT TO THE OFFER.

Canadian Currency

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition or deemed disposition of a Common Share must be expressed in Canadian dollars. Amounts denominated in another currency must be converted into Canadian dollars using the applicable rate of exchange (for purposes of the Tax Act) quoted by the Bank of Canada on the date such amounts arose, or such other rate of exchange as is acceptable to the Canada Revenue Agency.

Shareholders Resident in Canada

The following portion of the summary is, subject to the discussion under "*General*" above, applicable to a Shareholder who, for the purposes of the Tax Act and at all relevant times (i) is or is deemed to be a resident of Canada, (ii) deals at arm's length with, and is not affiliated with, Cipher Pharmaceuticals, (iii) holds its Common Shares as capital property and (iv) is not exempt

from tax under Part I of the Tax Act (herein, a "**Resident Shareholder**"). The Common Shares will generally be considered to be capital property to a Resident Shareholder provided that the Resident Shareholder does not hold the Common Shares in the course of carrying on a business of buying and selling shares and has not acquired the Common Shares in a transaction considered to be an adventure or concern in the nature of trade. Certain Resident Shareholders that might not otherwise be considered to hold their Common Shares as capital property may, in certain circumstances, be entitled to have the Common Shares and all other "Canadian securities" (as defined in the Tax Act) owned by such Resident Shareholders in the taxation year of the election and all subsequent taxation years deemed to be capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Resident Shareholders should consult their tax advisors for advice with respect to whether an election under subsection 39(4) of the Tax Act is available or advisable having regard to their particular circumstances.

Disposition of Common Shares

A Resident Shareholder who sells Common Shares to Cipher Pharmaceuticals pursuant to the Offer will be deemed to receive a taxable dividend equal to the amount by which the amount paid by Cipher Pharmaceuticals for the Common Shares exceeds the paid-up capital of the Common Shares for purposes of the Tax Act. Cipher Pharmaceuticals estimates that the paid-up capital per Common Share on the date of take-up under the Offer will be approximately \$0.72 (and following the Expiration Date, Cipher Pharmaceuticals will advise Shareholders of any material change to this estimate). As a result, Cipher Pharmaceuticals has determined that a Resident Shareholder who sells Common Shares under the Offer will be deemed to receive a dividend for purposes of the Tax Act. The exact quantum of the deemed dividend cannot be guaranteed.

Any dividend deemed to be received by a Resident Shareholder who is an individual will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by Canadian resident individuals from a taxable Canadian corporation, including the enhanced gross-up and dividend tax credit if Cipher Pharmaceuticals validly designates the dividend as an "eligible dividend". There may be limitations on the ability of a corporation to designate dividends as eligible dividends. Subject to such limitations, Cipher Pharmaceuticals intends to designate all deemed dividends arising as a result of a sale of Common Shares pursuant to the Offer as eligible dividends for these purposes.

Subject to the application of subsection 55(2) of the Tax Act, as described below, any dividend deemed to be received by a Resident Shareholder that is a corporation will be included in computing such Resident Shareholder's income as a dividend, and will ordinarily be deductible in computing its taxable income subject also to all other limitations under the Tax Act. To the extent that such a deduction is available, private corporations (as defined in the Tax Act) and certain other corporations may be liable to pay refundable tax under Part IV of the Tax Act.

Under subsection 55(2) of the Tax Act, a Resident Shareholder that is a corporation may be required to treat all or a portion of any deemed dividend that is deductible in computing taxable income as proceeds of disposition of the Common Shares and not as a dividend, generally in circumstances where: (i) the Resident Shareholder would have realized a capital gain if it disposed of any Common Share at fair market value immediately before the sale of Common Shares to the Company; (ii) the sale to the Company resulted in a significant reduction in such capital gain; and (iii) the amount of the deemed dividend exceeds the "safe income" in respect of the particular Common Share that could reasonably be considered to contribute to such capital gain (as determined for purposes of the Tax Act). The application of subsection 55(2) involves a number of factual considerations that will differ for each Resident Shareholder and a Resident Shareholder to whom it may be relevant is urged to consult its tax advisors concerning its application having regard to its particular circumstances.

The amount paid by Cipher Pharmaceuticals under the Offer for the Common Shares less any amount deemed to be received by the Resident Shareholder as a dividend (after the application of subsection 55(2) in the case of a corporate Resident Shareholder) will be treated as proceeds of disposition of the Common Shares. The Resident Shareholder will realize a capital gain (or capital loss) on the disposition of the Common Shares equal to the amount by which the Resident Shareholder's proceeds of disposition, net of any costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Shareholder of the Common Shares sold to Cipher Pharmaceuticals pursuant to the Offer.

Taxation of Capital Gains and Losses

Generally, a Resident Shareholder will be required to include in computing its income for a taxation year one-half of any capital gain (a "**taxable capital gain**") realized by it in that year. Subject to and in accordance with the provisions of the Tax Act, a Resident Shareholder must deduct one-half of the amount of any capital loss realized in a taxation year from taxable capital

gains realized by the Resident Shareholder in that year, and any excess may be carried back to any of the three preceding taxation years or carried forward to any subsequent taxation year and deducted against net taxable capital gains realized in such years.

The amount of a capital loss realized on the disposition of a Common Share by a Resident Shareholder that is a corporation may, to the extent and under the circumstances specified in the Tax Act, be reduced by the amount of dividends received or deemed to be received on the Common Shares (including any dividends deemed to be received as a result of the sale of Common Shares to the Company under the Offer). Similar rules may apply where Common Shares are owned by a partnership or trust of which a corporation, trust or partnership is a member of beneficiary. Resident Shareholders who may be affected by these rules are urged to consult with their tax advisors in this regard.

Special rules may apply to suspend or deny, as applicable, any capital loss realized by a Resident Shareholder on the sale of Common Shares under the Offer if the Resident Shareholder (or a person affiliated with the Resident Shareholder for purposes of the Tax Act) acquires additional Common Shares in the period commencing 30 days prior to, and ending 30 days after, the sale, and such acquired Common Shares are owned by such Resident Shareholder (or a person affiliated with the Resident Shareholder for purposes of the Tax Act) at the end of such period. Resident Shareholders who may be affected by these rules are urged to consult their own tax advisors.

A Resident Shareholder that is a Canadian-controlled private corporation throughout the year (as defined in the Tax Act) may be liable to pay an additional tax (refundable in certain circumstances) on its "aggregate investment income" for the year, which is defined to include an amount in respect of taxable capital gains (but not dividends, or deemed dividends, that are deductible in computing taxable income). Tax Proposals announced by the Minister of Finance (Canada) propose to extend this additional tax to "substantive CCPCs", as defined in the Tax Proposals. Resident Shareholders who may be affected by these rules are urged to consult with their own tax advisors in this regard.

Alternative Minimum Tax

A capital gain realized, or a dividend received (or deemed to be received) by a Resident Shareholder who is an individual, including a trust (other than certain specified trusts), as a result of the sale of Common Shares pursuant to the Offer may give rise to a liability for alternative minimum tax. Such Resident Shareholders should consult their tax advisors with respect to the alternative minimum tax rules set out in the Tax Act.

Non-Resident Shareholders

The following portion of the summary is, subject to the discussion under "*General*" above, applicable to a Shareholder who, for purposes of the Tax Act and at all relevant times (i) is not resident or deemed to be resident in Canada, (ii) does not use or hold, and is not deemed to use or hold, its Common Shares in connection with carrying on a business in Canada, (iii) deals at arm's length with, and is not affiliated with, Cipher Pharmaceuticals, and (iv) is not an insurer that carries on an insurance business in Canada and elsewhere (herein, a "**Non-Resident Shareholder**").

A Non-Resident Shareholder who sells Common Shares to Cipher Pharmaceuticals under the Offer will be deemed to receive a dividend equal to the amount by which the amount paid by Cipher Pharmaceuticals for the Common Shares exceeds the paid-up capital of the Common Shares for purposes of the Tax Act. Cipher Pharmaceuticals estimates that the paid-up capital per Share on the date of take-up under the Offer will be approximately \$0.72 (and following the Expiration Date, Cipher Pharmaceuticals will advise Shareholders of any material change to this estimate). As a result, Cipher Pharmaceuticals has determined that Non-Resident Shareholders who sell Common Shares under the Offer will be deemed to receive a dividend for purposes of the Tax Act. The exact quantum of the deemed dividend cannot be guaranteed. Any such dividend will be subject to Canadian withholding tax at a rate of 25% or such lower rate as may be provided under the terms of an applicable tax treaty. For example, a dividend received or deemed to be received by a Non-Resident Shareholder that is a resident of the U.S. for the purposes of the Canada-United States Income Tax Convention (the "U.S. Treaty"), is fully entitled for benefits under the U.S. Treaty, and is the beneficial owner of such dividends will generally be subject to withholding tax at a treaty-reduced rate of 15%. Non-Resident Shareholders are urged to consult their own tax advisors to determine their entitlement, if any, to relief under an applicable tax treaty.

In view of the deemed dividend tax treatment described above on a sale of Common Shares under the Offer and the resulting Canadian withholding tax, Non-Resident Shareholders should consult their tax advisors regarding selling their Common Shares in the market as an alternative to selling Common Shares pursuant to the Offer.

The amount paid by Cipher Pharmaceuticals for the Common Shares (less any amount deemed to be received by the Non-Resident Shareholder as a dividend) will be treated as proceeds of disposition of the Common Shares. A Non-Resident Shareholder will not be subject to tax under the Tax Act in respect of any capital gain realized on the disposition of Common Shares under the Offer unless the Common Shares are "taxable Canadian property" to the Non-Resident Shareholder at the time of such sale and such gain is not exempt from tax under the Tax Act pursuant to the provisions of an applicable tax treaty (if any). Generally, provided the Common Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the TSX) at the time of disposition, the Common Shares will not constitute taxable Canadian property to a Non-Resident Shareholder, unless, at any time during the 60-month period immediately preceding the disposition, (a) the Non-Resident Shareholder, persons with whom the Non-Resident Shareholder did not deal at arm's length, partnerships in which the Non-Resident Shareholder or such non-arm's length persons holds a membership interest directly or indirectly, or the Non-Resident Shareholder together with all such foregoing persons, owned 25% or more of the issued Common Shares or any other issued class of Cipher Pharmaceuticals' shares; and (b) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from any one or combination of (i) real or immovable property situated in Canada, (ii) Canadian resource properties, (iii) timber resource properties, and (iv) options in respect of, or interests in, or for civil law rights in, property described in any of (i) to (iii), whether or not that property exists. A Common Share may also be deemed to be taxable Canadian property to a Non-Resident Shareholder in certain circumstances specified in the Tax Act.

Even if a Common Share is taxable Canadian property to a Non-Resident Shareholder, any gain realized on a disposition of the Common Share may be exempt from tax under the Tax Act pursuant to the provisions of an applicable tax treaty (if any). Non-Resident Shareholders should consult their own tax advisors in this regard.

In the event a Common Share is taxable Canadian property to a Non-Resident Shareholder at the time of disposition and the capital gain realized on disposition of the Common Share is not exempt from tax under the Tax Act pursuant to the provisions of an applicable tax treaty, the tax consequences in respect of capital gains described above under "Shareholders Resident in Canada – *Taxation of Capital Gains and Losses*" will generally apply.

Certain U.S. Federal Income Tax Considerations

The following is a summary of certain material U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) who sell Common Shares to the Company pursuant to the Offer. This summary is based on the Code, applicable U.S. Treasury regulations promulgated under the Code, and administrative and judicial interpretations, all as of the date hereof, and all of which are subject to change (possibly on a retroactive basis) and subject to differing interpretation, which may result in tax consequences different from those described below. This summary is not binding on the IRS, and the IRS or a court in the event of an IRS dispute may challenge any of the conclusions set forth below. We have not requested, and will not request, a ruling from the IRS with respect to any of the U.S. federal income tax consequences described below, and as a result, there can be no assurance that the IRS will not disagree with or challenge any of the conclusions we have reached and described here. The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any U.S. Holder and no opinion or representation with respect to the U.S. federal income tax consequences to any U.S. Holder is made. Except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. In addition, it does not address U.S. estate and gift (or any other non-income) tax consequences, tax consequences arising under the alternative minimum tax or tax consequences under any state, local or non-U.S. tax laws. This summary does not discuss all the tax considerations that may be relevant to a particular U.S. Holder in light of the U.S. Holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. Different rules that are not discussed below may apply to some U.S. Holders subject to special tax rules, including, but not limited to, partnerships (or entities classified as partnerships for U.S. federal income tax purposes), insurance companies, tax-exempt persons, retirement plans, certain financial institutions, real estate investment trusts or regulated investment companies, dealers or traders in securities or currencies, persons that hold Common Shares as a position in a "straddle" or as part of a "hedge", "conversion transaction" or other integrated investment, persons who received Common Shares as compensation or otherwise in connection with employment, persons who received Common Shares upon the exercise of options, warrants, or other convertible instruments, persons who will own or have owned (directly, indirectly, or by attribution) 10% or more of the total combined voting power or value of all outstanding Common Shares of the Company, corporations that accumulate earnings to avoid U.S. federal income tax, U.S. Holders (as defined below) whose functional currency is other than the U.S. dollar, persons subject to

special tax accounting rules under Section 451(b) of the Code, holders other than U.S. Holders (as defined below) who hold Common Shares in connection with a trade or business conducted in the U.S., or U.S. expatriates and certain former citizens or long-term residents of the United States. This summary assumes Common Shares are held as capital assets (generally, property held for investment purposes) within the meaning of Section 1221 of the Code.

U.S. Holders are urged to consult their tax advisors with respect to the U.S. federal, state and local tax consequences of participating in the Offer, as well as any tax consequences arising under the laws of any other taxing jurisdiction.

A "U.S. Holder" is a beneficial owner of Common Shares who or that is: (a) a citizen or individual resident of the U.S., as determined for U.S. federal income tax purposes; (b) a corporation (or other business entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof, or the District of Columbia; (c) an estate the income of which is subject to U.S. federal income tax regardless of its source; or (d) a trust (1) with respect to which a court within the U.S. is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) otherwise has validly elected under applicable U.S. Treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) that holds Common Shares will depend on the status of the partner and the activities of the partnership. Prospective participants in the Offer that are partnerships (or entities or arrangements treated as partnerships for U.S. federal income tax purposes) are urged to consult their own tax advisors concerning the U.S. federal income tax consequences to them and their partners of the participation in the Offer by the partnership.

Tax Considerations for Tendering U.S. Holders

Treatment of the Purchase of Common Shares Pursuant to the Offer as a Sale or Exchange or as a Distribution

Subject to the discussion below under "*Passive Foreign Investment Company Considerations*", the Company's purchase of Common Shares from a U.S. Holder pursuant to the Offer will be treated either as a sale or exchange of the Common Shares or as a distribution by the Company, depending upon the circumstances at the time the Common Shares are purchased. The purchase of Common Shares from a U.S. Holder will be treated as a sale or exchange if (a) the purchase results in a "complete redemption" of the U.S. Holder's equity interest in the Company, (b) the receipt of cash by the U.S. Holder is "not essentially equivalent to a dividend", or (c) as a result of the purchase, there is a "substantially disproportionate redemption" of the U.S. Holder's equity interest in the Company, each within the meaning of Section 302(b) of the Code, as described below (referred to as the "**Section 302 Tests**"). The purchase of Common Shares from a particular U.S. Holder will be treated as a distribution if none of the Section 302 Tests is satisfied with respect to such holder. U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income tax treatment of a payment pursuant to the Offer in their particular circumstances.

In applying the Section 302 Tests, the constructive ownership rules of Section 318 of the Code apply. Thus, a U.S. Holder is treated as owning not only Common Shares actually owned by the U.S. Holder, but also Common Shares actually (and in some cases constructively) owned by others. Under the constructive ownership rules, a U.S. Holder generally will be considered to own Common Shares owned, directly or indirectly, by certain related individuals or entities in which the U.S. Holder has an equity interest, as well as Common Shares that the U.S. Holder has an option to purchase.

- (a) Complete Redemption. A purchase of Common Shares pursuant to the Offer will result in a "complete redemption" of the U.S. Holder's interest in the Company if, immediately after the sale, either (1) the U.S. Holder owns, actually and constructively, no Common Shares; or (2) the U.S. Holder does not directly own any Common Shares and effectively waives constructive ownership of any constructively owned Common Shares under the procedures described in Section 302(c) of the Code. U.S. Holders who desire to file such a waiver are urged to consult their tax advisors.
- (b) Not Essentially Equivalent to a Dividend. A purchase of Common Shares pursuant to the Offer will be treated as "not essentially equivalent to a dividend" if the purchase results in a "meaningful reduction" in the selling U.S. Holder's proportionate interest in the Company. Whether a U.S. Holder meets this test will depend on the particular facts and circumstances. In measuring the change, if any, in a U.S. Holder's proportionate interest in the Company, the meaningful reduction test is applied by taking into account all Common Shares

that the Company purchases pursuant to the Offer, including Common Shares purchased from other Shareholders.

The IRS has held in a published ruling that, under the particular facts of the ruling, a small reduction in the percentage share ownership of a small minority shareholder in a publicly and widely held corporation who did not exercise any control over corporate affairs constituted a "meaningful reduction". U.S. Holders are urged to consult their tax advisors with respect to the application of the "not essentially equivalent to a dividend" test in their particular circumstances.

- (c) Substantially Disproportionate Redemption. A purchase of Common Shares pursuant to the Offer will be "substantially disproportionate" as to a U.S. Holder if the percentage of the then outstanding Common Shares (and any other classes of our shares entitled to vote) actually and constructively owned by such U.S. Holder immediately after the purchase is less than 80% of the percentage of the outstanding Common Shares (and any other classes of our shares entitled to vote) actually and constructively owned by such U.S. Holder immediately before the purchase. U.S. Holders are urged to consult their tax advisors with respect to the application of the "substantially disproportionate" test in their particular circumstances.

It may be possible for a tendering U.S. Holder to satisfy one of the Section 302 Tests by contemporaneously selling or otherwise disposing of all or some of the Common Shares that such U.S. Holder actually or constructively owns that are not purchased pursuant to the Offer. Correspondingly, a tendering U.S. Holder may not be able to satisfy one of the Section 302 Tests because of contemporaneous acquisitions of Common Shares by such U.S. Holder or a related party whose Common Shares are attributed to such U.S. Holder. U.S. Holders are urged to consult their tax advisors regarding the tax consequences of such sales or acquisitions in their particular circumstances.

We cannot predict whether or the extent to which the Offer will be oversubscribed. If the Offer is oversubscribed, the proration of tenders pursuant to the Offer will cause the Company to accept fewer Common Shares than are tendered. Consequently, we can give no assurance that a sufficient number of any U.S. Holder's Common Shares will be purchased pursuant to the Offer to ensure that such purchase will be treated as a sale or exchange, rather than as a distribution, for U.S. federal income tax purposes under the rules discussed above.

Sale or Exchange of Common Shares Pursuant to the Offer

Subject to the PFIC rules discussed below, if any of the Section 302 Tests are satisfied by a U.S. Holder, then such U.S. Holder generally will recognize taxable gain or loss equal to the difference between (a) the amount of cash received pursuant to the Offer (without reduction for withholding tax, if any) and (b) such U.S. Holder's adjusted tax basis in the tendered Common Shares. A U.S. Holder's adjusted tax basis generally will be the amount paid to acquire the Common Shares.

Any gain or loss will be long-term capital gain or loss if the holding period for the Common Shares is longer than one year at the time of the sale and will be short-term gain or loss if the holding period is equal to or less than one year. If a U.S. Holder acquired different blocks of Common Shares at different times and different prices, such U.S. Holder must determine the adjusted tax basis and holding period separately with respect to each such block of Common Shares. Any long-term capital gain recognized by a non-corporate U.S. Holder generally will be eligible for a reduced rate of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized generally will be treated as "U.S.-source" gain or loss for U.S. foreign tax credit purposes.

Distribution in Respect of Common Shares Pursuant to the Offer

Subject to the PFIC rules discussed below, if none of the Section 302 tests are satisfied by a U.S. Holder, then the full amount received pursuant to the Offer (without reduction for withholding tax, if any) will be treated as a distribution with respect to such U.S. Holder's Common Shares. For U.S. federal income tax purposes, a distribution generally is treated as a dividend to the extent paid out of the paying corporation's current or accumulated "earnings and profits", as determined under U.S. federal income tax principles. To the extent that a distribution exceeds the paying corporation's current and accumulated earnings and profits, the excess first is treated as a tax-free return of capital to the extent of a shareholder's tax basis in its shares, and then as capital gain from the sale or exchange of such shares. There can be no assurance that we will maintain calculations of our earnings and profits in accordance with U.S. federal income tax principles. U.S. Holders should therefore assume that any

distribution with respect to the Common Shares will constitute ordinary dividend income. U.S. Holders should consult their tax advisors regarding the treatment of the amount received pursuant to the Offer if none of the Section 302 tests are satisfied.

Dividends paid to a non-corporate U.S. Holder by a “qualified foreign corporation” may be subject to reduced rates of taxation if certain holding period and other requirements are met. A qualified foreign corporation generally includes a foreign corporation if (i) its shares are readily tradable on an established securities market in the United States or it is eligible for benefits under a comprehensive U.S. income tax treaty that includes an exchange of information program and which the U.S. Treasury has determined is satisfactory for these purposes and (ii) if such foreign corporation is not a PFIC (as discussed below) for either the taxable year in which the dividend is paid or the preceding taxable year. Accordingly, subject to the PFIC rules discussed below, a non-corporate U.S. Holder may qualify for the reduced rate on dividends so long as these requirements and applicable holding period requirements are met. U.S. Holders should consult their own tax advisors regarding the availability of the reduced tax rate on dividends in light of their particular circumstances.

The amount of any dividend will be treated as foreign-source dividend income and therefore U.S. Holders may be entitled to a U.S. foreign tax credit in respect of any Canadian withholding tax imposed on the disposition of the Common Shares (subject to general conditions and limitations of the U.S. foreign tax credit rules). The rules governing U.S. foreign tax credits are complex, and U.S. Holders are urged to consult their tax advisors regarding the creditability of any foreign taxes. Any dividends paid will not be eligible for the dividends-received deduction generally allowed to U.S. corporations under the Code.

Passive Foreign Investment Company Considerations

Certain adverse tax consequences could apply to a U.S. Holder if the Company is or has been treated as a “passive foreign investment company” within the meaning of Section 1297 of the Code (a “PFIC”) at any time during a U.S. Holder's holding period. In general, a non-U.S. corporation will be a PFIC with respect to a particular shareholder if, for any taxable year in which the shareholder holds shares, either (i) 75% or more of the corporation's gross income for the taxable year is “passive income”; or (ii) at least 50% of the average value of its assets in a taxable year is attributable to assets that produce or are held for the production of passive income, based on a quarterly average of the fair market value of such assets. For this purpose, “passive income” includes, among other things, dividends, interest, rents or royalties (other than certain rents or royalties derived from the active conduct of a trade or business), annuities, and gains from assets that produce passive income. Assets that produce or are held for the production of passive income generally include cash, even if held as working capital or raised in a public offering, marketable securities and other assets that may produce passive income. If a non-U.S. corporation owns, directly or indirectly, at least 25% by value of the stock of another corporation, the non-U.S. corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation's income. If the Company were classified as a PFIC for any taxable year that a U.S. Holder held Common Shares, the Company generally would continue to be treated as a PFIC with respect to that U.S. Holder in all succeeding years, even if the Company ceased to satisfy the requirements for being a PFIC. In addition, a U.S. Holder would be treated as owning a proportionate interest in the shares of any non-U.S. subsidiaries treated as PFICs and would be subject to the PFIC rules on a separate basis with respect to its indirect interests in any such lower-tier PFICs. If the Company were a PFIC with respect to a U.S. Holder, then such U.S. Holder generally would be subject to adverse tax consequences upon the sale of Common Shares pursuant to the Offer.

The determination of whether any non-U.S. corporation is a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. The Company does not believe that it was a PFIC for its tax year ended December 31, 2022, and no determination has been made regarding the Company's PFIC status for the current tax year. The PFIC determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our control, including the value of our assets and the amount and type of our income. Accordingly, there can be no assurance that the Company has not been or will not be classified as a PFIC for any taxable year.

If the Company is classified as a PFIC in any year with respect to which a U.S. Holder owns the Common Shares, the Company will continue to be treated as a PFIC with respect to such U.S. Holder in all succeeding years during which the U.S. Holder owns the Common Shares, regardless of whether the Company continues to meet the tests described above unless the Company ceases to be a PFIC and either (x) the U.S. Holder has made a “deemed sale” election under the PFIC rules or (y) for the period immediately preceding the Company's ceasing to be a PFIC the Common Shares were subject to a mark-to-market election. If the “deemed sale” election is made, a U.S. Holder will be deemed to have sold the Common Shares the U.S. Holder holds at their fair market value and any gain from such deemed sale would be subject to the rules described below. After the deemed sale election, so long as the Company does not become a PFIC in a subsequent taxable year, the U.S. Holder's Common Shares

with respect to which such election was made will not be treated as shares in a PFIC and the U.S. Holder will not be subject to the rules described below with respect to any “excess distribution” the U.S. Holder receives from the Company (including with respect to a U.S. Holder treated as receiving a distribution with respect to Common Shares, as described above under “— *Distribution in Respect of Common Shares Pursuant to the Offer*”) or any gain from an actual sale or other disposition (including by reason of satisfying one of the Section 302 Tests in connection with the sale of Common Shares pursuant to the Offer) of the Common Shares. U.S. Holders should consult their tax advisors as to the possibility and consequences of making a deemed sale election if the Company ceases to be a PFIC and such election becomes available.

For each taxable year the Company is treated as a PFIC with respect to U.S. Holders, U.S. Holders will be subject to special tax rules with respect to any “excess distribution” such U.S. Holder receives (including with respect to a U.S. Holder treated as receiving a distribution with respect to Common Shares, as described above under “— *Distribution in Respect of Common Shares Pursuant to the Offer*”) and any gain such U.S. Holder recognizes from a sale or other disposition (including by reason of satisfying one of the Section 302 Tests in connection with the sale of Common Shares pursuant to the Offer) of Common Shares, unless (i) such U.S. Holder makes a qualified electing fund election (a “**QEF Election**”) or (ii) the Common Shares constitute “marketable” securities, and such U.S. Holder makes a mark-to-market election as discussed below. Absent the making of a QEF Election or a mark-to-market election, distributions a U.S. Holder receives in a taxable year that are greater than 125% of the average annual distributions a U.S. Holder received during the shorter of the three preceding taxable years or the U.S. Holder’s holding period for the Common Shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over a U.S. Holder’s holding period for the Common Shares;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which the Company became a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the Common Shares cannot be treated as capital, even if a U.S. Holder holds the Common Shares as capital assets.

In addition, if the Company is a PFIC, a U.S. Holder will generally be subject to similar rules with respect to distributions the Company receives from, and the Company’s dispositions of the stock of, any of the Company’s direct or indirect subsidiaries that also are PFICs, as if such distributions were indirectly received by, and/or dispositions were indirectly carried out by, such U.S. Holder. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any Company subsidiaries.

If a U.S. Holder makes an effective QEF Election, the U.S. Holder will be required to include in gross income each year, whether or not the Company makes distributions, as capital gains, such U.S. Holder’s pro rata share of the Company’s net capital gains and, as ordinary income, such U.S. Holder’s pro rata share of the Company’s earnings in excess of the Company’s net capital gains. If the Company determines that it is a PFIC for this year, the Company can make no assurance that it would provide the information necessary for U.S. Holders to make a QEF Election.

U.S. Holders also can avoid the interest charge on excess distributions or gain relating to the Common Shares by making a mark-to-market election with respect to the Common Shares, provided that the Common Shares are “marketable.” Common Shares will be marketable if they are “regularly traded” on certain U.S. stock exchanges or on a foreign stock exchange that meets certain conditions. For these purposes, the Common Shares will be considered regularly traded during any calendar year during which they are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded. The Common Shares are listed on the TSX, which is a qualified exchange for these purposes. Consequently, if the Common Shares remain listed on the TSX and are regularly traded, and you are a holder of Common Shares, the Company expects the mark-to-market election would be available to U.S. Holders if the Company is a PFIC. Each U.S. Holder should consult its tax advisor as to the whether a mark-to-market election is available or advisable with respect to the Common Shares.

A U.S. Holder that makes a mark-to-market election must include in ordinary income for each year an amount equal to the excess, if any, of the fair market value of the Common Shares at the close of the taxable year over the U.S. Holder's adjusted tax basis in the Common Shares. An electing holder may also claim an ordinary loss deduction for the excess, if any, of the U.S. Holder's adjusted basis in the Common Shares over the fair market value of the Common Shares at the close of the taxable year, but this deduction is allowable only to the extent of any net mark-to-market gains for prior years. Gains from an actual sale or other disposition of the Common Shares will be treated as ordinary income, and any losses incurred on a sale or other disposition of the shares will be treated as an ordinary loss to the extent of any net mark-to-market gains for prior years. Once made, the election cannot be revoked without the consent of the IRS, unless the Common Shares cease to be marketable.

However, a mark-to-market election generally cannot be made for equity interests in any lower-tier PFICs that the Company may own, unless shares of such lower-tier PFIC are themselves "marketable." As a result, even if a U.S. Holder validly makes a mark-to-market election with respect to the Common Shares, the U.S. Holder may continue to be subject to the PFIC rules (described above) with respect to its indirect interest in any of the Company's investments that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS TO DETERMINE WHETHER ANY OF THESE ELECTIONS WOULD BE AVAILABLE AND IF SO, WHAT THE CONSEQUENCES OF THE ALTERNATIVE TREATMENTS WOULD BE IN THEIR PARTICULAR CIRCUMSTANCES.

Each U.S. shareholder of a PFIC is required to file a Form 8621, *Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund* containing such information as the U.S. Treasury may require. U.S. Holders should consult their tax advisors regarding the requirements of filing such information returns under these rules.

THE COMPANY STRONGLY URGES YOU TO CONSULT YOUR TAX ADVISOR REGARDING THE IMPACT OF THE COMPANY'S PFIC STATUS ON YOUR INVESTMENT IN THE COMMON SHARES AS WELL AS THE APPLICATION OF THE PFIC RULES TO YOUR INVESTMENT IN THE COMMON SHARES.

Receipt of Foreign Currency

The amount of any distribution paid or payment upon the sale or exchange of Common Shares pursuant to the Offer to a U.S. Holder in foreign currency, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that will be treated as ordinary income or loss, and generally will be U.S.-source income or loss for foreign tax credit purposes. Different rules may apply to U.S. Holders subject to the accrual method of tax accounting. Each U.S. Holder is urged to consult its own tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Backup Withholding

Under U.S. federal income tax laws, payments to a tendering U.S. Holder may be subject to "backup withholding" at the current rate of 24%, if the tendering U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. social security or other U.S. taxpayer identification number (generally on IRS Form W-9); (b) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding; or (c) fails under certain circumstances to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax.

A U.S. Holder that does not provide a correct U.S. taxpayer identification number may be subject to penalties imposed by the IRS. To prevent backup withholding on cash payable pursuant to the Offer, each U.S. Holder that is a U.S. person (as defined in the instructions to the IRS Form W-9) should provide the applicable withholding agent with his, her, or its correct U.S. taxpayer identification number and certify that he, she or it is not subject to backup withholding by completing the IRS Form W-9 included in the Letter of Transmittal.

Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding rules generally may be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or may be refunded, if such U.S. Holder furnishes certain required information to the IRS in a timely manner.

Tax Considerations for U.S. Holders Who Do Not Tender Common Shares Pursuant to the Offer

U.S. Holders who do not sell Common Shares pursuant to the Offer will not incur any U.S. federal income tax liability as a result of the consummation of the Offer.

16. Legal Matters and Regulatory Approvals

Cipher Pharmaceuticals is not aware of any license or regulatory permit that is material to the Company's business that might be adversely affected by the Company's acquisition of Common Shares pursuant to the Offer or of any approval or other action by any government or governmental, administrative or regulatory authority or agency in any jurisdiction, that would be required for the acquisition of Common Shares by the Company pursuant to the Offer and that has not been obtained on or before the date hereof. Should any such approval or other action be required, the Company currently contemplates that such approval will be sought or other action will be taken. Cipher Pharmaceuticals cannot predict whether it may determine that it must delay the acceptance for payment of Common Shares deposited pursuant to the Offer pending the outcome of any such matter.

There can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that the failure to obtain any such approval or other action might not result in adverse consequences to the Company's business.

The Company's obligations under the Offer to take up and pay for Common Shares are subject to certain conditions. See Section 7 of the Offer to Purchase – "*Certain Conditions of the Offer*".

17. Source of Funds

The Company intends to fund any purchase of Common Shares pursuant to the Offer, including related fees and expenses, from available cash on hand.

18. Dealer Manager

Research Capital Corporation has been retained to serve as dealer manager of the Offer and will, as requested by the Company, communicate generally the terms of the Offer with other members of the Canadian Investment Regulatory Organization institutional holders of Common Shares and custodians. Such Dealer Manager may form a soliciting dealer group. In that event, the Company will pay customary soliciting dealer fees in connection with the tender of Common Shares. Shareholders will not be obligated to pay any fee or commission if they accept the Offer by using the services of the Dealer Manager.

19. Depositary

Cipher Pharmaceuticals has appointed Computershare Investor Services Inc. to act as a depositary for, among other things, (a) the receipt of certificates representing Common Shares and related Letters of Transmittal deposited under the Offer, (b) the receipt of Notices of Guaranteed Delivery delivered pursuant to the procedures for guaranteed delivery set forth in Section 5 of the Offer to Purchase– "*Procedure for Depositing Common Shares*", (c) the receipt from the Company of cash to be paid in consideration of the Common Shares acquired by the Company under the Offer, as agent for the depositing Shareholders, and (d) the transmittal of such cash to the depositing Shareholders, as agent for the depositing Shareholders. The Depositary may contact Shareholders by mail, telephone, fax or electronic mail and may request brokers, dealers and other nominee Shareholders to forward materials relating to the Offer to beneficial owners. The Depositary is not an affiliate of Cipher Pharmaceuticals.

20. Fees and Expenses

Evans & Evans has been retained by the Company to provide the Valuation Report. Evans & Evans will receive a fee of \$24,500, plus reimbursement of certain reasonable out-of-pocket expenses from the Company for the delivery of the Valuation Report. None of the fees payable to Evans & Evans are contingent upon the conclusions reached by Evans & Evans.

Cipher Pharmaceuticals has retained Computershare Investor Services Inc. to act as the depositary in connection with the Offer. The Depositary will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection with the Offer, including certain liabilities under applicable Canadian securities laws. Cipher Pharmaceuticals will not pay any fees or commissions to any broker or dealer or any other person for soliciting deposits of Common Shares pursuant to the Offer. Brokers, dealers, commercial banks and trust companies may, upon request, be reimbursed by the Company for reasonable and necessary costs and expenses incurred by them in forwarding materials to their customers.

Research Capital Corporation has been retained by the Company to serve as its dealer manager in connection with the Offer. Research Capital Corporation will receive a fee from Cipher Pharmaceuticals for its services. Cipher Pharmaceuticals has agreed to reimburse Research Capital Corporation for certain reasonable out-of-pocket expenses incurred in connection with the Offer and to indemnify Research Capital Corporation against certain liabilities to which it may become subject as a result of its engagement.

Cipher Pharmaceuticals is expected to incur expenses of approximately \$400,000 in connection with the Offer, which includes filing fees, advisory fees, the fees for the Valuation Report, the fees of the Dealer Manager and the fees for legal, translation, accounting, depositary, printing and mailing services.

21. Statutory Rights

Securities legislation in the provinces and territories of Canada provides Shareholders with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to the Shareholders. However, such rights must be exercised within prescribed time limits. Shareholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

22. Valuation and Bona Fide Prior Offers

To the knowledge of Cipher Pharmaceuticals or any of its directors or senior officers, after reasonable inquiry, no prior valuation (as such term is defined in MI 61-101) regarding the Company, its securities or its material assets has been made in the 24 months before the date of the Offer.

Additional information relating to this process is included in the material change reports filed under the Company's profile on SEDAR+ at www.sedarplus.ca.

No bona fide prior offer that relates to the Common Shares or is otherwise relevant to the Offer has been received by the Company during the 24 months preceding the date on which the intention to commence the Offer was publicly announced.

APPROVAL AND CERTIFICATE

September 6, 2023

The Board of Directors of Cipher Pharmaceuticals Inc. has approved the contents of the Offer to Purchase and the accompanying Circular dated September 6, 2023 and the delivery thereof to Shareholders. The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

(Signed) "*Craig Mull*"

(Signed) "*Bryan Jacobs*"

Craig Mull
Interim Chief Executive Officer

Bryan Jacobs
Chief Financial Officer

On behalf of the Board of Directors

(Signed) "*Harold Wolkin*"

(Signed) "*Douglas Deeth*"

Harold Wolkin
Director

Douglas Deeth
Director

CONSENT OF EVANS & EVANS, INC.

TO: The Board of Directors of Cipher Pharmaceuticals Inc.

We refer to our report entitled "Comprehensive Valuation Report on Cipher Pharmaceuticals Inc." dated August 31, 2023 (the "**Valuation Report**"), which we prepared for Cipher Pharmaceuticals Inc. (the "**Company**") in connection with the Offer dated September 6, 2023 made by the Company to all of its shareholders. We hereby consent to the filing of the Valuation Report with the securities regulatory authority, the inclusion of the Valuation Report as Schedule A of the Circular dated September 6, 2023 accompanying the Offer made by the Company to the its Shareholders and to the references in the Circular to our Valuation Report, and to our having provided advice in connection therewith.

September 6, 2023

(Signed) "*Evans & Evans, Inc.*"

Evans & Evans, Inc.

CONSENT OF FOGLER, RUBINOFF LLP

TO: The Board of Directors of Cipher Pharmaceuticals Inc.

We consent to the inclusion of our name in the section titled "*Income Tax Considerations – Certain Canadian Federal Income Tax Considerations*" in the Circular dated September 6, 2023 of Cipher Pharmaceuticals Inc. in connection with its offer to the holders of its Common Shares.

September 6, 2023

(Signed) "*Fogler, Rubinoff LLP*"

Fogler, Rubinoff LLP

SCHEDULE "A" – VALUATION REPORT

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COMPREHENSIVE VALUATION REPORT
ON
CIPHER PHARMACEUTICALS INC.

Mississauga, Ontario

August 31, 2023

EVANS & EVANS, INC.

CIPHER PHARMACEUTICALS INC.

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1.0 ASSIGNMENT AND BACKGROUND

1.1 Assignment

Evans & Evans, Inc. (“Evans & Evans” or the “authors of the Report”) was engaged by Cipher Pharmaceuticals Inc. (“Cipher”, the “Company” or the “Issuer”) to prepare an independent Comprehensive Valuation Report (the “Report”) with regard to the fair market value of the Issuer’s common shares (the “Common Shares”) on a per share basis as of July 31, 2023 (the “Valuation Date”).

Cipher is a reporting issuer and the Common Shares are listed for trading on the Toronto Stock Exchange (the “Exchange”) under the symbol “CPH”. Evans & Evans understands Cipher is contemplating a substantial issuer bid (“SIB”) with respect to the purchase of a portion of the Common Shares. Given the planned SIB, the Board of Directors of the Issuer (the “Board”) has requested the Report in order to have an independent opinion as to the fair market value of the Common Shares as at the Valuation Date.

The Report is intended for placement on the Company’s file and may be submitted to the Exchange and the Company’s shareholders as part of the SIB. The Report may be included in any materials provided to the Company’s shareholders.

As Evans & Evans will be relying extensively on information, materials and representations provided to us by the Issuer’s management and associated representatives, the authors of the Report will require that the Issuer’s management confirm to Evans & Evans in writing that the information and management’s representations contained in the Report are accurate, correct and complete and that there are no material omissions of information that would affect the conclusions contained in the Report.

Evans & Evans, or its staff and associates, will not assume any responsibility or liability for losses incurred by Cipher and/or its shareholders, management or any other parties as a result of the circulation, publication, reproduction, or use of the Report, or any excerpts thereto contrary to the provisions of this section of the Report. Evans & Evans also reserves the right to review all calculations included or referred to in the Report and, if Evans & Evans considers it necessary, to revise the Report in light of any information existing at the Valuation Date that becomes known to Evans & Evans after the date of the Report.

Unless otherwise indicated, all monetary amounts are stated in United States dollars.








1.2 Background of Cipher

Cipher was incorporated under the *Business Corporations Act* (Ontario) on January 9, 2004. Cipher is a specialty pharmaceutical company with a diversified portfolio of commercial and early to late-stage products. The Company acquires products that fulfil unmet medical needs, manages the required clinical development and regulatory approval process, and currently markets those products either directly in Canada or indirectly through partners in the United States (“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 drug development programs where the Company anticipates a favourable risk/return profile;
- Conservatively manage capital and maximize cashflow; and
- Distribute products through established sales organizations using a royalty-based model.

The Company’s leading product in terms of revenue generation is Epuris with revenues of over \$11.3 million or 55% of the total revenues in FY2022. The below table outlines the products distributed by the Company in Canada:

Distributed by Cipher in Canada		
Product Revenue	Therapeutic Area	Product Description
	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.
	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.
	Dermatology	Ozanex is indicated for the topical treatment of impetigo in patients aged two months and older.
	Dermatology	Vaniqa is a topical cream indicated for the slowing of the growth of unwanted facial hair in women.
	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.
	Hospital Acute Cardiovascular Care	Brinavess® (vemakalant hydrochloride) is for the rapid conversion of recent onset atrial fibrillation (“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.
	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.

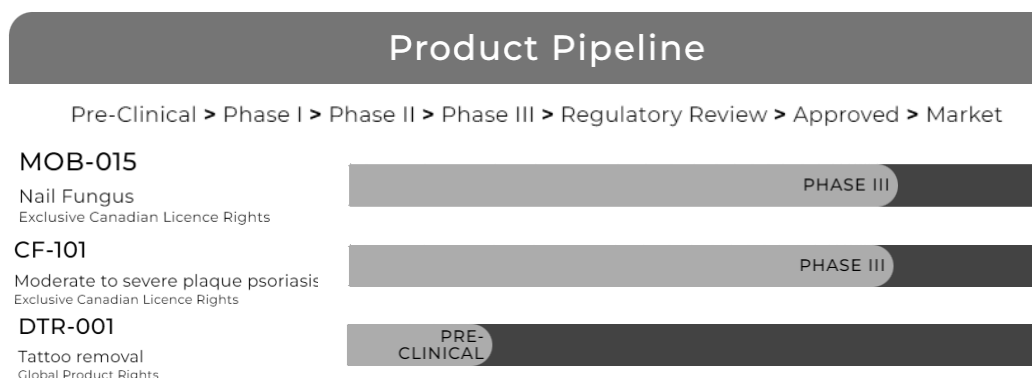
Source: Management’s Discussion and Analysis – June 30, 2023

Among the licensed products, the Company’s leading products are Absorica and Lipofen with revenues of \$5.2 million or 25% of the total revenue and 3.0 million or 14% of the total revenue, respectively, in FY2022. The below table outlines the licensed products of the Company:

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.

Source: Management’s Discussion and Analysis – June 30, 2023

Cipher’s product pipeline includes the following products:



Source: Company Website

- MOB-015: product for the treatment of nail fungus is presently in a pivotal Phase 3 clinical trial in the U.S. The Company has partnered with Moberg Pharma AB (“Moberg”) for the development of MOB-015 and holds the exclusive Canadian rights to MOB-015.
- CF-101 (“Piclidenoson”): the Company’s partner Canfite Biopharma (“Canfite”) has received a positive view from the U.S. Food and Drug Administration (“FDA”) with respect to its registration plan for the pivotal Phase 3 clinical trial of Piclidenoson. Earlier, Canfite received positive topline results from its Phase 3 COMFORT study of Piclidenoson. Cipher holds the holds the exclusive Canadian rights to Piclidenoson.

- DTR-001: a topical treatment for the removal of tattoos. The proof-of-concept studies have been completed. Cipher holds global rights to DTR-001.

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 percentage royalty on net product sales of Epuris in Mexico and Latin America. Epuris was commercially launched by Galephar's commercial partner in Mexico, Italmex S.A.

Financial History and Position

Cipher's fiscal year ("FY") ends on December 31. The Company's revenue decreased 9.0% from \$22.7 million in FY2018 to \$20.7 million in FY2022. The Company's income from operations has increased from \$3.3 million in FY2018 to \$11.1 million in FY2022 with an increase of 235%.

(US Dollars)	YTD	For the financial years ended December 31,				
	30-Jun-23	2022	2021	2020	2019	2018
Revenue						
Licensing revenue	3,846,000	8,145,000	10,408,000	12,829,000	14,212,000	15,869,000
Product revenue	6,328,000	12,530,000	11,535,000	8,778,000	8,239,000	6,880,000
Total Revenue	10,174,000	20,675,000	21,943,000	21,607,000	22,451,000	22,749,000
<i>Growth</i>	<i>n/a</i>	-5.8%	1.6%	-3.8%	-1.3%	<i>n/a</i>
Income from Operations	4,641,000	11,050,000	11,809,000	6,735,000	6,594,000	3,303,000

Licensing revenue decreased by \$2.3 million or 22.0% to \$8.1 million for the year ended December 31, 2022, compared to \$10.4 million for the year ended December 31, 2021. Licensing revenue from Absorica in the U.S. was \$5.2 million for the year ended December 31, 2022, a decrease of \$2.4 million or 32.0% compared to \$7.6 million for ended December 31, 2021. The change year over year was due to the genericization of Absorica in April 2021 and lower contractual royalty rates on the portfolio. Absorica's market share for the year ended December 31, 2022, was approximately 1.5% compared to approximately 1.7% for the year ended December 31, 2021.

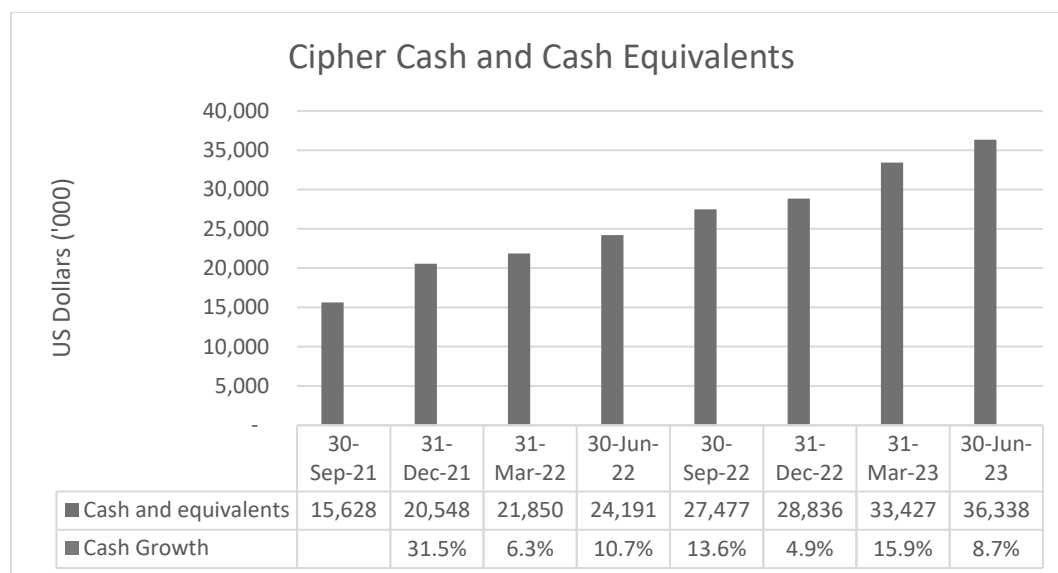
Licensing revenue from Absorica in the U.S. was \$2.4 million for the six months ended June 30, 2023, a decrease of \$0.3 million or 11% compared to \$2.7 million for the six months ended June 30, 2022. The overall decrease in licensing revenue on the Absorica portfolio for the six months ended June 30, 2023, is primarily attributable to royalty rates earned on the Absorica portfolio in connection with the amended and restated distribution and supply agreement entered into with Sun Pharmaceutical Industries Inc. ("Sun Pharma") on March 10, 2022.

Product revenue increased by \$1.0 million or 9% to \$12.5 million for the year ended December 31, 2022, compared to \$11.5 million for the year ended December 31, 2021. Product revenue from Epuris grew to \$11.3 million, an increase of 4%, for the year ended December 31, 2022 compared to \$10.9 million for the year ended December 31, 2021. Product revenue for Ozanex, Beteflam, Actikerall, Vaniqa, Brinavess, Durela and

Aggrastat was \$1.2 million, an increase of 88%, in the aggregate for the year ended December 31, 2022 compared to \$0.6 million for the year ended December 31, 2021.

Product revenue from Epuris was \$5.4 million for the six months ended June 30, 2023, a decrease of \$1.0 million or 15%, from \$6. million for the six months ended June 30, 2022. Excluding the impact from foreign exchange translation of \$0.4 million, Epuris revenue decreased by approximately 10% or \$0.6 million. The remaining decrease in product revenue from Epuris for the six months ended June 30, 2023 is primarily attributable to lower sales volumes.

As of June 30, 2023, the Company had cash and cash equivalents of \$36.3 million compared to \$28.8 million as of December 31, 2022. The following graph illustrates the Company's cash and cash equivalents as of June 30, 2023 and the preceding quarterly periods.



Source: Management's Discussion and Analysis - June 30, 2023

Cash and cash equivalents of \$36.3 million as of June 30, 2023 have increased \$7.5 million or 26% compared to \$28.8 million as of December 31, 2022. The increase in cash and cash equivalents is due to cash provided by operating activities of \$7.6 million combined with a foreign exchange impact of \$0.2 million, partially offset by \$0.3 million of cash used for normal course issuer bid ("NCIB") share repurchases during the six months ended June 30, 2023.

Share Capital

The Company is authorized to issue an unlimited number of preference and common shares, issuable in series. As of June 30, 2023, the Company had 25,282,844 Common Shares issued and outstanding, compared to 25,062,980 Common Shares as of December 31, 2022. No preference shares were issued and outstanding as of June 30, 2023, or December 31, 2022.

During the six months ended June 30, 2023, a total of 69,311 stock options were exercised with a weighted average exercise price of C\$1.45. As of June 30, 2023, 951,990 options were outstanding of which 298,038 have vested. Weighted average exercise prices of the outstanding options range from C\$0.93 to C\$6.19.

On September 19, 2022, the Company announced that it received approval from the Exchange for its intention to commence an NCIB. The notice provided that the Company may, during the 12 months commencing September 22, 2022, and ending no later than September 21, 2023, purchase through the facilities of the Exchange or alternative Canadian Trading Systems up to 1,403,293 of 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). During the year ended December 31, 2022, the Company purchased for cancellation 1,092,758 Common Shares (2021 – 1,210,800) at an average price of C\$2.34 per Common Share (2021 – C\$1.78). During the six months ended June 30, 2023, the Company purchased for cancellation 118,182 Common Shares (six months ended June 30, 2022 – 864,400) at an average price of C\$3.67 per Common Share (six months ended June 30, 2022 – C\$2.20).

The capital structure of the Company as of the Valuation Date is summarized below:

Class	Shares	Weighted Average Exercise Price
Common Shares	25,282,844	
Options - Pool 1	113,000	C\$0.93
Options - Pool 2	799,000	C\$3.52
Options - Pool 3	40,000	C\$6.19
Restricted Stock Units	351,202	
Total	26,586,046	

1.3 Market Outlook

In determining the fair market value of the Common Shares as of the Valuation Date, Evans & Evans reviewed the overall specialty pharmaceutical market that the Company's product portfolio focuses on. Evans & Evans also reviewed the target markets of the Company's leading products in the pipeline MOB-015 targeting onychomycosis (nail fungus) and Piclidenoson targeting plaque psoriasis.

Specialty pharmaceuticals are also referred to as specialty drugs that are classified as high-cost, high complexity and high touch. These drugs are derived from living cells that are injectable or infused through oral, parenteral and transdermal medications. Specialty pharmaceuticals have a rapidly growing share of total drug expenditures by public and private health plans. These drugs are mainly used to treat serious, chronic or life-threatening conditions such as cancer, growth hormone deficiency, rheumatoid arthritis and multiple sclerosis. Specialty drugs are more expensive than traditional drugs. These pharmaceuticals consist of many of the latest advanced treatments for a range of serious

conditions like rheumatoid arthritis, HIV and cancer. Many specialty pharmaceuticals are possible to improve both life expectancy and quality of life for patients.¹

Specialty pharmaceuticals are a rapidly growing share of total drug expenditures by public and private health plans. These drugs, typically used to treat chronic, serious, or life-threatening conditions, such as cancer, rheumatoid arthritis, growth hormone deficiency, and multiple sclerosis, are often priced much higher than traditional drugs. Research into specialty drugs is attractive to biopharmaceutical companies from both a medical innovation and business perspective. The ability of the market to sustain the relatively high cost of these products creates substantial incentives for companies to research and develop products that address serious, unmet health needs. Also, in some cases, companion diagnostic tests are used to identify patient subpopulations in which the specialty product generates a differential response, either negative or positive.²

As per a research report published by 360iResearch in July 2023, the global specialty pharmaceuticals market size was estimated at \$66.24 billion in 2022 and is expected to reach \$92.50 billion in 2023. The global specialty pharmaceuticals market is expected to reach \$965.54 billion by 2030, growing at a compounded annual growth rate (“CAGR”) of 39.78%.³

According to View Research, the global specialty generics market size was valued at \$69.90 billion in 2022 and is expected to grow at a CAGR of 9.9% from 2023 to 2030. Increasing adoption of specialty generic medicines for the treatment of complex chronic diseases such as hepatitis C and their increasing prevalence is a key driver for the market. According to the World Health Organization report 2022, globally around 58 million people have chronic hepatitis C virus infection, and about 1.5 million people are affected by this infection annually. Age is a major risk factor for the rising prevalence of complex chronic diseases such as arthritis, cardiovascular diseases, and cancer due to weak immunity and high comorbid conditions.⁴

According to a research report published by Technavio in July 2023, the global specialty pharmaceuticals market size is estimated to grow by \$331.12 billion at a CAGR of 12.59% between 2022 and 2027.⁵ The increasing demand for research and development (“R&D”) due to government healthcare expenditure is driving market growth. Small laboratory studies and large-scale production of specialty pharmaceutical products require the ability to produce an enriched sample of small molecules, cells, proteins, nucleic acids, or clean solutions. Adhering to regulations regarding the purity and consistency of specialty pharmaceutical products demands a well-structured plan and a vast amount of R&D investment. For example, certain pharmaceutical companies spend approximately 15% to 20% of total revenue on R&D activities. This is likely to further boost the demand for

¹ <https://brandessenceresearch.com/pharmaceutical/specialty-pharmaceuticals-market-size>

² <https://www.healthaffairs.org/doi/10.1377/hpb20131125.510855/>

³ <https://www.researchandmarkets.com/report/specialty-pharmaceutical#:~:text=The%20Global%20Specialty%20Pharmaceuticals%20Market,USD%20965.54%20billion%20by%202030.>

⁴ <https://www.grandviewresearch.com/industry-analysis/specialty-generics-market>

⁵ <https://www.technavio.com/report/specialty-pharmaceuticals-market-analysis>

specialty pharmaceutical products resulting in manufacturers coming up with innovative and advanced specialty pharmaceuticals to cater to the demand. Hence, the market is likely to witness further growth during the forecast period from 2022 through 2027.⁶

The specialty drug distribution market size is estimated to reach \$747.6 million by 2027, and it is poised to grow at a CAGR of 13.5% over the forecast period of 2022-2027. The main drivers propelling the market's expansion are the rising prevalence of chronic diseases and the growing need for specialty medications around the world. According to the arthritis organization more than 54 million adults and almost 300,000 children have arthritis or another type of rheumatic disease in 2021. Additionally, by 2040, the number of adults in the U.S., diagnosed with arthritis is estimated to be more than 78.4 million.⁷

Specialty wholesalers handle distribution to smaller specialty pharmacies and retail pharmacies. In the U.S. more than 32,000 pharmacy locations which are half of the entire U.S, the pharmacy industry act as contract pharmacies for the hospitals and other healthcare providers that participate in the 340B program. Section 340B of the Public Health Service Act requires pharmaceutical manufacturers participating in medicaid to sell outpatient drugs at discounted prices to health care organizations that care for many uninsured and low-income patients. Such a growing number of specialty drug distributors drive the growth of the specialty drug distribution industry over the forecast period 2022-2027.⁸

According to a research report published by Grand View Research Inc. in February 2023, the global onychomycosis market is expected to reach \$4.92 billion by 2030, expanding at a CAGR of 4.56% from 2022 to 2030. The growth of the onychomycosis market is attributable to the increasing incidence of onychomycosis and chronic diseases aided by rising awareness about treatment. The infection leads to psychological and social limitations which can limit an individual's ability to work and socialize which makes it important to provide effective and efficient treatment for patients suffering from the infection further propelling the market growth.⁹

As per Mordor Intelligence, the global onychomycosis treatment market size is expected to grow from \$3.22 billion in 2023 to \$4.00 billion by 2028, at a CAGR of 4.46% during the forecast period from 2023 to 2028.¹⁰

As outlined in the Company's press release "Cipher Partner, Moberg Pharma Announces Approval for MOB-015 in the European Union" dated July 5, 2023, the total prescription market for onychomycosis in Canada was over C\$82 million as of December 31, 2022 with a single product having over 90% market share.

According to a research report published by Verified Market Research in January 2023, the global psoriasis treatment market size was valued at \$22.70 billion in 2022 and is

⁶ <https://www.technavio.com/report/specialty-pharmaceuticals-market-analysis>

⁷ <https://www.industryarc.com/Report/7360/Specialty-Drug-Distribution-Market-Research-Report.html>

⁸ <https://www.industryarc.com/Report/7360/Specialty-Drug-Distribution-Market-Research-Report.html>

⁹ <https://www.grandviewresearch.com/press-release/global-onychomycosis-market#:~:text=The%20global%20onychomycosis%20market%20is,by%20Grand%20View%20Research%2C%20Inc.>

¹⁰ <https://www.mordorintelligence.com/industry-reports/onychomycosis-treatment-market>

projected to reach \$47.70 billion by 2030, growing at a CAGR of 8.70% from 2023 to 2030.¹¹ Psoriasis is a persistent skin disorder that is characterized mainly by skin irritation and scaly rashes where skin cells multiply up to 10 times faster than normal. It is an autoimmune noncontagious disorder characterized by rapid and excessive proliferation of skin cells, resulting in patches of abnormal skin. It is considered a long-term skin disorder characterized by plaques and thickened skin. Psoriasis majorly affects knees, elbows, and scalp. The major objective of treatment for this disease is to stop skin cells from growing quickly.

As per a Global Market Insights research report published in June 2023, the psoriasis treatment market size in North America is expected to reach \$25.0 billion by 2032.¹²

Health Canada has approved 11 biologics in Canada for the treatment of adults with moderate-to-severe plaque psoriasis. These biologics can be divided into two groups, based on mechanisms of action and market authorization dates, i.e., old-generation biologics (five in total, approved before 2010) and new-generation biologics (six in total, approved in 2015 or later).¹³

2.0 VALUATION OPINION

It is the opinion of Evans & Evans, given the scope of its engagement and with reference to its engagement letter that the fair market value of a Share, as at the Valuation Date (i.e., July 31, 2023), is in the range of \$3.86 to \$4.14 and Canadian Dollar (“C\$”) 5.08 to C\$5.44.

A Comprehensive Valuation Report provides the highest level of assurance regarding the valuation conclusion. This Valuation Opinion as well as the entire Report is subject to the scope of the work conducted (refer to section 4.0) as well as the assumptions made (refer to section 6.0) and to all of the other sections of the Report.

3.0 DEFINITION OF FAIR MARKET VALUE

For the purposes of our Report, Evans & Evans has been requested by the Issuer to refer to Multilateral Instrument 61-101 (the “Instrument”). Fair market value as defined in the Instrument is “*the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm’s length with the other and under no compulsion to act*”.

The Instrument definition of fair market value is in line with the Canadian Institute of Chartered Business Valuators definition of fair market value – “*the highest price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at*

¹¹ <https://www.verifiedmarketresearch.com/product/psoriasis-treatment-market/>

¹² <https://www.gminsights.com/industry-analysis/psoriasis-treatment-market>

¹³ canjhealthtechnol.ca/index.php/cjht/article/view/es0357/384

arms-length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.”

With respect to the market for the shares of a company viewed “en bloc” there are, in essence, as many “prices” for any business interest as there are purchasers and each purchaser for a particular “pool of assets”, be it represented by overlying shares or the assets themselves, can likely pay a price unique to it because of its ability to utilize the assets in a manner peculiar to it. In any open market transaction, a purchaser will review a potential acquisition in relation to what economies of scale (e.g., reduced or eliminated competition, ensured source of material supply or sales, cost savings arising on business combinations following acquisitions, and so on), or “synergies” that may result from such an acquisition. Theoretically, each corporate purchaser can be presumed to be able to enjoy such economies of scale in differing degrees and therefore each purchaser could pay a different price for a particular pool of assets than can each other purchaser.

Based on our experience, it is only in negotiations with such a special purchaser that potential synergies can be quantified and even then, the purchaser is generally in a better position to quantify the value of any special benefits than is the vendor. The Common Shares have been valued initially *en bloc* and then on a per Common Share basis.

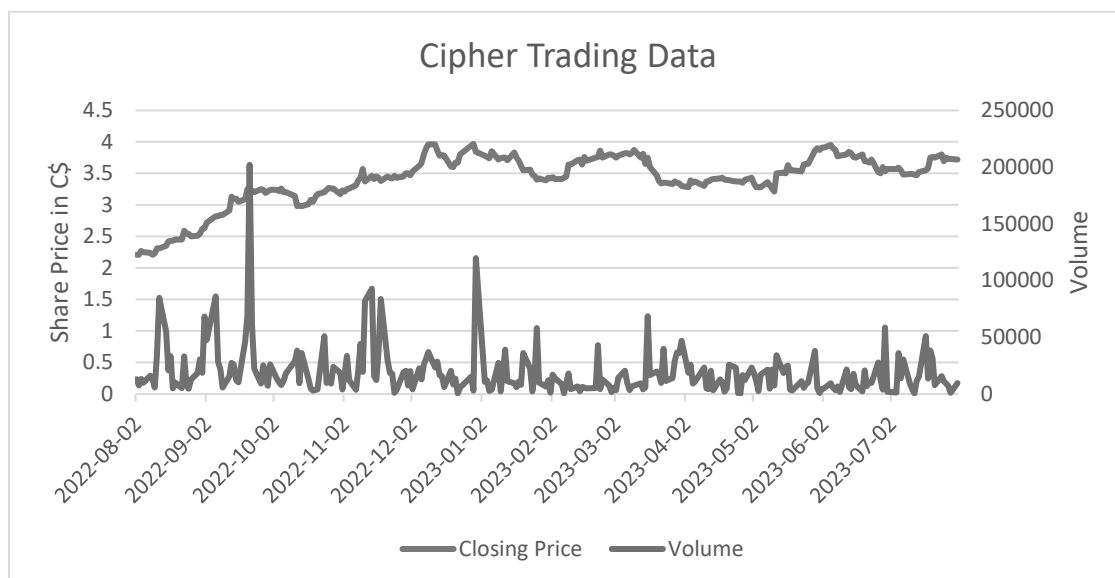
4.0 SCOPE OF THE REPORT

The authors of the Report have reached the assessments contained herein by relying on the following:

- Interviews with management and representatives of management to gain an understanding of the Company’s past and planned operations.
- Reviewed management responses to Evans & Evans valuation questionnaire.
- Reviewed the Cipher website, <https://www.cipherpharma.com/>.
- Reviewed Cipher’s audited financial statements for the years ended December 31, 2019 through December 31, 2022 as audited by Ernst & Young LLP and audited financial statements for the years ended December 31, 2018 as audited by PricewaterhouseCoopers LLP.
- Reviewed Cipher’s unaudited financial statements for the three and six months ended June 30, 2023.
- Reviewed the Company’s financial projections for the FYs ending December 31, 2023 through December 31, 2027 as prepared by management.
- Reviewed Cipher’s management discussion for the three and six months ended June 30, 2023.
- Reviewed the Company’s Analyst Report prepared by Research Capital Corporation and Leede Jones Gable dated August 11, 2023 as provided by management.

- Reviewed the Amended and Restated Distribution and Supply Agreement between the Company and Sun Pharma dated March 2, 2022, as provided by management.
- Reviewed the Second Amended and Restated Distribution and Supply Agreement between the Company and Sun Pharma dated July 24, 2018, as provided by management.
- Reviewed the Second Amended and Restated Distribution and Supply Agreement between the Company and Ranbaxy Laboratories Inc. dated November 12, 2012, as provided by management.
- Reviewed the Credit Agreement between the Company, Royal Bank of Canada and the Guarantors dated February 28, 2023, as provided by management.
- Reviewed the Master Licensing and Clinical Supply Agreement between the Company and Galephar Pharmaceuticals Research, Inc. (“Galephar”) dated February 2002, as provided by management.
- Reviewed the Amended Master Licensing and Clinical Supply Agreement between the Company and Galephar dated March 15, 2010, as provided by management.
- Reviewed the Amendment to Product Schedule to Master Licensing and Clinical Supply Agreement between the Company and Galephar dated September 12, 2008, as provided by management.
- Reviewed the Memorandum of Understanding pursuant to the Master Licensing and Clinical Supply Agreement between the Company and Galephar dated September 17, 2013, as provided by management.
- Reviewed the Licensing Agreement between the Company and Galephar to license the know-how from Galephar to package, test, and obtain the regulatory approvals of isotretinoin capsules (“Isotretinoin”) dated January 15, 2001, as provided by management.
- Reviewed the Isotretinoin Commercial Supply Agreement between the Company and Galephar dated September 9, 2012, as provided by management.
- Reviewed the Amended Isotretinoin Commercial Supply Agreement between the Company and Galephar dated April 14, 2014, as provided by management.
- Reviewed the Amendment to Schedule D and Schedule 4 related to packing costs of the Isotretinoin Commercial Supply Agreement between the Company and Galephar effective January 1, 2014, as provided by management.
- Reviewed the Second Amended Isotretinoin Commercial Supply Agreement between the Company and Galephar dated December 1, 2017, as provided by management.

- Reviewed the Distribution and Supply Agreement between the Company and ANI Pharmaceuticals Inc. dated May 2021, as provided by management.
- Reviewed the Lease Agreement between the Company and Explorer Drive Equities Inc. ("Explorer") dated September 22, 2021, as provided by management.
- Reviewed the Lease Amending Agreement between the Company and Explorer dated February 7, 2022, as provided by management.
- Reviewed the Sub-Lease Agreement between the Company and The Typhon Group Ltd. dated September 28, 2022, as provided by management.
- Reviewed Cipher's management-prepared fully diluted share capitalization table.
- Reviewed various press releases of the Company as available on the Company's website and on public sources.
- Reviewed trading data for the Common Shares on the Exchange as outlined in the chart below. The following chart highlights the trading price and volume of the Common Shares for the 12 months preceding the Valuation Date. The Share reached a high of C\$3.97 in December 2022 before declining to C\$3.26 in May 2023. Overall, trading volumes are low, with 5.2% of the total issued and outstanding Common Shares being traded in the 90-days preceding the Valuation Date.



- Reviewed information on the Issuer's market from a variety of sources as referenced in section 1.03 of the Report.
- Reviewed stock market trading and financial data on the following companies: AbbVie Inc., Amgen Inc., Asserzio Holdings, Inc., Bausch Health Companies Inc., Biogen Inc., Cardinal Health, Inc., Gilead Sciences, Inc., HLS Therapeutics Inc., Horizon

Therapeutics Public Limited Company, Jazz Pharmaceuticals plc, Knight Therapeutics Inc., Medexus Pharmaceuticals Inc., Paratek Pharmaceuticals, Inc., Perrigo Company plc, Sanara MedTech Inc., Teva Pharmaceuticals Industries Limited, Theratechnologies Inc., United Therapeutics Corporation, United-Guardian, Inc., Valeo Pharma Inc, and Viatrix Inc.

- **Scope Restriction:** Evans & Evans did not undertake a site visit to the Issuer's facilities in Mississauga, Ontario.

5.0 CONDITIONS OF THE REPORT

- The Report is intended for placement on the Company's file and may be submitted to the Exchange and the Company's shareholders as part of the SIB.
- The Report may be included in any materials provided to the Company's shareholders.
- The Report is not intended for use in any court proceedings or for submission to any tax authorities.
- Any use beyond that defined above is done so without the consent of Evans & Evans and readers are advised of such restricted use as set out above.
- Evans & Evans did rely only on the information, materials and representations provided to it by the Issuer. Evans & Evans did apply generally accepted valuation principles to the financial information it received from the Issuer.
- We have assumed that the information, which is contained in the Report is accurate, correct and complete, and that there are no material omissions of information that would affect the conclusions contained in the Report that the Issuer is aware of. Evans & Evans did attempt to verify the accuracy or completeness of the data and information available.
- Should the assumptions used in the Report be found to be incorrect, then the valuation conclusion may be rendered invalid and would likely have to be reviewed in light of correct and/or additional information.
- Evans & Evans denies any responsibility, financial or legal or other, for any use and/or improper use of the Report however occasioned.
- Evans & Evans's assessments and conclusion are based on the information that has been made available to it. Evans & Evans reserves the right to review all information and calculations included or referred to in the Report and, if it considers it necessary, to revise part and/or its entire Report in light of any information that becomes known to Evans & Evans during or after the date of this Report.
- The Report, and more specifically the assessments and views contained therein, is meant as an independent review of the Common Shares as of July 31, 2023. The authors of the Report make no representations, conclusions, or assessments, expressed

or implied, regarding the Issuer, the Common Shares or events after the date on which final information was provided to Evans & Evans. The information and assessments contained in the Report pertain only to the conditions prevailing at the time the Report was substantially completed in August of 2023.

- Evans & Evans as well as all of its Principal's, Partner's, staff or associates' total liability for any errors, omissions or negligent acts, whether they are in contract or tort or breach of fiduciary duty or otherwise, arising from any professional services performed or not performed by Evans & Evans, its Principal, Partner, any of its directors, officers, shareholders or employees, shall be limited to the fees charged and paid for the Report. No claim shall be brought against any of the above parties, in contract or tort, more than two years after the date of the Report.

6.0 ASSUMPTIONS OF THE REPORT

In arriving at its conclusions, Evans & Evans has made the following assumptions:

- 1) An audit of the Issuer's financial statements for the six months ended June 30, 2023 would not result in any material changes to the reviewed and management-prepared financial statements provided to the authors of the Report.
- 2) As at the Valuation Date all assets and liabilities of the Issuer have been recorded in its accounts and financial statements and follow International Financial Reporting Standards.
- 3) Cipher financial information as provided by Cipher representatives and management is assumed to be accurate and complete. Evans & Evans has not verified the accuracy or completeness of this financial data.
- 4) The financial forecast for Cipher represents management's best estimate of the future economic performance of Cipher as of the Valuation Date.
- 5) There was no material change in the financial position of the Company between the date of the most recent financial statements and the Valuation Date and the date of the Report unless noted herein.
- 6) The Issuer has satisfactory title to all of its assets and intellectual property and there are no liens or encumbrances on such assets nor have any assets been pledged in any way unless as disclosed by the Company.
- 7) Evans & Evans has assumed that the Issuer and all of its related parties and its principals have no current and/or other contingent liabilities, unusual contractual arrangements, or substantial commitments, other than in the ordinary course of business, nor litigation pending or threatened, nor judgments rendered against, other than those disclosed by management and included in the Report, (the Report is not a formal fairness opinion) that would affect Evans & Evans' evaluation or comments.

- 8) The Issuer has complied with all government taxation, import and export and regulatory practices as well as all aspects of its contractual agreements that would have an effect on the Report, and there are no other material agreements entered into by the Issuer that are not disclosed in the Report.
- 9) In arriving at the fair market value of the Common Shares, the authors of the Report made certain assumptions as outlined in the Exhibits of the Report.
- 10) At the Valuation Date, no specific special purchaser(s) was/were identified that would pay a premium to purchase the issued and outstanding shares of the Issuer.

This Report is based on information made available to Evans & Evans and on the assumptions that have been made. Evans & Evans reserves the right to review all information and calculations included or referred to in this Report and, if we consider it necessary, to revise our views in the light of any information that becomes known to us during or after the date of this Report.

7.0 FINANCIAL REVIEW

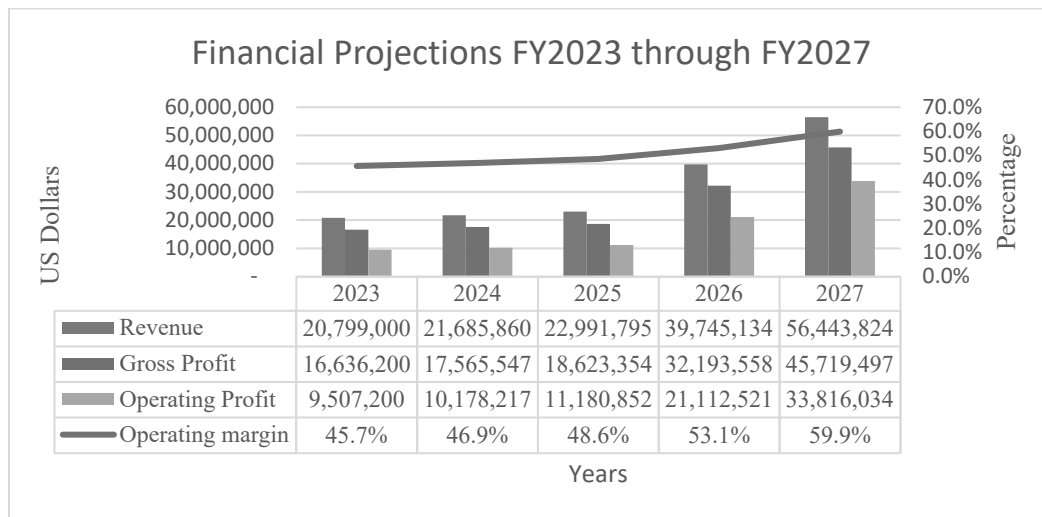
7.1 Financial History

The authors of the Report reviewed audited financial statements of the Company for the years ended December 31, 2018 to December 31, 2022, and for the six months ended June 30, 2023. Evans & Evans has common-sized the results to indicate trends. The reader is advised to refer to the summary of such financial statements in Exhibits 1.0 and 2.0.

7.2 Financial Projections

Evans & Evans reviewed the financial projections of the Company for the FYs ending December 31, 2023 through December 31, 2027. The reader is advised to refer to the summary of such projected financial statements in Exhibits 3.0.

As outlined in the below graph, the Company is projecting revenue of \$20,799,000 in FY2023 increasing to \$56,443,824 in FY2027 at a CAGR of 28.3%. Operating profit is projected to be \$9,507,200 in FY2023 increasing to \$33,816,034 in FY2027 at a CAGR of 37.3%.



The Company is projecting a significant revenue growth in FY2026 and FY2027 on the back of the commercialization of its lead product MOB-015 with projected revenues of \$15.0 million and \$30.0 million in FY2026 and FY2027, respectively. As outlined in section 1.03 of the Report, the addressable market of MOB-015 is C\$82 million which is mainly served by a single product with a market share of 90%. Management represented that MOB-015 is expected to gain a significant market share upon commercialization in FY2026 with its market share reaching 90% after five years from commercialization. Management noted that since the pivotal Phase 3 trial for CF-101 has not yet commenced, it is unlikely to be commercialized during the forecast period from FY2023 to FY2027, therefore, revenues and earnings owing to commercialization of CF-101 have not been incorporated in the forecast.

7.3 Tangible Asset Backing

In determining the underlying book value of a company or business, it is useful to view the tangible asset backing (“TAB”) as at the Valuation Date.

The value of a firm’s tangible assets affects a purchaser’s analysis of the risk inherent in investing in that firm. TAB is defined as the aggregate fair market value of all tangible and identifiable intangible assets of a business, where the latter have values that can be separately determined under a going-concern assumption, minus all operating liabilities.

Tangible assets represent the assets required in operations such as fixed assets and working capital net of operating liabilities such as bank debt. Identifiable intangible assets are assets such as patents, trademarks, customer relationships and licenses.

TAB provides insight into the risk associated with the particular investment because, in a worst-case scenario, the net tangible assets of the company could be sold. The proceeds realized could then be used to relieve the liabilities of the company and recoup shareholder investment. The TAB also provides an indication of the capital investment required to enter the market. In this case, the TAB provides an indication of the potential financial barrier to entry for new competitors.

The authors of the Report reviewed the balance sheet of the Company as at June 30, 2023 and made certain adjustments in calculating the TAB of the Company as at the Valuation Date. The TAB is calculated as \$8,979,000 as outlined in Exhibit 4.0 - Tangible Asset Backing - Enterprise Level.

7.4 Redundant Assets

The authors of the Report assessed whether there are any redundancies or redundant assets in the Company. Redundant assets are defined as those assets that are not required in the day-to-day operation of a business and accordingly can be liquidated or put to some alternative use without affecting the risk inherent in the business and operating performance of the business.

The fair market value of a company's redundant assets increases the fair market value of its shares otherwise determined under an income-based and/or asset-based approach.

In reviewing the Company's business operation and the financial position as of the Valuation Date, Evans & Evans determined that the Company redundant cash in the amount of \$27.3 million as calculated in Exhibit 4.0.

8.0 VALUATION METHODOLOGIES

8.1 Overview of Methodologies

In valuing an asset and/or a business, there is no single or specific mathematical formula. The particular approach and the factors to consider will vary in each case. Where there is evidence of open market transactions having occurred involving the shares, or operating assets, of a business interest, those transactions may often form the basis for establishing the value of the company. In the absence of open market transactions, the three basic, generally accepted approaches for valuing a business interest are:

- (a) The Income / Cash Flow Approach;
- (b) The Market Approach; and
- (c) The Cost or Asset-Based Approach.

A summary of these generally accepted valuation approaches is provided below.

The Income/Cash Flow Approach is a general way of determining a value indication of a business (or its underlying assets), using one or more methods wherein a value is determined by capitalizing or discounting anticipated future benefits. This approach contemplates the continuation of the operations as if the business is a "going concern".

The Market Approach to valuation is a general way of determining a value indication of a business or an equity interest therein using one or more methods that compare the subject entity to similar businesses, business ownership interests and securities (investments) that have been sold. Examples of methods applied under this approach include, as appropriate:

(a) the “Guideline Public Company (“GPC”) Method”, (b) the “Merger and Acquisition Method (“M&A Method”); and (c) analyses of prior transactions of ownership interests in the subject entity.

The Cost Approach is based on the economic principle of substitution. This basic economic principle asserts that an informed, prudent purchaser will pay no more for an asset than the cost to obtain an opportunity of equal utility (that is, either purchase or construct a similar asset). From an economic perspective, a purchaser will consider the costs that they will avoid and use this as a basis for value. The Cost Approach typically includes a comprehensive and all-inclusive definition of the cost to recreate an asset. Typically, the definition of cost includes the direct material, labor and overhead costs, indirect administrative costs, and all forms of obsolescence applicable to the asset.

The Asset-Based Approach is adopted where either: (a) liquidation is contemplated because the business is not viable as an ongoing operation; (b) the nature of the business is such that asset values constitute the prime determinant of corporate worth (e.g., vacant land, a portfolio of real estate, marketable securities, or investment holding company, etc.); or (c) there are no indicated earnings/cash flows to be capitalized. If consideration of all relevant facts establishes that the Asset-Based Approach is applicable, the method to be employed will be either a going-concern scenario (“Net Asset Method”) or a liquidation scenario (on either a forced or an orderly basis), depending on the facts.

Lastly, a combination of the above approaches may be necessary to consider the various elements that are often found within specialized companies and/or are associated with various forms of intellectual property.

9.0 VALUATION APPROACH FOR THE SHARES

9.1 Selected Valuation Approach

With respect to the fair market value of Cipher, Evans & Evans believed it was appropriate to value the Company on a going concern basis. The reasons for choosing a going concern basis are: (1) the Company has been generating positive cash flows for last several years; (2) the Company is generating a fair return on its assets; and (3) the going concern approach yields a higher value than a liquidation approach.

Given the nature and status of the Company at the Valuation Date as well as the approaches of valuation outlined above, it is the view of the authors of the Report that the most appropriate method in determining the range of fair market value of the Company as at the Valuation Date were (1) the Discounted Cash Flow (“DCF”) Method under the Income Approach and (2) the Guideline Public Company (“GPC”) Method under the Market Approach.

The DCF Method was deemed appropriate as it captures the potential of a business going forward. The DCF method involves first forecasting revenues, operating expenses, capital expenditures (“capex”) and incremental working capital requirements for a discrete forecast period. Based on these forecasts, the net cash flow to be generated by the business is determined and discounted to present value. Next, the value of the business at the end of

the projection period is determined and discounted to present value. The sum of the present value of the net cash flows during the projection period and the present value of the business at the end of the projection period represents the fair market value of the business.

The GPC Method was deemed appropriate as it reflects the prices investors are willing to pay for similar companies operating in the specialty pharmaceutical industry. Further, the GPC Method focused more on short-term results which have more certainty.

9.2 Methods Considered but Not Utilized

Evans & Evans also attempted to use a variety of other confirmation approaches. In this regard, Evans & Evans examined and considered the following traditional valuation approaches, but was unable to use any of them:

- (a) **Cost Approach** – The Cost Approach is generally appropriate under certain circumstances where an asset is still under development, there is no history of generating cash flows, and future cash flows are so uncertain as to be speculative. A weakness of the Cost Approach is that the cost of the opportunity may bear little relationship to the economic benefits that a purchaser might anticipate deriving from such opportunity upon commercial exploitation of the asset. In the case of the Company, the authors of the Report noted the development costs incurred to develop the Company's products are not necessarily reflective of the economic benefits to be derived from them going forward. Therefore, the Cost Approach was deemed inappropriate.
- (b) **Asset-Based Approach.** The Asset-Based Approach is generally utilized where either:
 - (i) the company is not deemed to be a going concern;
 - (ii) the nature of the business is such that asset values represent the largest portion of the company's worth (e.g., real estate holding companies); and
 - (iii) there are no earnings or cash flow to be capitalized.The authors of the Report considered the use of the Asset Approach, but given the Company is deemed to be a going concern and has positive earnings and cash flow, Evans & Evans determined the Asset Approach to be inappropriate in determining the fair market value of the Company.
- (c) **Market Approach – M&A Method.** Under this method, valuations are calculated by analyzing the price paid and assets owned by acquired companies. The challenge of using this approach is finding assets substantially similar to the intangible asset under review. The resulting valuation multiples provide an indication of the value of operating businesses on a controlling, marketable basis. Evans & Evans also considered the Mergers & Acquisition Method where recent acquisition transactions of firms similar to Cipher would be used to derive a multiple to apply to the results of Cipher to determine the fair market value. Evans & Evans researched but did not find any transactions that were sufficiently comparable to the Company.
- (d) **Market Approach – Trading Price Method.** As the Common Shares are listed for trading on the Exchange, the authors of the Report carefully considered the use of a Trading Price Method in determining the fair market value of the Common Shares as of the Valuation Date. The authors of the Report reviewed the trading data for the

Common Shares for the period August 2, 2022 to July 31, 2023. While a period of 12 months was reviewed, Evans & Evans focused on the 180 trading days preceding the Valuation Date. The authors of the Report found that for the 180 trading days preceding the Valuation Date (July 31, 2023) the Common Shares closed at an average price of C\$3.55 to C\$3.73 Common Share with daily average trading volumes of about 16,000 Common Shares per day.

Trading Price (C\$)	July 31, 2023		
	<u>Minimum</u>	<u>Average</u>	<u>Maximum</u>
10-Days Preceding	\$3.58	\$3.73	\$3.80
30-Days Preceding	\$3.47	\$3.62	\$3.80
90-Days Preceding	\$3.21	\$3.55	\$3.95
180-Days Preceding	\$3.21	\$3.60	\$3.97

Trading Volume	July 31, 2023				
	<u>Minimum</u>	<u>Average</u>	<u>Maximum</u>	<u>Total</u>	<u>%</u>
10-Days Preceding	1,000	14,460	38,400	144,600	0.6%
30-Days Preceding	400	15,727	58,500	471,800	1.9%
90-Days Preceding	0	14,702	58,500	1,323,200	5.2%
180-Days Preceding	0	16,198	119,700	2,915,700	11.5%

The authors of the Report deemed it necessary to examine the trading history of the Common Shares to determine the actual ability of shareholders to realize the implied value of their Common Shares (i.e., sell). In examining the trading volumes of the Common Shares over 180 trading days preceding the Valuation Date it is apparent that daily trading volumes are very low. While Common Shares traded on 179 of the 180 trading days, only 5.2% of the Issuer's Common Shares traded in the 90 days preceding the Valuation Date. Given the limited liquidity in the Common Shares, the authors deemed the value implied by the Trading Price Method not representative of the fair market value of the Common Shares as of the Valuation Date.

Additionally, Evans & Evans noted that institutions (traditional investment managers own less than 1% of the Common Shares and the Company is followed by only two analysts. Lack of interest from institutions and analysts may result in a depressed share price.

10.0 VALUATION OF CIPHER

10.1 Discounted Cash Flow Method

As a starting point for the DCF Method, Evans & Evans reviewed the Company's financial projections for the years ending December 31, 2023 to December 31, 2027 as outlined in Exhibit 3.0 - Financial Projections. Evans & Evans extended the projections by an additional two years to account for the gradual decline of the revenue growth rate to the long-term growth rate of 2.5%. Evans & Evans believed that a discounted cash flow over six years was appropriate given the expected growth rates over the forecast period from

year ending December 31, 2023 to 2029. The net present value of the cash flows was determined by discounting for business risk and time value of money.

Derivation of a Discount Rate

A discount rate is used to convert a future stream of cash flows into value, whereas a capitalization rate (equal to the discount rate minus the cash flow growth rate) is utilized to convert a single period's cash flow into value. When utilizing debt-free cash flow, the most appropriate discount rate is Cipher's weighted average cost of capital ("WACC"), which provides an expected rate of return based on Cipher's capital structure, the required yield on Cipher's equity, and the required yield on interest-bearing debt. The reader is advised to refer to Exhibit 9.0 for the Report for details on the discount rates used in the analysis.

The basic formula for computing WACC can be expressed as follows:

$$\text{WACC} = (k_e \times W_e) + (k_d \times [1-t] \times W_d);$$

Where:

WACC =		Weighted average cost of capital
k_e	=	Corporation's cost of equity capital
k_d	=	Corporation's cost of debt capital
W_e	=	Percentage of equity capital in the capital structure
W_d	=	Percentage of debt capital in the capital structure
t	=	Corporation's effective income tax rate

The income tax rate of 26.5% used in the analysis is based on the Canadian federal corporate tax rate of 15% and Ontario corporate tax rate of 11.5%.

Evans & Evans selected and utilized a premium of 1.00% over the Canadian prime rate of 7.20% to estimate the cost of debt for the Company at 8.20%.

The remaining component of WACC, the cost of equity, was derived using the "build-up" method. The method constructs a discount rate by "building up" the components of such a rate. Starting with the risk-free rate prevalent at the Valuation Date, a generic equity risk premium, as well as a company-specific risk premium is then added.

An equity risk premium ("ERP") of 6.35% was utilized based on the Long Horizon expected ERP (supply side) as documented in Kroll Cost of Capital Navigator. The build-up method also incorporates a small stock premium of 4.83% based on the 10th decile, which encompasses companies with market capitalization between \$2.0 million and \$218.2 million, as documented in the Kroll Cost of Capital Navigator.

Combining the current long-term government bond yield and the equity-risk and small stock premia provides an estimate of the potential return that investors, in the July of 2023 interest rate environment, would require for investing in a diversified portfolio of equities of small companies. With Canadian bond yields at 3.29% as of the Valuation Date, the implied return requirement for investing in a diversified portfolio of publicly traded small companies is 14.47%.

The estimated required market return captures only systematic or market risk for small companies and does not address the risk specific to the Company and the industry in which the Company operates. For this reason, a notional purchaser of the Company would require a premium for the Company specific and industry specific factors to induce investment. A number of factors indicate that an investment in the Company is riskier than an investment in the market. These factors include the risk associated with the stage and scale of operations, and the rate of growth. Evans & Evans included an industry risk premium of -1.52% and a company specific risk premium (“CSRP”) of 2,100 to 2,300 basis points to reflect that Cipher is riskier than a diversified portfolio of small companies to arrive at a cost of equity in the range of 33.9% to 35.9%. While estimating the CSRP, Evans & Evans noted that the Company’s existing products do not have any exclusivity or patent protections and some of the products are expected to experience declining revenues over the forecast period from FY2023 to FY2027. The Company is forecasting moderate revenue growth over the three years from FY2023 (0.6%) to FY2025 (6.0%) and, thereafter, is projecting a significant revenue growth in FY2026 (73.0%) and FY2027 (42.0%) on back of the commercialization of its lead product MOB-015, currently in Phase 3 trial, with projected revenues of \$15.0 million and \$30.0 million in FY2026 and FY2027, respectively. As outlined in section 1.03 of the Report, the addressable market of MOB-015 is C\$82 million which is mainly served by a single product with a market share of 90%. MOB-015 is projected to gain a significant market share upon commercialization in FY2026 with its market share reaching 90% after five years from commercialization.

Having estimated rates of return for both the debt and equity components of Cipher’s capital structure, the next step is to weight, at market value, each component based on the proportion each represents of total capitalization.

A capital structure of 20% debt and 80% equity, based on the capitalization of the identified guideline public companies and professional judgement, was utilized. Applying these weightings results in WACC range of 28.0% to 30.0%.

Valuation Conclusion

Based on the calculations above, the enterprise value (“EV”) of the Company using the DCF Method was determined to be in the range of \$78,330,000 to \$85,450,000.

The reader is advised to refer to Exhibit 6.0 for detailed calculations.

10.2 Guideline Public Company Method

The GPC Method involves identifying stocks that trade freely in the public markets on a daily basis. The objective of the GPC Method is to derive multiples to apply to the

fundamental financial variables of the subject investment under review. Since the indication of value is based on minority interest transactions, if one is valuing a controlling interest, it may sometimes be necessary to consider applying a premium for control. A discount for lack of marketability may also be appropriate.

Evans & Evans identified 21 companies as outlined in Exhibit 8.0 – Guideline Public Company Multiples. Companies identified were operating in a similar space as Cipher. Thereafter, Evans & Evans carefully considered each of the identified guideline companies and selected those companies which were most similar to Cipher in terms of business model and products offered. Accordingly, the ten companies as outlined in Table 2 were selected and utilized in the analysis.

The reader of the Report should note that although the comparable companies may not be direct competitors to Cipher, they do or may offer similar products and/or services to their target markets and embody similar business and financial risk/reward characteristics that a notional investor would consider as being comparable.

Evans & Evans used multiples of EV to trailing twelve months (“TTM”) EBITDA and EV to current fiscal year (“CFY”) EBITDA as a means of deriving the fair market value of Cipher at the Valuation Date.

Multiple of TTM EBITDA

The selected companies had EV to TTM EBITDA multiples in the range of 3.32x to 13.55x, with an average and median of 7.96x and 7.86x, respectively. Evans & Evans selected a TTM EBITDA multiple range of 7.00x to 7.50x slightly below the median and the average of the range of the multiples of the selected guideline public companies. A discount ranging from 12.0% to 15.0% was applied to the selected multiple to reflect the risk due to the smaller size of the Company as compared to the guideline public companies to arrive at the adjusted EV/ TTM EBITDA multiple range of 5.95x to 6.60x.

Evans & Evans applied the adjusted multiple range to the Company’s TTM EBITDA of \$12,057,762 to calculate the enterprise value of the Company as outlined in Exhibit 7.0.

Multiple of CFY EBITDA

The selected companies had EV to CFY EBITDA multiples in the range of 3.04x to 11.67x, with an average and median of 7.13x and 6.85x, respectively. Evans & Evans selected a CFY EBITDA multiple range of 6.00x to 6.50x slightly below the median and the average of the range of the multiples of the selected guideline public companies. A discount ranging from 12.0% to 15.0% was applied to the selected multiple to reflect the risk due to the smaller size of the Company as compared to the guideline public companies to arrive at the adjusted EV/ CFY EBITDA multiple range of 5.10x to 5.72x.

Evans & Evans applied the adjusted multiple range to the Company’s CFY EBITDA of \$10,779,419 to calculate the enterprise value of the Company as outlined in Exhibit 7.0.

Valuation Conclusion

Evans & Evans utilized an equal weighting to the two values arrived at as outlined above to calculate an enterprise value range of \$63,360,000 to \$70,620,000.

The reader is advised to refer to Exhibit 7.0 – Market Approach - Guideline Public Company ("GPC") Method for detailed calculations.

10.3 Valuation Conclusion

Upon arriving at the fair market value of the Company at an enterprise level under the DCF Method and the GPC Method as outlined above, Evans & Evans applied and equal weighting of 50% to each of the value indication to arrive at the fair market value of the Company at an enterprise level in the range of \$70,850,000 to \$78,040,000. Thereafter, excess cash/working capital of \$27,273,600 was added to arrive at the fair market value of equity of the Company, on a controlling, marketable basis, in the range of \$98,120,000 to \$105,310,000 as outlined in the below table and in Exhibit 5.0 – Valuation Summary.

(US Dollars)

Methods	Fair Market Value				
	Low	High	Weighting	Value - Low	Value - High
Discounted Cash Flow Method	78,330,000	85,450,000	50%	39,165,000	42,725,000
Guideline Public Company Method	63,360,000	70,620,000	50%	31,680,000	35,310,000
Fair Market Value of Enterprise (rounded) - on a controlling, marketable basis				70,850,000	78,040,000
Mid-point				74,445,000	
Add: Excess Cash / Working Capital				27,273,600	27,273,600
Add: Redundant Assets				-	-
Less: Debt (excluding lease)				-	-
Fair Market Value of Equity (rounded) - on a controlling, marketable basis				98,120,000	105,310,000

The Company had 25,282,844 shares outstanding and 298,038 in-the-money vested options (based on the value conclusion of Evans & Evans) as of the Valuation Date. The proceeds from the exercise of in-the-money vested options were added to the above calculated equity value and the dilutive impact of in-the-money vested options was considered to calculate the total number of Common Shares of 25,580,882 on a diluted basis. Thereafter, the fair market value on a per-share basis was calculated in the range of \$3.86 to \$4.14 or C\$5.08 to C\$5.44 as outlined in the below table and in Exhibit 5.0 – Valuation Summary.

(US Dollars)

Fair Market Value of Equity (rounded) - on a controlling, marketable basis	98,120,000	105,310,000
Add: Proceeds from In-the Money Options	575,048	575,048
Adjusted Fair Market Value of Equity	98,695,048	105,885,048
Common Share Outstanding	25,282,844	25,282,844
In-the-Money Options	298,038	298,038
Fully Diluted Outstanding Shares	25,580,882	25,580,882
Fair Market Value of Equity on a per share basis (USD)	3.86	4.14
Fair Market Value of Equity on a per share basis (CAD)	5.08	5.44

11.0 QUALIFICATIONS AND CERTIFICATION

11.1 Qualifications

The Report preparation, and related fieldwork and due diligence investigations, were carried out by Jennifer Lucas and certain qualified employees of Evans & Evans and thereafter reviewed by Michael Evans.

Mr. Michael A. Evans, MBA, CFA, CBV, ASA, Principal, founded Evans & Evans, Inc. in 1989. For the past 37 years, he has been extensively involved in the financial services and management consulting fields in Vancouver, where he was a Vice-President of two firms, The Genesis Group (1986-1989) and Western Venture Development Corporation (1989-1990). Over this period, he has been involved in the preparation of over 3,000 technical and assessment reports, business plans, business valuations, and feasibility studies for submission to various Canadian stock exchanges and securities commissions as well as for private purposes.

Mr. Michael A. Evans holds: a Bachelor of Business Administration degree from Simon Fraser University, British Columbia (1981); a Master's degree in Business Administration from the University of Portland, Oregon (1983) where he graduated with honors; the professional designations of Chartered Financial Analyst (CFA), Chartered Business Valuator (CBV) and Accredited Senior Appraiser. Mr. Evans is a member of the CFA Institute, the Canadian Institute of Chartered Business Valuators ("CICBV") and the American Society of Appraisers ("ASA").

Ms. Jennifer Lucas, MBA, CBV, ASA, Managing Partner, joined Evans & Evans in 1997. Ms. Lucas possesses several years of relevant experience as an analyst in the public and private sector in British Columbia and Saskatchewan. Her background includes working for the Office of the Superintendent of Financial Institutions of British Columbia as a Financial Analyst. Ms. Lucas has also gained experience in the Personal Security and Telecommunications industries. Since joining Evans & Evans Ms. Lucas has been involved in writing and reviewing over 2,500 valuation and due diligence reports for public and private transactions.

Ms. Lucas holds: a Bachelor of Commerce degree from the University of Saskatchewan (1993), a Masters in Business Administration degree from the University of British Columbia (1995). Ms. Lucas holds the professional designations of Chartered Business Valuator and Accredited Senior Appraiser. She is a member of the CICBV and the ASA.

11.2 Certification

The analyses, opinions, calculations and conclusions were developed, and this Report has been prepared in accordance with the standards set forth by the Canadian Institute of Chartered Business Valuators. Evans & Evans was paid a fixed fee for the preparation of the Report. The fee established for the Report has not been contingent upon the value or other opinions presented or the success of the SIB. The authors of the Report have no present or prospective interest in Cipher, and we have no personal interest with respect to the parties involved.

Yours very truly,



EVANS & EVANS, INC.

12.0 RESTRICTIONS AND CONDITIONS

This Report is intended for the purpose stated in section 1.0 hereof and, in particular, is based on the scope of work and assumptions as to results that could reasonably be expected at the Valuation Date.

The authors of the Report advise the reader to carefully review sections on the Conditions of the Report and the Assumptions of the Report to understand the critical assumptions that the Report is based on. It is not to be the basis of any subsequent valuation and is not to be reproduced or used other than for the purpose of this Report without prior written permission in each specific instance.

Evans & Evans reserves the right to review all information and calculations included or referred to in this Report and, if it considers necessary, to revise its views in the light of any information which becomes known to it during or after the date of this Report. The authors of the Report disclaim any responsibility or liability for losses occasioned to the Issuer, their respective investors, shareholders and all other related and other parties including potential investors as a result of the circulation, publication, reproduction or use of this Report or its use contrary to the provisions of this paragraph.

13.0 EXHIBITS

	Exhibit Number
FINANCIAL STATEMENTS	
Historical Balance Sheets.....	1.0
Historical Income Statements.....	2.0
Financial Projections.....	3.0
VALUATION ANALYSIS	
Tangible Asset Backing ("TAB").....	4.0
Valuation Summary	5.0
Income Approach - Discounted Cash Flow Method.....	6.0
Market Approach - Guideline Public Company Method.....	7.0
Guideline Public Company Multiples.....	8.0
VALUATION ASSUMPTIONS	
Weighted Average Cost of Capital ("WACC").....	9.0
Weighted Average Cost of Capital ("WACC") - Beta Calculations.....	10.0

	For the financial years ended December 31,					2018 (1)
	As at 30-Jun-23	2022	2021	2020	2019	
						2018 Common Size 2020
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	For the financial years ended December 31,					Notes
	2023	2024	2025	2026	2027	(1)
	Common Size					
	2023	2024	2025	2026	2027	
Revenue	20,799,000	21,685,860	22,991,795	39,745,134	56,443,824	100.0%
<i>Growth %</i>	0.6%	4.3%	6.0%	72.9%	42.0%	100.0%
Cost of Sales	4,162,800	4,120,313	4,368,441	7,551,575	10,724,327	20.0%
Gross Profit	16,636,200	17,565,547	18,623,354	32,193,558	45,719,497	80.0%
Expenses:						
Research and development	150,000	210,000	215,250	220,631	226,147	0.7%
Selling, general and administrative	4,657,000	4,796,710	4,940,611	5,681,703	6,533,958	22.4%
Share-based compensation	953,000	950,000	950,000	950,000	950,000	4.6%
Depreciation & Amortization	1,369,000	1,341,620	1,234,290	4,111,000	4,058,000	6.6%
Other operating expenses	-	89,000	102,350	117,703	135,358	0.0%
Total Expenses	7,129,000	7,387,330	7,442,502	11,081,037	11,903,463	34.3%
Income from Operations	9,507,200	10,178,217	11,180,852	21,112,521	33,816,034	45.7%
Interest income / (expense)	586,500	2,066,900	2,376,935	2,733,475	3,143,497	2.8%
Net Income Before Tax	10,093,700	12,245,117	13,557,787	23,845,997	36,959,530	48.5%
Income Taxes	-	-	-	-	-	0.0%
Net Income	10,093,700	12,245,117	13,557,787	23,845,997	36,959,530	48.5%
Earnings before interest tax depreciation and amortization ("EBITDA")	10,876,200	11,519,837	12,415,142	25,223,522	37,874,033	52.3%
Capital Expenditure / Milestone Payments	10,000	10,000	1,970,500	2,534,150	3,258,003	0.0%
						8.6%
						6.4%
						5.8%
						(2)

Notes:

(1) Financial projections provided by Management.

(2) Milestone Payments include clinical and sales milestone payments for MOB-015.

Cipher Pharmaceuticals Inc.
Comprehensive Valuation Report
Tangible Asset Backing - Enterprise Level
Valuation as of July 31, 2023

Exhibit 4.0

	As at 30-Jun-23	Adjustments	Adjusted Tangible Asset Backing	Notes
Assets				
Current Assets				
Cash and cash equivalents	36,338,000	(27,273,600)	9,064,400	(1)
Accounts receivable	5,824,000	-	5,824,000	(2)
Inventory	2,864,000	-	2,864,000	(3)
Prepaid expenses and other assets	224,000	-	224,000	(3)
Total Current Assets	45,250,000		17,976,400	
Long-term assets				
Property and equipment	441,000	(361,699)	79,301	(3)
Intangible assets	2,126,000	(2,126,000)	-	(4)
Goodwill	15,706,000	(15,706,000)	-	(4)
Deferred tax assets	17,089,000	(17,089,000)	-	(5)
Total Assets	80,612,000		18,055,701	
Liabilities				
Accounts payable and accrued liabilities	4,504,000	-	4,504,000	
Income tax payable	5,230,000	-	5,230,000	
Contract liability	292,000	-	292,000	
Current portion of lease obligation	104,000	(104,000)	-	(6)
Total Current Liabilities	10,130,000		10,026,000	
Long-term liabilities				
Lease obligation	282,000	(282,000)	-	(6)
Total Liabilities	10,412,000		10,026,000	
Total Assets less Total Liabilities	70,200,000			
Total Tangible Assets Less Operating Liabilities			8,029,701	
Stub-period Income (Loss)			949,500	(7)
Tangible Asset Backing (rounded)			8,979,000	
Fair Market Value of Enterprise (Mid-point)			74,445,000	(8)
Implied Goodwill and Intangible Value			65,466,000	

Notes:

- (1) Debt Free Net Working Capital ("DFNWC")
 *Normalised DFNWC @ 40% of LTM Revenue
 Excess (Deficiency) of DFNWC
 *Refer to Exhibit 6.0, Note (4).
- (2) Assumed to be collectible. The Company has had no significant bad-debt write-offs historically.
- (3) Book value is assumed to be equal to the fair market value. Right of use assets have been removed from property and equipment.
- (4) Intangible assets and goodwill are not considered in the TAB analysis.
- (5) Deferred tax assets include amounts originating from timing differences between financial and tax accounting as well as non-capital losses. These amounts have been removed from the analysis.
- (6) Lease liabilities are not considered.
- (7) Adjustment to account for the timing difference between the date of the financial statements and the Valuation Date.
 Income (loss) for 6 months ending June 30, 2023
 5,697,000
 Income (loss) per month
 949,500
 Number of months to adjust
 1
- (8) Refer to Exhibit 5.0

(US Dollars)

Methods	Fair Market Value				Notes
	Low	High	Weighting	Value - High	
Discounted Cash Flow Method	78,330,000	85,450,000	50%	42,725,000	(1)
Guideline Public Company Method	63,360,000	70,620,000	50%	35,310,000	(2)
Fair Market Value of Enterprise (rounded) - on a controlling, marketable basis				70,850,000	
Mid-point				74,445,000	
Add: Excess Cash / Working Capital				27,273,600	(3)
Add: Redundant Assets				-	(4)
Less: Debt (excluding lease)				-	(4)
Fair Market Value of Equity (rounded) - on a controlling, marketable basis				98,120,000	
Add: Proceeds from In-the Money Options				575,048	
Adjusted Fair Market Value of Equity				98,695,048	
Common Share Outstanding				25,282,844	
In-the-Money Options				298,038	(5)
Fully Diluted Outstanding Shares				25,580,882	
Fair Market Value of Equity on a per share basis (USD)				3.86	
Fair Market Value of Equity on a per share basis (CAD)				5.08	(6)

Notes:

- (1) See Exhibit 6.0
- (2) See Exhibit 7.0
- (3) See Exhibit 4.0, Note (1).
- (4) See Exhibit 1.0. The Company has no redundant assets and debt. Lease liabilities have not been considered as debt as lease expenses are included in the operating expenses.
- (5) In-the-Money vested options based on the calculated fair market value as at the Valuation Date.
- (6) Evans & Evans have converted the fair market value of Cipher to Canadian Dollars using CAD per USD rate of 1.3154 as of the Valuation Date.

Cipher Pharmaceuticals Inc.
Comprehensive Valuation Report
Income Approach - Discounted Cash Flow ("DCF") Method
Valuation as of July 31, 2023

	For the financial years ended December 31,					Terminal Year	Notes		
	2023	2024	2025	2026	2027			2028	2029
(US Dollars)									
Revenues	8,854,167	21,685,860	22,991,795	39,745,134	56,443,824	62,088,206	65,192,616	66,822,432	(1)
<i>Growth</i>		4.3%	6.0%	72.9%	42.0%	10.0%	5.0%	2.5%	
Cost of sales	1,770,667	4,120,313	4,368,441	7,551,575	10,724,327	11,796,759	12,386,597	12,696,262	(1)
Operating expenses (excluding D&A)	2,458,333	6,045,710	6,208,211	6,970,037	7,845,463	8,630,010	9,061,510	9,288,048	(1)
Office lease expenses	40,326	99,427	102,072	104,718	107,336	110,019	112,770	115,589	(2)
Earning Before Interest, Tax, Depreciation & Amortization ("EBITDA")	4,584,841	11,420,410	12,313,070	25,118,804	37,766,698	41,551,418	43,631,740	44,722,533	
<i>Margin</i>	51.8%	52.7%	53.6%	63.2%	66.9%	66.9%	66.9%	66.9%	
Income tax expense (benefit)	-	-	-	-	-	-	-	11,851,471	(3)
Net Operating Profit After Tax	4,584,841	11,420,410	12,313,070	25,118,804	37,766,698	41,551,418	43,631,740	32,871,062	
Less: Capital Expenditures net of tax shield	4,023	9,654	1,902,340	2,446,493	3,145,308	3,145,308	3,145,308	1,972,009	(4)
Less: Increase / (Decrease) in Working Capital	153,833	354,744	522,374	6,701,336	6,679,476	2,257,753	1,241,764	651,926	(5)
Free Cash Flows	4,426,985	11,056,012	9,888,356	15,970,975	27,941,914	36,148,357	39,244,667	30,247,126	
Partial Period	0.42	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
Mid Period Convention	0.21	0.92	1.92	2.92	3.92	4.92	5.92	5.92	(6)
Present Value Factor - Low Case	0.95	0.79	0.60	0.46	0.36	0.28	0.21	0.21	(7)
Present Value Factor - High Case	0.95	0.80	0.62	0.49	0.38	0.30	0.23	0.23	(7)
Present Value of Free Cash Flow - Low Case	4,190,123	8,686,889	5,976,494	7,425,240	9,992,907	9,944,454	8,304,809		
Present Value of Free Cash Flow - High Case	4,203,761	8,811,573	6,156,999	7,769,023	10,618,941	10,732,568	9,103,025		
Total Discounted Cash Flows - Low Case	77,796,492								
Total Discounted Cash Flows - High Case	84,909,593								
Less: DFNWC Deficiency (9)	-								
Add: Present value of existing tax shield (10)	316,681								(7)
Add: PV of tax losses beyond forecast period (11)	219,382								(8)
Fair Market Value of Enterprise (rounded) - Low	78,330,000								
Fair Market Value of Enterprise (rounded) - High	85,450,000								
Low Case									
High Case									
Terminal Year Cash Flow							30,247,126	30,247,126	
Discount Rate (Average WACC)							30.0%	28.0%	
Long-Term Growth Rate							2.5%	2.5%	
Capitalization Rate							27.5%	25.5%	
Terminal Year Value							109,989,550	118,616,181	
PV Factor							0.21	0.23	
PV of Terminal Year Value							23,275,576	27,513,702	

EVANS & EVANS, INC.

Cipher Pharmaceuticals Inc.
Comprehensive Valuation Report
Income Approach - Discounted Cash Flow ("DCF") Method
Valuation as of July 31, 2023

Notes:

- Financial projections for FY2023 to FY2027 are provided by management. Beyond FY2027, revenues and costs are expected to start normalizing based on discussions with Management. Accordingly, the revenue growth rate is trended towards the selected long term growth rate of 2.5%.
- Evans & Evans has considered lease expenses as operating expenses and did not consider lease liabilities as debt.
- Tax rate of 26.50% is based on a federal corporate tax rate of 15.0% in Canada and Ontario corporate tax rate of 11.50%.

Income Tax Calculation	2023	2024	2025	2026	2027	2028	2029	Terminal Year
EBITDA	4,584,841	11,420,410	12,313,070	25,118,804	37,766,698	41,551,418	43,631,740	44,722,533
NOLs for the period	(181,208,068)	(176,623,227)	(165,202,817)	(152,889,747)	(127,770,943)	(90,004,245)	(48,452,826)	-
NOLs setoff against EBITDA	4,584,841	11,420,410	12,313,070	25,118,804	37,766,698	41,551,418	43,631,740	-
Ending NOLs	(176,623,227)	(165,202,817)	(152,889,747)	(127,770,943)	(90,004,245)	(48,452,826)	(4,821,087)	-
Adjusted EBITDA	-	-	-	-	-	-	-	44,722,533
Income Tax, Ontario Corporate Tax Rate	-	-	-	-	-	-	-	11,851,471

26.5%

- Projected capital expenditure is based on discussion with management. Capital expenditure from 2025 to 2029 includes clinical and sales milestone payments for marketing rights for MOB-015 in Canada. Capital expenditures, net of the tax shield has been calculated as follows:

	2023	2024	2025	2026	2027	2028	2029	Terminal Year
Capital Expenditures	10,000	10,000	1,970,500	2,534,150	3,258,003	3,258,003	3,258,003	2,042,666
Tax Shield	346	346	68,160	87,657	112,695	112,695	112,695	70,656
Capital Expenditure net of tax shield	9,654	9,654	1,902,340	2,446,493	3,145,308	3,145,308	3,145,308	1,972,009

Approximate blended CCA rate
Tax rate
Discount rate

- Working capital as a percentage of revenues is estimated to be 40.0% based on the average of guideline companies' Debt-Free Net Working Capital ("DFNWC"), the DFNWC levels of the Company for historical years (2018 - 2020), and professional judgement.

	2023	2024	2025	2026	2027	2028	2029	Terminal Year
Revenues	19,876,000	21,685,860	22,991,795	39,745,134	56,443,824	62,088,206	65,192,616	66,822,432
Normalised Debt-Free Net Working Capital	7,950,400	8,319,600	9,196,718	15,898,053	22,577,529	24,835,282	26,077,047	26,728,973
% of revenue	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Incremental Working Capital Investment	369,200	354,744	522,374	6,701,336	6,679,476	2,257,753	1,241,764	651,926

- The discount rate was applied using the mid-year convention. Mid-year convention assumes that cash flows are generated evenly throughout the year, as opposed to in a lump sum at the end of the year. The formula for calculating the discount factors is: $1 / (1 + WACC)^y$, where y is the period of time (in years) from the Valuation Date to the midpoint of each year in the projections.

- Weighted Average Cost of Capital - See Exhibit 9.0.

- Based on the long term growth rate of GDP in Canada and the US.

- See Exhibit 4.0, Note (1).

- Present Value of existing tax pools:

Approximate blended CCA rate	Fixed Assets	Intangible Assets	Total
Tax rate	20.0%	35%	
Discount rate (Average)	26.5%	26.5%	
Tax shield factor (ignoring half year rule)	29.0%	29.0%	
Opening pool balance	10.8%	14.5%	
Tax Shield	79,301	2,126,000	
	8,577	308,104	316,681

- Tax losses beyond forecast period

Tax rate
Tax shield
PV factor (average)
PV of tax losses

	Financial Metric (1)		Selected Multiple (2)		Discounted Selected Multiple (3)		Indicated BEV		Weighting
	(US Dollars)	Low	High	Low	High	Low	High		
Trailing Twelve Months ("TTM")									
EBITDA	12,057,762	7.00 x	7.50 x	5.95 x	6.60 x	71,743,684	79,581,229	50%	
Current Financial Year ("CFY") - FY2023									
EBITDA	10,779,419	6.00 x	6.50 x	5.10 x	5.72 x	54,975,036	61,658,275	50%	
Estimated weighted BEV range						63,359,360	70,619,752	100%	
Less: DFNWC Deficiency (4)									
Fair Market Value of Enterprise (rounded) (5)						63,360,000	70,620,000	(5)	

Note:

- (1) TTM EBITDA as of June 30, 2023. Refer to Exhibit 3.0 for CFY EBITDA.
- (2) Evans & Evans selected the multiples with reference to the multiples of the guideline public companies as outlined in Exhibit 8.0. While selecting the multiples, Evans & Evans considered the risk, growth and profitability margins of the Company as compared to those of the guideline public companies.
- (3) Evans & Evans applied a discount to the selected multiples owing to the smaller size of the Company as compared to the guideline public companies.

Size	Low	High
	12.0%	15.0%
	12.0%	15.0%
- (4) See Exhibit 4.0, Note (1).
- (5) Evans & Evans did not consider a control premium as the literature is actually mixed as to whether there actually is a control premium paid in M&A transactions. The 'control premiums' paid in M&A transactions are generally buyer specific and, therefore, may not be reliably estimated as they can vary significantly.

(US Dollars - in millions)

Identified Guideline Public Companies (1)

Company Name	Exchange: Ticker	Market Capitalization	Enterprise Value	TTM Revenue	TTM EBITDA	CFY EBITDA	NFY EBITDA	EV/TTM Revenue	EV/TTM EBITDA	EV/CFY EBITDA	EV/NFY EBITDA
Cipher Pharmaceuticals Inc.	TSX:CPH	72	37	20	11	12	12	1.87 x	3.39 x	3.09 x	3.03 x
AbbVie Inc.	NYSE:ABBV	263,902	319,670	56,023	29,196	25,915	25,911	5.71 x	10.95 x	12.34 x	12.34 x
Amgen Inc.	NasdaqGS:AMGN	125,087	155,121	26,582	13,763	16,281	19,396	5.84 x	11.27 x	9.53 x	8.00 x
Asserto Holdings, Inc.	NasdaqCM:ASRT	322	290	168	88	95	106	1.73 x	3.32 x	3.04 x	3.04 x
Bausch Health Companies Inc.	NYSE:BHC	3,532	24,612	8,350	2,770	2,974	3,263	2.95 x	8.89 x	8.28 x	7.54 x
Biogen Inc.	NasdaqGS:BIIB	39,130	38,122	9,972	3,087	3,231	3,392	3.82 x	12.35 x	11.80 x	11.24 x
Cardinal Health, Inc.	NYSE:CAH	23,288	23,473	205,012	2,462	2,771	3,019	0.11 x	9.53 x	8.47 x	7.78 x
Gilead Sciences, Inc.	NasdaqGS:GILD	94,973	112,561	27,382	12,164	13,193	14,136	4.11 x	9.25 x	8.53 x	7.96 x
HLS Therapeutics Inc.	TSX:HLS	155	230	63	20	23	34	3.67 x	11.28 x	9.98 x	6.69 x
Horizon Therapeutics Public Limited Company	NasdaqGS:HZNP	22,954	23,157	3,644	669	1,516	1,888	6.35 x	34.60 x	15.27 x	12.26 x
Jazz Pharmaceuticals plc	NasdaqGS:JAZZ	8,365	12,925	3,763	1,619	1,757	1,951	3.43 x	7.98 x	7.36 x	6.62 x
Knight Therapeutics Inc.	TSX:KUD	394	305	247	32	38	37	1.24 x	9.48 x	7.93 x	8.20 x
Medexus Pharmaceuticals Inc.	TSX:MXP	32	91	117	19	20	24	0.78 x	4.76 x	4.43 x	3.82 x
Paratek Pharmaceuticals, Inc.	NasdaqGM:PRTK	126	339	177	(44)	n/a	n/a	1.91 x	n/a	n/a	n/a
Perrigo Company plc	NYSE:PRGO	4,958	8,492	4,630	627	728	839	1.83 x	13.55 x	11.67 x	10.12 x
Sanara MedTech Inc.	NasdaqCM:SMTI	351	344	60	(7)	n/a	n/a	5.76 x	n/a	n/a	n/a
Teva Pharmaceutical Industries Limited	NYSE:TEVA	9,411	28,717	15,017	3,712	4,527	4,709	1.91 x	7.74 x	6.34 x	6.10 x
Theratechnologies Inc.	TSX:TH	57	98	80	(15)	(8)	8	1.23 x	n/a	n/a	11.90 x
United Therapeutics Corporation	NasdaqGS:UTHR	11,371	7,542	2,111	1,149	1,194	1,191	3.57 x	6.56 x	6.32 x	6.33 x
United-Guardian, Inc.	NasdaqGM:UG	38	31	10	3	n/a	n/a	2.95 x	10.97 x	n/a	n/a
Valeo Pharma Inc.	TSX:VPH	24	63	34	(10)	(4)	9	1.87 x	n/a	n/a	7.09 x
Viatrix Inc.	NasdaqGS:VTRS	12,626	30,817	15,602	5,128	5,183	5,069	1.98 x	6.01 x	5.95 x	6.08 x
							Min	0.11 x	3.32 x	3.04 x	2.75 x
							Average	2.99 x	10.50 x	8.58 x	7.93 x
							Median	2.95 x	9.48 x	8.37 x	7.66 x
							Max	6.35 x	34.60 x	15.27 x	12.34 x
							Coefficient of Variance	0.60	0.65	0.37	0.34

Selected Guideline Public Companies (1)

Company Name	Exchange: Ticker	Market Capitalization	Enterprise Value	TTM Revenue	TTM EBITDA	CFY EBITDA	NFY EBITDA	EV/TTM Revenue	EV/TTM EBITDA	EV/CFY EBITDA	EV/NFY EBITDA
Asserto Holdings, Inc.	NasdaqCM:ASRT	322	290	168	88	95	106	1.73 x	3.32 x	3.04 x	2.75 x
Bausch Health Companies Inc.	NYSE:BHC	3,532	24,612	8,350	2,770	2,974	3,263	2.95 x	8.89 x	8.28 x	7.54 x
HLS Therapeutics Inc.	TSX:HLS	155	230	63	20	23	34	3.67 x	11.28 x	9.98 x	6.69 x
Jazz Pharmaceuticals plc	NasdaqGS:JAZZ	8,365	12,925	3,763	1,619	1,757	1,951	3.43 x	7.98 x	7.36 x	6.62 x
Knight Therapeutics Inc.	TSX:KUD	394	305	247	32	38	37	1.24 x	9.48 x	7.93 x	8.20 x
Medexus Pharmaceuticals Inc.	TSX:MXP	32	91	117	19	20	24	0.78 x	4.76 x	4.43 x	3.82 x
Perrigo Company plc	NYSE:PRGO	4,958	8,492	4,630	627	728	839	1.83 x	13.55 x	11.67 x	10.12 x
Teva Pharmaceutical Industries Limited	NYSE:TEVA	9,411	28,717	15,017	3,712	4,527	4,709	1.91 x	7.74 x	6.34 x	6.10 x
United Therapeutics Corporation	NasdaqGS:UTHR	11,371	7,542	2,111	1,149	1,194	1,191	3.57 x	6.56 x	6.32 x	6.33 x
Viatrix Inc.	NasdaqGS:VTRS	12,626	30,817	15,602	5,128	5,183	5,069	1.98 x	6.01 x	5.95 x	6.08 x
							Min	0.78 x	3.32 x	3.04 x	2.75 x
							Average	2.31 x	7.96 x	7.13 x	6.42 x
							Median	1.94 x	7.86 x	6.85 x	6.48 x
							Max	3.67 x	13.55 x	11.67 x	10.12 x
							Coefficient of Variance	0.44	0.38	0.35	0.32

Notes:

(1) Source: Capital IQ



EVANS & EVANS, INC.

Build-Up Method	Assumptions as of the Valuation Date	Notes
Cost of Debt		
Prime rate	7.20%	
Premium	1.00%	
Cost of Debt	8.20%	(1)
Cost of Equity		
Long-term government bond yields	3.29%	(2)
Adjusted large cap equity risk premia	6.35%	(3)
Small cap equity risk premia	4.83%	(4)
Industry specific risk premium	-1.52%	(5)
Company specific risk and growth premium	21.00%	(6)
Required equity return to induce investment	33.9%	
Capital Structure:		(7)
Debt	20.0%	
Equity	80.0%	
Tax Rate (Long Term)	26.5%	(8)
Weighted Average Cost of Capital:		
Cost of Debt (1-tax rate) (Debt /Total Capital) + Cost of Equity (Equity/Total Capital)		
Weighted Average Cost of Capital ("WACC")	28.4%	30.0%
Selected WACC	28.0%	30.0%

Notes:

- (1) Evans & Evans selected and utilized a premium of 1.00% over the prime rate of 7.20% to estimate the cost of debt for the Company.
- (2) Canadian Government long term bond yield as of the Valuation Date.
- (3) Long Horizon expected ERP (supply side). Source: Kroll Cost of Capital Navigator.
- (4) 10th decile Small Stock Premium. Source: Kroll Cost of Capital Navigator.
- (5) Industry specific risk premium is based on the five-year average beta of the identified guideline public companies of 0.76 (Source: Capital IQ) and the equity risk premium of 6.35%, $((0.76-1)*6.35\% = -1.52\%)$. Refer to Exhibit 10.0.
- (6) Company specific risk relates to risks faced by the Company specific to revenue generation and margins.
- (7) Based on the Company's historical debt levels, capital structure of guideline public companies and professional judgement.
- (8) Tax rate of 26.50% is based on a federal corporate tax rate of 15.0% in Canada and Ontario corporate tax rate of 11.50%.

Cipher Pharmaceuticals Inc.
Comprehensive Valuation Report
Weighted Average Cost of Capital - Beta Calculations
Valuation as of July 31, 2023

(US Dollars)

Guideline Company	Ticker Symbol	Levered Beta	Interest-bearing Debt (\$mil)	Market Capitalization (\$mil)	Market Value of Invested Capital (\$mil)	Debt	Equity	Unlevered Beta (1)
AbbVie Inc.	NYSE:ABBV	0.547	61,393	263,902	325,295	18.9%	81.1%	0.467
Amgen Inc.	NasdaqGS:AMGN	0.630	61,544	125,087	186,631	33.0%	67.0%	0.463
Asserto Holdings, Inc.	NasdaqCM:ASRT	1.279	38	322	360	10.6%	89.4%	1.176
Bausch Health Companies Inc.	NYSE:BHC	0.969	20,552	3,532	24,084	85.3%	14.7%	0.184
Biogen Inc.	NasdaqGS:BIIB	0.137	6,285	39,130	45,414	13.8%	86.2%	0.123
Cardinal Health, Inc.	NYSE:CAH	0.795	4,708	23,288	27,996	16.8%	83.2%	0.692
Gilead Sciences, Inc.	NasdaqGS:GILD	0.384	25,246	94,973	120,219	21.0%	79.0%	0.321
HLS Therapeutics Inc.	TSX:HLS	1.055	93	155	248	37.6%	62.4%	0.731
Horizon Therapeutics Public Limited Company	NasdaqGS:HZNP	1.078	2,557	22,954	25,512	10.0%	90.0%	0.996
Jazz Pharmaceuticals plc	NasdaqGS:JAZZ	0.725	5,718	8,365	14,083	40.6%	59.4%	0.483
Knight Therapeutics Inc.	TSX:GUD	0.471	55	394	448	12.2%	87.8%	0.428
Medexus Pharmaceuticals Inc.	TSX:MDP	1.757	72	32	105	69.0%	31.0%	0.666
Paratek Pharmaceuticals, Inc.	NasdaqGM:PRTK	1.704	258	126	384	67.2%	32.8%	0.680
Perrigo Company plc	NYSE:PRGO	0.814	4,075	4,958	9,033	45.1%	54.9%	0.507
Sanara MedTech Inc.	NasdaqCM:SMTI	1.796	-	351	351	0.0%	100.0%	1.796
Teva Pharmaceutical Industries Limited	NYSE:TEVA	1.199	20,678	9,411	30,089	68.7%	31.3%	0.459
Theratechnologies Inc.	TSX:TH	1.473	65	57	122	53.6%	46.4%	0.796
United Therapeutics Corporation	NasdaqGS:UTHR	0.607	800	11,371	12,171	6.6%	93.4%	0.577
United-Guardian, Inc.	NasdaqGM:UG	0.458	-	38	38	0.0%	100.0%	0.458
Valeo Pharma Inc.	TSX:VPH	2.484	45	24	69	65.6%	34.4%	1.034
Viatrix Inc.	NasdaqGS:VTRS	1.191	18,595	12,626	31,221	59.6%	40.4%	0.572

Minimum:	0.137	24	38	0.123
Lower (First) Quartile:	0.607	155	351	0.459
Average:	1.026	29,576	40,661	0.646
Median:	0.969	4,958	12,171	0.540
Upper (Third) Quartile:	1.279	22,954	30,089	0.748
Maximum:	2.484	61,544	325,295	1.796

Selected unlevered beta:	Capital Structure		Relevered Beta
	Unlevered Beta	Debt	
0.65	0.65	20.0%	0.76
		80.0%	
0.65			0.76

Notes:

Source: S&P Capital IQ.

(1) $BU = BL \div [1+(1-T) \times (Wd \div We)]$; $BL = BU \times [1+(1-T) \times (Wd \div We)]$.

Definitions:

BU = Beta unlevered;

BL = Beta levered;

T = Estimated tax rate of 27.0%;

Wd = Percentage of debt capital in the capital structure; debt capital is comprised of interest-bearing debt; and

We = Percentage of equity capital in the capital structure; equity capital is comprised of the market value of common equity.

EVANS & EVANS, INC.

The Depositary for the Offer is:

Computershare Investor Services Inc.

By Mail

P.O. Box 7021
31 Adelaide St E
Toronto, ON M5C 3H2
Attn: Corporate Actions

By Registered Mail, Hand or by Courier

100 University Avenue
8th Floor
Toronto, ON
M5J 2Y1
Attn: Corporate Actions

Toll Free: 1-800-564-6253

E-Mail: corporateactions@computershare.com

The Dealer Manager for the Offer is:

Research Capital Corporation

199 Bay Street, Suite 4500
Toronto ON, M5L 1G2

Telephone: 416-860-8643
Email: dkeating@researchcapital.com