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

FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2017
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from____ to ____

Commission File Number: 001-32295

FENNEC PHARMACEUTICALS INC.

(Exact Name of Registrant as Specified in Its Charter)

British Columbia, Canada **(State or Other Jurisdiction of** **Incorporation or Organization**	**20-0442384** **(I.R.S. Employer** **Identification No.)**
PO Box 13628, 68 TW Alexander Drive **Research Triangle Park, North Carolina** **(Address of Principal Executive Offices)**	**27709** **(Zip Code)**

Registrant's Telephone Number, Including Area Code: (919) 636-4530

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ No ☐

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

Large Accelerated Filer	☐		Accelerated Filer	☐
Non-Accelerated Filer	☐	(Do not check if smaller reporting company)	Smaller reporting company	x
			Emerging growth company	☐

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

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

As August 14, 2017, there were 15,630,663 shares of Fennec Pharmaceuticals Inc. common stock outstanding.

TABLE OF CONTENTS

	Page
PART I: FINANCIAL INFORMATION	
Item 1. Condensed Consolidated Financial Statements	3
Condensed Consolidated Balance Sheets as of June 30, 2017(Unaudited) and December 31, 2016	3
Condensed Consolidated Statements of Operations (Unaudited) for the Three and Six Months Ended June 30, 2017 and 2016	4
Condensed Consolidated Statements of Cash Flows (Unaudited) for the Three and Six Months Ended June 30, 2017 and 2016	5
Condensed Consolidated Statements of Stockholders' Equity (Unaudited) for the Period Ended June 30, 2017	6
Notes to the Condensed Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3. Quantitative and Qualitative Disclosures about Market Risk	20
Item 4. Controls and Procedures	21
PART II: OTHER INFORMATION	23
Item 1. Legal Proceedings	23
Item 1A. Risk Factors	23
Item 2. Recent Sales of Unregistered Securities	23
Item 3. Default Upon Senior Securities	23
Item 4. Mine Safety Disclosure	23
Item 5. Other Information	23
Item 6. Exhibits	24
Signatures	25

PART 1: FINANCIAL INFORMATION
Item 1. Financial Statements

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

	June 30, 2017 (unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 10,232	$ 3,926
Prepaid expenses	21	43
Other current assets	6	3
Total assets	$ 10,259	$ 3,972
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 296	$ 244
Accrued liabilities	94	125
Derivative instruments (Note 4)	190	33
Total current liabilities	580	402
Total liabilities	580	402
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock, no par value; unlimited shares authorized; 15,629 shares issued and outstanding (2016-13,643)	82,277	74,515
Additional paid-in capital	42,885	42,134
Accumulated deficit	(116,726)	(114,322)
Accumulated other comprehensive income	1,243	1,243
Total stockholders' equity	9,679	3,570
Total liabilities and stockholders' equity	$ 10,259	$ 3,972

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

Fennec Pharmaceuticals Inc.
Condensed Consolidated Statements of Operations
(U.S. Dollars and shares in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue	$ -	$ -	$ -	$ -
Operating expenses:				
Research and development	333	139	558	186
General and administrative	1,146	568	1,692	975
Loss from operations	(1,479)	(707)	(2,250)	(1,161)
Other (expense) income :				
Unrealized (loss)/gain on derivatives (Note 4)	(120)	(17)	(157)	26
Other loss	(4)	(3)	(5)	(12)
Interest income and other	5	3	8	3
Total other (expense)/income, net	(119)	(17)	(154)	17
Net loss	$ (1,598)	$ (724)	$ (2,404)	$ (1,144)
Basic net loss per common share	$ (0.11)	$ (0.06)	$ (0.17)	$ (0.10)
Diluted net loss per common share	$ (0.11)	$ (0.06)	$ (0.17)	$ (0.10)
Weighted-average number of common shares outstanding, basic	14,192	12,813	13,917	11,873
Weighted-average number of common shares outstanding, diluted	14,192	12,813	13,917	11,873

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

Fennec Pharmaceuticals Inc.
Condensed Consolidated Statements of Cash Flows
(U.S. Dollars in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Cash flows (used in) provided by:				
Operating activities:				
Net loss	$ (1,598)	$ (724)	$ (2,404)	$ (1,144)
Adjustments to reconcile net loss to net cash used in operating activities:				
Unrealized loss/(gain) on derivative	120	17	157	(26)
Stock-based compensation - contractors	286	17	342	30
Stock-based compensation - employees	461	111	502	111
Changes in operating assets and liabilities:				
Prepaid assets	11	22	22	58
Other current assets	(1)	(2)	(3)	(4)
Accounts payable	71	120	52	48
Accrued liabilities	(38)	(31)	(31)	(42)
Net cash used in operating activities	(688)	(470)	(1,363)	(969)
Financing activities:				
Issuance of units, options and warrants exercised	98	6	98	108
Private placement	7,571	5,000	7,571	5,000
Net cash provided by financing activities	7,669	5,006	7,669	5,108
Increase in cash and cash equivalents	6,981	4,536	6,306	4,139
Cash and cash equivalents - Beginning of period	3,251	545	3,926	942
Cash and cash equivalents - End of period	$ 10,232	$ 5,081	$ 10,232	$ 5,081

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

Fennec Pharmaceuticals Inc.
Condensed Consolidated Statements of Stockholders' Equity
(U.S. dollars and shares in thousands)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Number (Note 5)	Amount				
Balance at December 31, 2016	13,643	74,515	42,134	(114,322)	1,243	3,570
Stock options issued to employees	-	-	41	-	-	41
Stock options issued to contractors	-	-	56	-	-	56
Net loss	-	-	-	(806)	-	(806)
Balance at March 31, 2017	13,643	74,515	42,231	(115,128)	1,243	2,861
Stock options issued to employees	-	-	461	-	-	461
Stock options issued to contractors	-	-	286	-	-	286
Exercise of stock options	86	191	(93)	-	-	98
Rights offering	1,900	7,571	-	-	-	7,571
Net loss	-	-	-	(1,598)	-	(1,598)
Balance at June 30, 2017	15,629	82,277	42,885	(116,726)	1,243	9,679

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

1. Nature of Business and Going Concern

Fennec Pharmaceuticals Inc. ("Fennec") was originally formed as a British Columbia corporation under the name Adherex Technologies Inc. and subsequently changed its name on September 3, 2014. Fennec, together with its wholly owned subsidiaries Oxiquant, Inc. ("Oxiquant") and Fennec Pharmaceuticals, Inc., both Delaware corporations, and Cadherin Biomedical Inc. ("CBI"), a Canadian corporation, collectively referred to herein as the "Company," is a biopharmaceutical company focused on the development of Sodium Thiosulfate ("STS") for the prevention of ototoxicity from cisplatin in pediatric patients. With the exception of Fennec Pharmaceuticals, Inc., all subsidiaries are inactive.

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

During the six months ended June 30, 2017, the Company incurred a loss from operations of $2,250. At June 30, 2017, it had an accumulated deficit of $116,726 and had experienced negative cash flows from operating activities during the six months ended June 30, 2017 in the amount of $1,363.

These circumstances raise substantial doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the use of accounting principles applicable to a going concern may not be appropriate. The Company will need to obtain additional funding in the future in order to finance the Company's business strategy, operations and growth through the issuance of equity, debt or business combinations. If the Company fails to arrange for sufficient capital on a timely basis, the Company may be required to curtail its business activities until it can obtain adequate financing. However, as of June 30, 2017, we had cash, cash equivalents of $10,232 and believe that our cash resources will be sufficient to meet our cash requirements through and beyond current fiscal year.

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

2. Significant Accounting Policies

Basis of presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with US GAAP and are the responsibility of the Company's management. These unaudited interim condensed consolidated financial statements do not include all of the information and notes required by US GAAP for annual financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes filed with the Securities and Exchange Commission ("SEC") in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The Company's accounting policies are consistent with those presented in the audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2016. These unaudited interim condensed consolidated financial statements have been prepared in U.S. dollars. All amounts presented are in thousands except for per share amounts.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the interim condensed consolidated financial statements and the reported amounts of expense during the reporting period. Actual results could differ from those estimates.

In the opinion of management, these unaudited interim condensed consolidated financial statements include all adjustments, which are normal and recurring in nature, necessary for the fair presentation of the Company's financial position at June 30, 2017 and to state fairly the results for the periods presented. The most significant estimates utilized during the quarter ended June 30, 2017 included estimates necessary to value derivative instruments, disclosed in Note 4.

New accounting pronouncements

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. ASU 2017-01 requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of identifiable assets, the set of assets would not represent a business. Also, in order to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to produce outputs. Under the update, fewer sets of assets are expected to be considered businesses. ASU 2017-01 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The adoption of this guidance is not expected to have a significant effect on the Company's consolidated financial position, results of operations, or cash flows.

In February 2017, the FASB issued ASU No. 2017-05, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets" ("ASU 2017-05"). ASU 2017-05 is meant to clarify the scope of the original guidance within Subtopic 610-20 that was issued in connection with ASU 2014-09, as defined below, which provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. ASU 2017-05 also added guidance for partial sales of nonfinancial assets. ASU 2017-05 is effective for our fiscal year beginning December 31, 2018 and we are required to adopt ASU 2017-05 concurrent with the adoption of ASU 2014-09. We are currently evaluating the impact that the adoption of ASU 2017-05 may have on our consolidated financial statements and disclosures.

In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting* ("ASU 2017-09"). The FASB issued ASU 2017-09 to clarify and reduce both (i) diversity in practice and (ii) cost and complexity when applying the guidance in Topic 718, to a change to the terms and conditions of a share-based payment award. This guidance is effective for the Company as of the fourth quarter of its fiscal year ending December 31, 2018. Early adoption is permitted. The amendments in this ASU should be applied prospectively to an award modified on or after the adoption date. The Company is currently evaluating the impact of this updated standard, but does not believe this update will have a significant impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-9, Revenue from Contracts with Customers (Topic 606), to clarify the principles for recognizing revenue. This update provides a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which delayed the effective date of the new standard from January 1, 2017 to January 1, 2018. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations, which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which clarifies certain aspects of identifying performance obligations and licensing implementation guidance. In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients related to disclosures of remaining performance obligations, as well as other amendments to guidance on collectability, non-cash consideration and the presentation of sales and other similar taxes collected from customers. These standards have the same effective date and transition date of January 1, 2018. The new revenue standard allows for either full retrospective or modified retrospective application. The Company currently does not have any revenue. It is therefore evaluating the effect of this ASU will have on its statement and disclosures in connection with its prospective revenue stream.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which amends the accounting guidance related to leases. These changes, which are designed to increase transparency and comparability among organizations for both lessees and lessors, include, among other things, requiring recognition of lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. Adoption and implementation of the guidance is not required by the Company until the beginning of fiscal 2020, although early adoption is permitted. The Company has not yet completed its assessment of the impact that adoption of this guidance will have on its financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which amends the accounting for share-based payment transactions. These changes, which are designed for simplification, involve several aspects of the accounting for share-based transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Adoption and implementation of the guidance is not required by the Company until the beginning of fiscal 2018, although early adoption is permitted. The Company has not yet completed its assessment of the impact that adoption of this guidance will have on its financial statements

Cash and cash equivalents

Cash equivalents consist of highly liquid investments with original maturities at the date of purchase of three months or less. The Company places its cash and cash equivalents in investments held by highly rated financial institutions in accordance with its investment policy designed to protect the principal investment. At June 30, 2017, the Company had $10,232 in cash and money market accounts ($3,926 at December 31, 2016). At June 30, 2017, the Company held $127 in cash of which $67 (as presented in US dollars) was in Canadian dollars ($51 at December 31, 2016 as presented in US dollars). At June 30, 2017, the Company held $10,105 in money market investments. Money market investments typically have minimal risks. The Company has not experienced any loss or write-down of its money market investments since inception.

(U.S. dollars and shares in thousands, except per share information)

3. Earnings per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Numerator:				
Net (loss)	$ (1,598)	$ (724)	$ (2,404)	$ (1,144)
Denominator:				
Weighted-average common shares, basic	14,192	12,813	13,917	11,873
Dilutive effect of stock options	-	-	-	-
Dilutive effect of warrants	-	-	-	-
Incremental dilutive shares	-	-	-	-
Weighted-average common shares, dilutive	14,192	12,813	13,917	11,873
Net (loss) per share, basic and diluted	$ (0.11)	$ (0.06)	$ (0.17)	$ (0.10)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Options to purchase common stock	2,641	2,137	2,641	2,137
Warrants to purchase common stock	1,383	1,749	1,383	1,749

4. Derivative Instruments

The Company's outstanding warrants denominated in Canadian dollars are not considered to be indexed to its own stock because the exercise price is denominated in Canadian dollars and the Company's functional currency is United States dollars. Therefore, these warrants have been treated as derivative financial instruments and recorded at their fair value as a liability. All other outstanding convertible instruments are considered to be indexed to the Company's stock, because their exercise price is denominated in the same currency as the Company's functional currency, and are included in stockholders' equity.

The Company's derivative instruments include options to purchase 39 common shares, the exercise prices for which are denominated in a currency other than the Company's functional currency, as follows:

- Contractor options to purchase 20 common shares exercisable at CAD$1.89 per whole common share that expire on November 19, 2017;
- Contractor options to purchase 17 common shares exercisable at CAD$1.62 per whole common share that expire on April 4, 2018;
- Contractor options to purchase 2 common shares exercisable at CAD$2.43 per whole common share that expire on May 18, 2018.

These options have been recorded at their fair value as a liability at issuance and will continue to be re-measured at fair value as a liability at each subsequent balance sheet date. Any change in value between reporting periods will be recorded as unrealized gain/(loss). These options will continue to be reported as a liability until such time as they are exercised, forfeited or expire. The fair value of these warrants and options is estimated using the Black-Scholes option-pricing model using the following assumptions for the current balance sheet date: expected dividend 0%; risk-free interest rate 1.10%; expected volatility between 88% - 98%; and an expected life between 0.5 – 0.88 years.

Comparative data related to gain/(loss) recorded on re-measurement of the derivative liability for the three and six-month period ended June 30, 2017 and 2016 are summarized in the table below. There is no cash flow impact for these derivatives until the warrants and/or options are exercised. If these warrants or options are exercised, the Company will receive the proceeds from the exercise at the current exchange rate at the time of exercise.

During the fiscal years ended December 31, 2011 and 2010, the Company issued 36 and 29, respectively, options to contractors with a Canadian dollar denominated strike price. Consequently, the Company now has derivatives relating to these options since the strike price is denominated in a currency other than the US dollar functional currency of the Company. While there is an exception to this rule for employees in ASU 2010-13 "Compensation-Stock Compensation (Topic 718): Effect of denominating the exercise price of a share based payment award in the currency of the market in which the underlying equity security trades", no such exception exists for contractors. These options will be marked to market until the earlier of their expiry, exercise or forfeiture.

	Three Months Ended June 30,		Six Months Ended June 30,	
Gain/(Loss) on Derivative Instruments	**2017**	**2016**	**2017**	**2016**
Derivatives expired March 29, 2016	-	-	-	41
Options to contractors	(120)	(17)	(157)	(15)
Gain/(loss) on Derivative Instruments	(120)	(17)	(157)	26

The table below summarizes Canadian dollar denominated contractor option activity, since their issuance:

Contractor Options in $CAD	**Three Month Period**	**Six-Month Period**	**Weighted-Average**
Options in Thousands	**Ending June 30, 2017**		**Exercise Price**
Opening balance	40	40	$ 1.81
Exercised	(1)	(1)	$ 1.89
Forfeited	-	-	$ -
Expired	-	-	$ -
Ending balance	**39**	**39**	**$ 1.80**

Canadian dollar denominated options issued to contractors vest immediately and are treated as derivative liabilities. In the case a derivative option is exercised, upon the exercise date, the Company extinguishes the derivative liability, records the cash received and the shares issued into common stock and additional paid in capital accordingly. During the three and six-month period ended June 30, 2017, there was an exercise of 1 Canadian denominated option being treated as a derivative liability. This exercise resulted in $1 gross proceeds to the Company.

5. Shareholder rights plan

On June 27, 2017, the Company's shareholders approved a Shareholder Rights Plan Agreement (the "Rights Plan") for the Company. The Rights Plan is to ensure, to the extent possible, that all shareholders of the Corporation are treated fairly and equally in connection with any take-over bid or other acquisition of control of the Corporation. The Rights Plan is designed to require any potential transaction that will result in a person owning, in the aggregate, 20% or more of the outstanding Common Shares to be structured as a formal take-over bid that satisfies certain minimum requirements relating primarily to the manner in which the bid must be made, the minimum number of days the bid must remain open, and the minimum number of shares that must be acquired under the bid.

6. Stockholders' Equity

Authorized capital stock

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

Equity financing

During the three months ended June 30, 2017, the Company completed the closing of a non-brokered private placement of 1,900 common shares for gross proceeds of $7,600 ($7,571 net issuance costs) to various investors. Each common share was issued at a price of USD$4.00.

Warrants to Purchase Common Stock

The Company has warrants outstanding to purchase common stock priced in U.S. dollars with a weighted average price of $1.55 and a weighted average remaining life of 1.65 years. During the six-months ended June 30, 2017, there have been no changes in the amount of warrants outstanding for the Company.

(U.S. dollars and shares in thousands, except per share information)

Warrant Description	Common Shares Issuable Upon Exercise of Outstanding Warrants at June 30, 2017	Exercise Price $USD	Expiration Date
Investor warrants	1,333	$ 1.50USD	November 22, 2018
Investor warrants	50	$ 3.00USD	February 2, 2019
Total	**1,383**		

Stock option plan

The Compensation Committee of the Board of Directors administers the Company's stock option plan. The Compensation Committee designates eligible participants to be included under the plan and approves the number of options to be granted from time to time under the plan. Currently, the maximum number of option shares issuable is twenty-five percent (25%) of the total number of issued and outstanding shares of common stock. Based upon the current shares outstanding, a maximum of 3,907 options are authorized for issuance under the plan. For all options issued under the plan, the exercise price is the fair value of the underlying shares on the date of grant. All options vest within three years or less and are exercisable for a period of seven years from the date of grant. The stock option plan allows the issuance of Canadian and U.S. dollar grants. The table below outlines recognized contractor and employee expense for the three and six-month periods ended June 30, 2017 and 2016.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Contractor options expense recognized	286	17	342	30
Employee options expense recognized	461	111	502	111
Total option expense recognized	747	128	844	141

Stock option activity

The following is a summary of option activity for the three and six months ended June 30, 2017 for stock options denominated in US dollars:

US Denominated Options	Number of Options (thousands)	Weighted-Average Exercise Price $USD
Outstanding December 31, 2016	1,428	1.93
Granted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at March 31, 2017	1,428	1.93
Granted	300	4.84
Exercised	(50)	0.64
Forfeited	-	-
Outstanding at June 30, 2017	1,678	2.48

During the three months ended June 30, 2017, US denominated option exercises provided gross proceeds of $32 and resulted in the issuance of 50 Common shares. Of the 1,678 options granted and outstanding at June 30, 2017, 1,378 are fully vested and 1,228 are exercisable.

The following is a summary of option activity for the three and six months ended June 30, 2017 for stock options denominated in Canadian dollars:

Canadian Denominated Options	Number of Options (thousands)	Weighted-Average Exercise Price $CAD
Outstanding December 31, 2016	999	2.38
Granted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at March 31, 2017	999	2.38
Granted	-	-
Exercised	(36)	2.42
Forfeited	-	-
Outstanding at June 30, 2017	963	2.37

(U.S. dollars and shares in thousands, except per share information)

For the three and six months ended June 30, 2017, there was no activity related to Canadian dollar denominated options issued. There were exercises of 36 Canadian denominated options (1 treated as a derivative, 35 as non-derivative). These exercises resulted in gross proceeds of CAD$87 ($66 as presented in US dollars). During the same three and six-month periods ended in 2016, there was no activity related to Canadian dollar denominated options. As of June 30, 2017, all outstanding options denominated in Canadian dollars were fully vested.

Valuation assumptions

The value of options granted were estimated using the Black-Scholes option pricing model using the following assumptions in the table below: The expected volatility was determined using historical volatility of our stock based on the contractual life of the award. There were 300 options issued during the three months ended June 30, 2017, (49 for the same period in 2016). There were no issuances of options during quarters ended March 31, 2017 and 2016. Assumptions for the valuation of the option grants are described in the table below:

	Three Months Ended June 30,	
Black-Scholes Model Assumptions	**2017**	**2016**
Expected dividend	0.00%	0.00%
Risk free rate	2.04 – 2.16%	1.51%
Expected volatility	133 - 167%	137%
Expected life	7 years	7 years

7. Fair Value Measurements

The Company adopted the Fair Value Measurements and Disclosure Topic of the FASB in 2011. This Topic applies to certain assets and liabilities that are being measured and reported on a fair value basis. The Topic defines fair value, establishes a framework for measuring fair value in accordance with US GAAP, and expands disclosure about fair value measurements. This Topic enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The Topic requires that financial assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

	Fair Value Measurement at June 30, 2017			
Assets/Liabilities Measured at Fair Value on a Recurring Basis	**Quoted Price in Active Markets for Identical Instruments**	**Significant Other Observable Inputs**	**Significant Unobservable Inputs**	
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash and cash equivalents	$ 127(1)	$ 10,105	$ -	$ 10,232
Liabilities				
Derivative liabilities	-	-	190	190

(1) The Company held $127 in cash of which $67 (as presented in US dollars) was in Canadian funds.

The Company's financial instruments include cash and cash equivalents and derivatives. The derivative liabilities include options issued to contractors in a currency other than the functional currency of the Company.

8. Commitments and contingencies

Oregon Health & Science University Agreement

On February 20, 2013, Fennec entered into a new exclusive license agreement with Oregon Health & Science University (“OHSU”) for exclusive worldwide license rights to intellectual property directed to STS and its use for chemoprotection, including the prevention of ototoxicity induced by platinum chemotherapy, in humans (the "New OHSU Agreement").

The term of the New OHSU Agreement expires on the date of the last to expire claim(s) covered in the patents licensed to the Company, unless earlier terminated as provided in the agreement. STS is currently protected by methods of use patents that the Company exclusively licensed from OHSU that expire in Europe, Canada and Australia in 2021 and are currently pending in the United States and Japan. The New OHSU Agreement is terminable by either Fennec or OHSU in the event of a material breach of the agreement by either party after 45 days prior written notice. Fennec has the right to terminate the New OHSU Agreement at any time upon 60 days prior written notice and payment of all fees due to OHSU under the New OHSU Agreement.

On May 18, 2015, Fennec negotiated an amendment ("Amendment 1") to the exclusive license agreement with OHSU. Amendment 1 expands the exclusive license agreement signed with OHSU on February 20, 2013 or New OHSU Agreement to include the use of N-acetylcysteine as a standalone therapy and/or in combination with Sodium Thiosulfate ("STS") for the prevention of ototoxicity induced by chemotherapeutic agents to treat cancers. Further, Amendment 1 adjusts select milestone payments entered in the OHSU Agreement including but not limited to the royalty rate on net sales for licensed products, royalty rate from sublicensing of the licensed technology and the fee payable upon the regulatory approval of a licensed product. The term of Amendment 1 under the OHSU Agreement expires on the date of the last to expire claim(s) covered in the patents licensed to Fennec or 8 years, whichever is later. In the event a licensed product obtains regulatory approval and is covered by the Orphan Drug Designation, the parties will in good faith amend the term of the agreement.

Executive Severance

In the event of his termination with us other than for cause, the Company will pay its Chief Executive Officer, Rostislav Raykov, a one-time severance compensation payment equal to 12 months of salary (currently $250). Further, the Company will pay Chief Financial Officer, Robert Andrade, a one-time severance compensation equal to six-months salary (currently $95).

Leases

The Company has an operating lease in Research Triangle Park, North Carolina. This operating lease is terminable with 30 days' notice and has no penalties or contingent payments due. The Company had rent expense of $1 during the quarter ended June 30, 2017 and $3 for the six-months ended June 30, 2017.

9. Subsequent events

Registration of Certain Common Shares and Warrants

On August 11, 2017, the Company filed a Form S-1 with the Securities and Exchange Commission to register the 8,243 common shares, which includes 1,383 common shares issuable upon exercise of warrants. The S-1 filing covers shareholders of common shares and warrants from the following transactions:

- The Company's April 2010 private placement of common shares and warrants to purchase common shares;
- The Company's November 2013 private placement of common shares and warrants to purchase common shares;
- The Company's February 2016 private placements of warrants to purchase common shares in lieu of payment for services rendered;
- The Company's May 2016 private placement of common shares; and
- The Company's June 2017 private placement of common shares.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
CAUTIONARY STATEMENT

The discussion below contains forward-looking statements regarding our financial condition and our results of operations that are based upon our latest unaudited interim condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles within the United States, or US GAAP, and applicable U.S. Securities and Exchange Commission, or SEC, regulations for financial information. The preparation of these unaudited interim condensed consolidated financial statements requires our management to make estimates and judgments that affect the reported amounts of assets, liabilities, income and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an ongoing basis. Our estimates are based on historical experience and on various other assumptions that we believe to be reasonable. All amounts are presents in the U.S. dollars and in thousands except per share amounts.

Overview

Lead Product Candidate

The following is our only lead product candidate in the clinical stage of development:

- Sodium Thiosulfate (STS) – a water soluble thiol compound that acts as a chemical reducing agent, recently completed patient enrollment of two Phase III clinical trials for the prevention of cisplatin induced hearing loss, or ototoxicity in children.

We continue to focus the Company's resources on the development of STS.

Sodium Thiosulfate (STS)

We have licensed from Oregon Health & Science University ("OHSU") intellectual property rights for the use of STS as a chemoprotectant, and are developing STS as a protectant against the hearing loss often caused by platinum-based anti-cancer agents in children. Preclinical and clinical studies conducted by OHSU and others have indicated that STS can effectively reduce the incidence of hearing loss caused by platinum-based anti-cancer agents. We have received Orphan Drug Designation in the United States for the use of STS in the prevention of platinum-induced ototoxicity in pediatric patients.

Hearing loss among children receiving platinum-based chemotherapy is frequent, permanent and often severely disabling. The incidence of hearing loss in these children depends upon the dose and duration of chemotherapy, and many of these children require lifelong hearing aids. There is currently no established preventive agent for this hearing loss and only expensive, technically difficult and sub-optimal cochlear (inner ear) implants have been shown to provide some benefit. In addition, adults undergoing chemotherapy for several common malignancies, including ovarian cancer, testicular cancer, and particularly head and neck cancer and brain cancer, often receive intensive platinum-based therapy and may experience severe, irreversible hearing loss, particularly in the high frequencies.

Investigators at OHSU have conducted Phase I and Phase II studies which have shown STS reduces the hearing loss associated with platinum-based chemotherapy. In one study at OHSU, the need for hearing aids to correct high frequency hearing loss was reduced from about 50% to less than 5%.

STS has been studied by cooperative groups in two Phase III clinical studies of survival and reduction of ototoxicity, the Clinical Oncology Group ("COG") Protocol ACCL0431 and the International Society of Pediatric Oncology ("SIOPEL 6"). The COG ACCL0431 protocol enrolled one of five childhood cancers typically treated with intensive cisplatin therapy for localized and disseminated disease, including newly diagnosed hepatoblastoma, germ cell tumor, osteosarcoma, neuroblastoma, and medulloblastoma. SIOPEL 6 enrolled only hepatoblastoma patients with localized tumors.

SIOPEL 6

In October 2007, we announced that our collaborative partner, the International Childhood Liver Tumour Strategy Group, known as SIOPEL, a multi-disciplinary group of specialists under the umbrella of the International Society of Pediatric Oncology, had launched a randomized Phase III clinical trial ("SIOPEL 6") to investigate whether STS reduces hearing loss in standard risk hepatoblastoma (liver) cancer patients receiving cisplatin as a monotherapy.

The study was initiated in October 2007 initially in the United Kingdom and completed enrollment at the end of 2014, 45 sites from 12 countries enrolled 109 evaluable patients. Under the terms of our agreement, SIOPEL will conduct and fund all clinical activities and we will provide drug, drug distribution and pharmacovigilance, or safety monitoring, for the study. Interim efficacy results on response to chemotherapy are evaluated after every 20 patients and reviewed by the Independent Data Monitoring Committee (IDMC). The IDMC was established to assess any potential concern of an adverse effect of STS on the efficacy of the cisplatin chemotherapy and to review safety according to protocol pre-specified patient numbers. In February 2015, the IDMC recommended the continuation of SIOPEL 6 after conducting their final safety review on 100 patients. Previously, the IDMC reached a similar conclusion after reviewing the safety of 20, 40, 60 and 80 patients and their current recommendation on 100 patients to continue the clinical trial represents the last and final safety review. Patient recruitment has now been completed and the efficacy outcome based on audiometric results will be evaluated on an ongoing basis as each child reaches the age of 3.5 years. Results for the audiology primary end point with a p value of 0.045 will be tested with final readout of data expected in the fourth quarter of 2017.

The primary objectives of SIOPEL 6 are:

- To assess the efficacy of STS to reduce the hearing impairment caused by cisplatin
- To carefully monitor any potential impact of STS on response to cisplatin and survival

SIOPEL 6 - Preliminary Results - ASCO 2016

Newly diagnosed patients with standard risk hepatoblastoma were treated with weekly cycles of Cisplatin (Cis) every two weeks, including 4 chemotherapy courses before primary tumor resection and 2 courses after surgery. Patients were randomized to Cisplatin alone (Cis) or Cisplatin and STS(Cis+STS). Cisplatin of 80 mg/m2 was administered intravenous over 6 hours. STS was administered intravenous exactly 6 hours after stop of Cisplatin over 15 minutes at 20 g/m2. Tumor response was assessed after 2 and 4 cycles pre-operative with serum AFP and liver imaging. In case of progression after 2 cycles, STS was stopped and doxorubicin 60 mg/m2 continuous infusion over 48 hours added. The primary endpoint is centrally reviewed absolute hearing threshold, at the age of ≥ 3.5 years, by pure tone audiometry. The trial has 80% power to detect a reduction in hearing loss defined as Brock grade ≥ 1 from 60% of patients with Cisplatin to 35% with Cisplatin plus STS. The interim efficacy results indicate the following: i) that it is safe to deliver Sodium Thiosulfate for otoprotection in Standard Risk Hepatoblastoma treated according to the SIOPEL 6 regimen; ii) there is no evidence of tumor protection and iii) the interim results of the first 68 patients achieving centrally reviewed pure tone audiometry at or above 3.5 years of age were encouraging. Efficacy results at the end treatment for the 109 evaluable patients (52 Cisplatin, 57 Cisplatin plus STS) were complete response/partial response/progressive disease for Cisplatin: 85%/8%/5% and for Cisplatin plus STS: 91%/9%/0%.

RESULTS

109 patients (52 Cis and 57 Cis+STS) were recruited at trial closure in December 2014. The combination of Cis+STS was generally well tolerated.

The median follow up is 34 months and provisional two year event free survival (“EFS”) is Cis 86.3% and Cis+STS 89.0%; two year overall survival (“OS”) is Cis 91.4% and Cis+STS 97.7%. Treatment failure defined as progressive disease (“PD”) at 4 cycles was equivalent in both arms (5 Cis; 5 Cis+STS). Status at last follow-up (February 2016), 5 patients had died (4 Cis; 1 Cis+STS).

COG ACCL0431

In March 2008, we announced the activation of a Phase III trial with STS to prevent hearing loss in children receiving cisplatin-based chemotherapy in collaboration with the Children’s Oncology Group (“COG ACCL0431”). The goal of this Phase III study is to evaluate in a multi-centered, randomized trial whether STS is an effective and safe means of preventing hearing loss in children receiving cisplatin-based chemotherapy for newly diagnosed germ cell, liver (hepatoblastoma), brain (medulloblastoma), nerve tissue (neuroblastoma) or bone (osteosarcoma) cancers. Eligible children, one to eighteen years of age, who are to receive cisplatin according to their disease-specific regimen and, upon enrollment in this study, will be randomized to receive STS or not. Efficacy of STS will be determined through comparison of hearing sensitivity at follow-up relative to baseline measurements using standard audiometric techniques. The Children’s Oncology Group is responsible for funding the clinical activities for the study and we are responsible for providing the drug, drug distribution and pharmacovigilance, or safety monitoring, for the study. The trial completed enrollment of 131 pediatric patients in the first quarter of 2012. The final results of COG ACCL0431 were published in *Lancet Oncology* in December 2016.

COG ACCL0431 – Results

COG Study ACCL0431, “A Randomized Phase III Study of Sodium Thiosulfate for the Prevention of Cisplatin-Induced Ototoxicity in Children,” finished enrollment of 131 of which 126 were eligible patients in Q1 2012. The patients had been previously diagnosed with childhood cancers.

The primary endpoint was to evaluate the efficacy of STS for prevention of hearing loss in children receiving cisplatin chemotherapy (hypothesis: 50% relative reduction in hearing loss).

Secondary endpoints included:

- Compare change in mean hearing thresholds
- Compare incidence of other Grade 3/4 toxicities (renal and hematological)
- Monitor Event Free Survival (EFS) and Overall Survival (OS) in two groups

126 eligible subjects were enrolled with germ cell tumor (32), osteosarcoma (30), neuroblastoma (26), medulloblastoma (26), hepatoblastoma (7) or other (5). Of these, 104 subjects (64 male and 29 <5 years old) were evaluable for the primary endpoint.

Subjects were randomized either to no treatment (control) or treatment with STS 16 grams/m2 IV over 15 minutes 6 hours after each cisplatin dose. Hearing was measured using standard audiometry for age and data were reviewed centrally using American Speech-Language-Hearing Association criteria.

The proportion of subjects with hearing loss assessed at 4 weeks post the final cisplatin dose (primary endpoint) and EFS/OS (log-rank test, 2-year cumulative estimates and Cox proportional hazards model) were compared between the two groups.

- The proportion of hearing loss for STS vs. Control was 28.6% (14/49) vs. 56.4% (31/55), respectively (p=0.00022).
- Including all 126 subjects at median post-enrollment follow-up of 3 years for censored patients, EFS for STS vs. Control was 54% vs. 64% (p=0.36); OS was 70% vs. 87% (p=0.07).

A subset analysis by extent of disease determined post hoc was performed:

- For subjects with localized disease, EFS for STS (N=40) vs. Control (N=38) was 60% vs. 66% (p=0.73); Hazard Ratio ("HR") 1.14; OS was 83% vs. 89% (p=0.48); HR 1.09.
- For those with disseminated (metastatic) disease, EFS for STS (N=21) vs. Control (N=26) was 42% vs. 61% (p=0.16); HR 1.80; OS was 45% vs. 84%; HR 4.10.

COG ACCL0431 - CONCLUSIONS

- STS protects against cisplatin-induced hearing loss in children, especially for those < 5 years old.
  Further research including the final results of SIOPEL 6 study is needed to define the appropriate role for sodium thiosulfate among emerging otoprotection strategies.

Capital Funding

We have not received and do not expect to have significant revenues from our product candidate until we are either able to sell our product candidate after obtaining applicable regulatory approvals or we establish collaborations that provide us with up-front payments, licensing fees, milestone payments, royalties or other revenue.

We generated a net loss of approximately $2.4 million for the six months ended June 30, 2017 and a net loss of $1.1 million for the six months ended June 30, 2016 (inclusive of a non-cash loss on derivatives of $0.16 million and $0.03 million non-cash gain on derivatives for the six months ended June 30, 2017 and 2016, respectively). As of June 30, 2017, our accumulated deficit was approximately $116.7 million ($114.3 million at December 31, 2016).

We believe that our cash and cash equivalents as of June 30, 2017, which totaled $10.2 million, will be sufficient to meet our cash requirements through and beyond current fiscal year. Because of our limited financial resources, we have postponed or terminated many of our previously planned or ongoing clinical development programs. We continue to pursue various strategic alternatives, including collaborations with other pharmaceutical and biotechnology companies. As a result, there is uncertainty of our ability to continue as a going concern. Our projections of our capital requirements are subject to substantial uncertainty. More capital than we anticipated may be required thereafter. To finance our continuing operations, we will need to raise substantial additional funds through either the sale of additional equity, the issuance of debt, the establishment of collaborations that provide us with funding, the out-license or sale of certain aspects of our intellectual property portfolio or from other sources. Given current economic conditions, we might not be able to raise the necessary capital or such funding may not be available on financially acceptable terms if at all. If we cannot obtain adequate funding in the future, we might be required to further delay, scale back or eliminate certain research and development studies, consider business combinations or even shut down our operations.

Our operating expenses will depend on many factors, including the progress of our drug development efforts and the implementation of further cost reduction measures. Our research and development expenses, which include expenses associated with our clinical trials, drug manufacturing to support clinical programs, salaries for research and development personnel, stock-based compensation, consulting fees, sponsored research costs, toxicology studies, license fees, milestone payments, and other fees and costs related to the development of our product candidate, will depend on the availability of financial resources, the results of our clinical trials and any directives from regulatory agencies, which are difficult to predict. Our general and administration expenses include expenses associated with the compensation of employees, stock-based compensation, professional fees, consulting fees, insurance and other administrative matters associated in support of our drug development programs.

Results of Operations

Three months ended June 30, 2017 versus three months ended June 30, 2016:

In thousands of U.S. Dollars	Three Months Ended June 30, 2017	%	Three Months Ended June 30, 2016	%	Change
Revenue	$ -		$ -		$ -
Operating expenses:					
Research and development	333	23%	139	20%	194
General and administration	1,146	77%	568	80%	578
Total operating expenses	1,479	100%	707	100%	772
Loss from operations	(1,479)		(707)		(772)
Unrealized loss on derivatives	(120)		(17)		(103)
Other loss	(4)		(3)		(1)
Interest income and other	5		3		2
Net loss and total comprehensive loss	$ (1,598)		$ (724)		$ (874)

Research and development expenses increased for the three months ended June 30, 2017 over the same period in 2016 as the Company increased expenditures on STS development. This increase relates primarily to drug manufacturing activities and preparations for registration pending a favorable release of the SIOPEL 6 results expected in late 2017.

General and administrative expenses increased over same period in 2016. This was primarily a result of the increase in non-cash equity compensation expenses for employees compared with the same period in 2016.

The Company recorded an unrealized loss on derivatives of $120 in the three months ended June 30, 2017 compared to a loss of $17 for the same three months ended in 2016. In the past, the derivative warrant liability was significant and had the ability to produce large swings in non-cash gains and losses in any given period, depending upon market conditions. The remaining derivative liability on the balance sheet is associated with the Company's Canadian denominated options. Although, there are very few derivative options remaining on the books of the Company, the recent surge in share price has had a noticeable effect on the value of these derivatives. These option derivatives have been recorded at their fair value as a liability at issuance and will continue to be re-measured at fair value as a liability at each subsequent balance sheet date. Any change in value between reporting periods will be recorded as an unrealized gain/(loss). These options will continue to be reported as a liability until such time as they are exercised or expire. The fair value of these options is estimated using the Black-Scholes option-pricing model.

Our results of operations for the six months ended June 30, 2017 versus six months ended June 30, 2016 were as follows:

In thousands of U.S. Dollars	Six Months Ended June 30, 2017	%	Six Months Ended June 30, 2016	%	Change
Revenue	$ -		$ -		$ -
Operating expenses:					
Research and development	558	25%	186	16%	372
General and administration	1,692	75%	975	84%	717
Total operating expenses	2,250	100%	1,161	100%	1,089
Loss from operations	(2,250)		(1,161)		(1,089)
Unrealized (loss)/gain on derivatives	(157)		26		(183)
Other loss	(5)		(12)		7
Interest income and other	8		3		5
Net loss and total comprehensive loss	$ (2,404)		$ (1,144)		$ (1,260)

Total research and development expenses were up by $372 for the six months ended June 30, 2017 over the same period in 2016. This increase relates primarily to drug manufacturing activities and preparations for registration batches pending a favorable release of the SIOPEL 6 results expected in late 2017. General and administrative costs increased over the prior year in the same period due to the issuance of equity based compensation.

Changes in the valuation of derivative liabilities are primarily driven by volatility in the Company's share price. Since February of 2017, the Company's share price has increased. This has caused a significant fluctuation in the value of the derivative liabilities on our books. The result has been a 183 increase in non-cash loss on derivative valuation for the six-months ended June 30, 2017 over the same period in 2016.

Quarterly Information

The following table presents selected condensed financial data for quarters through June 30, 2017, as prepared under US GAAP (U.S. dollars in thousands, except per share information):

Period	Net Loss for the Period	Basic Net Loss per Common Share	Diluted Net Loss per Common Share
March 31, 2017	(806)	(0.06)	(0.06)
June 30, 2017	(1,598)	(0.11)	(0.11)

Liquidity and Capital Resources

U.S. Dollars in thousands

Selected Asset and Liability Data:	June 30, 2017	December 31, 2016
Cash and cash equivalents	$ 10,232	$ 3,926
Other current assets	27	46
Current liabilities excluding derivative liabilities	390	369
Derivative liabilities	190	33
Working capital[(1)]	9,869	3,603
Selected equity:		
Common stock	82,277	74,515
Accumulated deficit	(116,726)	(114,322)
Stockholders' equity	9,679	3,570

(1) [Current assets – current liabilities excluding derivative liability]

Cash and cash equivalents were $10,232 at June 30, 2017 and $3,926 at December 31, 2016. The increase in cash and cash equivalents between June 30, 2017 and December 31, 2016 is primarily due to cash received from the exercise of various warrants and options and the completion of an equity financing in May 2017. These increases in cash were offset by cash spent on research and development and general and administrative activities. The Company received $7,571 net of issuance costs from the equity financing and $98 from the exercise of options. The Company issued a total of 1,986 shares as a result of these activities.

The following table illustrates a summary of cash flow data for the three and six-month periods of June 30, 2017 and 2016:

Dollar and shares in thousands	Three Months Ended June 30,		Six Months Ended June 30,	
Selected cash flow data:	**2017**	**2016**	**2017**	**2016**
Net cash used in operating activities	(688)	(470)	(1,363)	(969)
Net cash provided by investing activities	-	-	-	-
Net cash provided by financing activities	7,669	5,006	7,669	5,108
Increase in cash and cash equivalents	**6,981**	**4,536**	**6,306**	**4,139**

Net cash used in operating activities for the three months ended June 30, 2017 was $688, as compared to $470 during the same period in 2016. This increase in cash outlays relates to ongoing STS Phase III trial costs and product development. Net cash provided by financing activities for the three months ended June 30, 2017 was $7,669 compared to $5,006 for the three months ended June 30, 2016. The $7,669 of net financing cash represents $7,571 net proceeds from the receipt of equity financing and $98 from the exercise of an options to purchase 86 common shares. For the same three-month period in 2016, the Company received $5,000 in cash from the receipt of equity financing and $6 as a result of the exercise of 4 options. Total increase in cash and cash equivalents was $6,981 for the three months ended June 30, 2017 as opposed to an increase of $4,536 over the same period in 2016.

Net cash used in operating activities for the six-months ended June 30, 2017 was $1,363, as compared to $969 during the same period in 2016. This increase is due to increased cash outlays incurred from research and development in addition to increased general and administrative costs associated with the Company's ongoing development of its product and strategic initiatives designed to further develop new markets and partnering opportunities. Net cash provided by financing activities for the six-months ended June 30, 2017 was $7,669 compared to $5,108 for the six-months ended June 30, 2016. The $7,669 includes $7,571 net proceeds from the receipt of equity financing and $98 in cash representing the exercise of 86 options being exercised. Total increase in cash and cash equivalents was $6,306 for the six-months ended June 30, 2017 which is an increase of $2,167 over the same period in 2016.

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

We had cash and cash equivalents of approximately $10.23 million as of June 30, 2017.

Outstanding Share Information

The outstanding share data for our company as of June 30, 2017 and December 31, 2016 was as follows (in thousands):

	June 30, 2017	December 31, 2016	Change
Common shares	15,629	13,643	1,986
Warrants	1,383	1,383	-
Stock options	2,641	2,427	214
Total	19,653	17,453	2,200

Financial Instruments

We invest excess cash and cash equivalents in high credit quality investments held by financial institutions in accordance with our investment policy designed to protect the principal investment. At June 30, 2017, we had approximately $10.23 million in cash accounts. We have not experienced any loss or write down of our money market investments since inception.

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

The policy risks are primarily the opportunity cost of the conservative nature of the allowable investments. As our main purpose is research and development, we have chosen to avoid investments of a trading or speculative nature.

Off-Balance Sheet Arrangements

Since our inception, we have not had any material off-balance sheet arrangements. In addition, we do not engage in trading activities involving non-exchange traded contracts. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such activities.

Research and Development

Our research and development efforts have been focused on the development of STS since 2013.

We have established relationships with contract research organizations, universities and other institutions, which we utilize to perform many of the day-to-day activities associated with our drug development. Where possible, we have sought to include leading scientific investigators and advisors to enhance our internal capabilities. Research and development issues are reviewed internally by our executive management and supporting scientific team.

Research and development expenses for the three months ended June 30, 2017 and 2016 were $333 and $139, respectively and for the six months then ended, $558 and $186 respectively. The Company has increased its research and development expenses related to STS as the Company focusses on drug manufacturing activities related to the preparation for registration batches pending favorable release of the study results from SIOPEL 6 in late 2017.

Our product candidate still requires significant, time-consuming and costly research and development, testing and regulatory clearances. In developing our product candidate, we are subject to risks of failure that are inherent in the development of products based on innovative technologies. For example, it is possible that our product candidate will be ineffective or toxic, or will otherwise fail to receive the necessary regulatory clearances. There is a risk that our product candidate will be uneconomical to manufacture or market or will not achieve market acceptance. There is also a risk that third parties may hold proprietary rights that preclude us from marketing our product candidate or that others will market a superior or equivalent product. As a result of these factors, we are unable to accurately estimate the nature, timing and future costs necessary to complete the development of these product candidate. In addition, we are unable to reasonably estimate the period when material net cash inflows could commence from the sale, licensing or commercialization of such product candidate, if ever.

Critical Accounting Policies and Estimates

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

Our accounting policies are consistent with those presented in our annual consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Money Market Investments

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

At June 30, 2017, we had $10.11 million in money market investments as compared to $4.85 million at June 30, 2016; these investments typically have minimal risk. The financial markets had been volatile resulting in concerns regarding the recoverability of money market investments, but those conditions have stabilized. We have not experienced any loss or write down of our money market investments since inception.

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

Foreign Currency Exposure

We are subject to foreign currency risks as we purchase goods and services which are denominated in Canadian dollars. To date, we have not employed the use of derivative instruments; however, we do hold Canadian dollars which we use to pay vendors in Canada and other corporate obligations. At June 30, 2017, the Company held approximately 88 thousand Canadian dollars (67 thousand as presented to U.S. dollars). At December 31, 2016, the company held approximately 68 thousand Canadian dollars (51 thousand as presented into U.S. dollars).

Item 4. Controls and Procedures

(a) ***Evaluation of Disclosure Controls and Procedures***.

In connection with the preparation of this report, an evaluation was carried out by the Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")) as of June 30, 2017. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based on that evaluation, the Company's management concluded, as of the end of the period covered by this report, that the Company's disclosure controls and procedures were not effective as a result of having identified two material weaknesses in our internal control over financial reporting, as described in further detail below.

Our management has identified a control deficiency due to not maintaining an effective control environment, which is the foundation for the discipline and structure necessary for effective internal control over financial reporting, as evidenced by: (i) a lack of segregation of duties over individuals responsible for certain key control activities; (ii) an insufficient number of personnel appropriately qualified to perform control monitoring activities, including the recognition of the risks and complexities of transactions; and (iii) control activities that are not designed to respond to the risks identified. This control deficiency could result in a misstatement of balance sheet, income and cash flow statement accounts in our interim or annual financial statements that would not be detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

Our management has also identified another control deficiency that it believes constitutes a material weakness in our control over financial reporting. We did not maintain sufficient personnel with an appropriate level of technical accounting knowledge, experience, and training in the application of US GAAP with regards to unusual transactions commensurate with our complexity and our financial accounting and reporting requirements. This control deficiency could result in a misstatement of the financial statements including disclosure that would not be prevented or detected on a timely basis.

We believe the control deficiencies described herein, individually and when aggregated, represent material weaknesses in our internal control over financial reporting at June 30, 2017 since such deficiencies result in a reasonable possibility that a material misstatement in our annual or interim consolidated financial statements may not be prevented or detected on a timely basis by our internal controls.

These material weaknesses did not result in any material misstatements to the financial statements. However, these material weaknesses could result in misstatement of the aforementioned account balances or disclosures that would result in material misstatements to the annual or interim consolidated financial statements that would not be prevented or detected.

To finance our continuing operations, we will need to raise additional funds beyond those from our most recent private placement in June 2017 and, as disclosed elsewhere in this report, there remains substantial doubt in our ability to continue as a going concern and the failure to obtain such funds might require us to further delay, scale back or eliminate certain research and development studies, consider business combinations, or even shut down our operations. If we are able to secure such additional financing, we anticipate hiring additional personnel with appropriate technical accounting knowledge, experience, and training in the application of U.S. GAAP to supplement our current accounting staff.

(b) Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 1A. Risk Factors.

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on March 29, 2017 (the "Annual Report"), includes a detailed discussion of our risk factors under the heading "PART I, Item 1A – Risk Factors." You should carefully consider the risk factors discussed in our Annual Report, as well as other information in this quarterly report. Any of these risks could cause our business, financial condition, results of operations and future growth prospects to suffer. We are not aware of any material changes from the risk factors previously disclosed.

Item 2. Recent Sales of Unregistered Securities.

The following table details grants of stock options to various contractors, officers and directors of the Company for the period ended June 30, 2017:

Date of Option Grant	Number of Options Granted	Strike Price $USD
April 3, 2017	10,000	$ 3.10
May 17, 2017	40,000	$ 3.67
June 27, 2017[(1)]	250,000	$ 5.10

The options were issued in a private placement exempt under Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"). The options were issued in USD denominated grants and are each exercisable for a period of 7 years from the grant date.

(1) On June 27, 2017, the Company issued 165 options to various employees. The conditions of these grants state that 1/3 of the options granted shall vest on June 27, 2018 (the "Vesting Commencement Date"). The remainder of the options granted, shall vest evenly over 24 months beginning from the Vesting Commencement Date, such that all options have vested 36 months after issue. Expense for grants to employees shall be calculated as of the grant date and recognized straight line over the vesting period. The employee options were valued at the date of issuance using the Black-Scholes option pricing model using the following assumptions: Expected dividend rate, 0.00%; Risk free rate, 2.04%; Expected volatility, 165%; Expected life, 7. Expense for these options are being recognized evenly, each quarter over the vesting period.

Item 3. Default Upon Senior Securities.

None.

Item 4. Mine Safety Disclosure.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of Chief Executive Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer and Chief Financial Officer of the Company in accordance with Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
99.1	Press Release for Quarter Ended June 30, 2017 (filed herewith).
101.1	Interactive Data File

SIGNATURES

Pursuant to requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Fennec Pharmaceuticals Inc.

Date: August 14, 2017

By: */s/ Rostislav Raykov*
Rostislav Raykov
Chief Executive Officer
(principal executive officer)

Date: August 14, 2017

By: */s/ Robert Andrade*
Robert Andrade
Chief Financial Officer
(principal financial and chief accounting officer)

Exhibit 31.1

FENNEC PHARMACEUTICALS INC
CERTIFICATION

I, Rostislav Raykov, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2017 of Fennec Pharmaceuticals Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the unaudited interim condensed consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its condensed subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2017

By: /s/ Rostislav Raykov
Rostislav Raykov
Chief Executive Officer

Exhibit 31.2

FENNEC PHARMACEUTICALS INC.
CERTIFICATION

I, Robert Andrade, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2017 of Fennec Pharmaceuticals Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the unaudited interim condensed consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its condensed subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2017

By: /s/ Robert Andrade
Robert Andrade
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Fennec Pharmaceuticals Inc. (the "Company") on Form 10-Q for the period ended June 30, 2017 (the "Report"), each of the undersigned, Rostislav Raykov, Chief Executive Officer of the Company, and Robert Andrade, Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2017

By: /s/ Rostislav Raykov
Rostislav Raykov
Chief Executive Officer

Date: August 14, 2017

By: /s/ Robert Andrade
Robert Andrade
Chief Financial Officer

Exhibit 99.1

FENNEC PROVIDES CORPORATE UPDATE AND ANNOUNCES SECOND QUARTER 2017 RESULTS

- **SIOPEL 6 Results expected Q4 2017**
- **$7.6 million financing led by VENBIO Select Advisor in June 2017**

Research Triangle Park, NC, August 11, 2017 – Fennec Pharmaceuticals Inc. (TSX: FRX, OTCQB: FENCF), a specialty pharmaceutical company focused on the development of Sodium Thiosulfate (STS) for the prevention of platinum-induced ototoxicity in pediatric patients, today reported its corporate update and financial results for the second quarter ended June 30, 2017.

"As we look forward to the second half of 2017, the pending SIOPEL 6 results have the potential to mark a significant milestone for the Company as we continue our commitment towards serving an unmet medical need for pediatric patients with cisplatin chemotherapy ," stated Rosty Raykov, CEO of Fennec. "We are pleased to have completed the $7.6 million financing which ensures that the Company has the financial flexibility to continue to focus on our internal plan for the preparation of regulatory submissions pending favorable SIOPEL 6 results."

Development Milestones for 2017:

- Final results from SIOPEL 6 in Q4 2017
- Preparation for NDA/MAA submissions
- Plan for commercialization

Upcoming Investor Events:

- **2017 Wedbush PacGrow Healthcare Conference -** Rosty Raykov, CEO of Fennec, will provide an overview of the Company's business on Wednesday, August 16 at 1:55 pm at the 2017 Wedbush PacGrow Healthcare Conference being held in New York City. The Fennec presentation will be webcast live and can be accessed by visiting the investors relations sections of the Company's website at http://fennecpharma.com/investors/presentations-events/ . A replay of the presentation will also be available and archived on the site for ninety days.
- **Rodman & Renshaw 19th Annual Global Investment Conference -** Rosty Raykov, CEO of Fennec, will provide an overview of the Company's business at the Rodman & Renshaw 19th Annual Global Investment Conference being held in New York City from September 10-12. The Fennec presentation will be webcast live on Tuesday, September 12 at 12:30 through 12:55 pm, and can be accessed by visiting the investors relations sections of the Company's website at http://fennecpharma.com/investors/presentations-events/ . A replay of the presentation will also be available and archived on the site for ninety days.

Financial Update

The selected financial data presented below is derived from our unaudited condensed consolidated financial statements which were prepared in accordance with U.S. generally accepted accounting principles. The complete interim unaudited consolidated financial statements for the period ended June 30, 2017 and management's discussion and analysis of financial condition and results of operations will be available via www.sec.gov and www.sedar.com. All values are presented in thousands unless otherwise noted.

Interim Unaudited Condensed Statement of Operations
(U.S. Dollars in thousands except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue	$ -	$ -	$ -	$ -
Operating expenses:				
Research and development	333	139	558	186
General and administrative	1,146	568	1,692	975
Loss from operations	(1,479)	(707)	(2,250)	(1,161)
Other:				
Unrealized gain on derivatives	(120)	(17)	(157)	26
Other loss	(4)	(3)	(5)	(12)
Interest income and other	5	3	8	3
Total other, net	(119)	(17)	(154)	17
Net loss and total comprehensive loss	$ (1,598)	$ (724)	$ (2,404)	$ (1,144)
Basic net loss per common share	$ (0.11)	$ (0.06)	$ (0.17)	$ (0.10)
Diluted net loss per common share	$ (0.11)	$ (0.06)	$ (0.17)	$ (0.10)
Weighted-average number of common shares outstanding, basic	14,192	12,813	13,917	11,873
Weighted-average number of common shares outstanding, diluted	14,192	12,813	13,917	11,873

Total research and development expenses were up by $372 for the six months ended June 30, 2017 over the same period in 2016. This increase relates primarily to drug manufacturing activities and preparations for registration batches pending a favorable release of the SIOPEL 6 results expected in late 2017. General and administrative costs increased over the prior year in the same period primarily due to the issuance of equity based compensation.

Changes in the valuation of derivative liabilities are primarily driven by volatility in the Company's share price. The increase in the Company's share price has caused a significant fluctuation in the value of the derivative liabilities on our books. The result has been a $183 increase in non-cash loss on derivative valuation for the six-months ended June 30, 2017 over the same period in 2016.

Fennec Pharmaceuticals Inc.
Balance Sheets
(U.S. Dollars in thousands)

	June 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$ 10,232	$ 3,926
Other current assets	27	46
Total Assets	$ 10,259	$ 3,972
Liabilities and stockholders' equity		
Current liabilities	$ 390	$ 369
Derivative liabilities	190	33
Total stockholders' equity	9,679	3,570
Total liabilities and stockholders' equity	$ 10,259	$ 3,972

At June 30, 2017, the Company had working capital balance totaling approximately $9.9 million compared to $3.6 million as of December 31, 2016.

Working Capital
Selected Asset and Liability Data:
(U.S. Dollars in thousands)

	Three Months Ended	
	June 30, 2017	December 31, 2016
Cash and cash equivalents	$ 10,232	$ 3,926
Other current assets	27	46
Current liabilities excluding derivative liability	(390)	(369)
Working capital	$ 9,869	$ 3,603
Selected Equity:		
Common stock	$ 82,277	$ 74,515
Accumulated deficit	(116,726)	(114,322)
Stockholders' equity	9,679	3,570

Cash and cash equivalents were $10,232 at June 30, 2017 and $3,926 at December 31, 2016. The increase in cash and cash equivalents between June 30, 2017 and December 31, 2016 is primarily due to cash received from the completion of an equity financing in June 2017 and exercise of various warrants and options. These increases in cash were offset by cash spent on research and development and general and administrative activities. The Company received $7,571 net of issuance costs from the equity financing and $98 from the exercise of options. The Company issued a total of 1,986 shares as a result of these activities.

Dollar and shares in thousands	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
Selected cash flow data:	**2017**	**2016**	**2017**	**2016**
Net cash used in operating activities	(688)	(470)	(1,363)	(969)
Net cash provided by investing activities	-	-	-	-
Net cash provided by financing activities	7,669	5,006	7,669	5,108
Increase in cash and cash equivalents	**6,981**	**4,536**	**6,306**	**4,139**

Net cash used in operating activities for the three months ended June 30, 2017 was $688, as compared to $470 during the same period in 2016. This increase in cash outlays relates to ongoing STS Phase III trial costs and product development in preparation for the SIOPEL 6 results in the fourth quarter of 2017. Net cash provided by financing activities for the three months ended June 30, 2017 was $7,669 compared to $5,006 for the three months ended June 30, 2016. The $7,669 of net financing cash represents $7,571 net proceeds from the receipt of equity financing and $98 from the exercise of options to purchase 86 common shares. For the same three-month period in 2016, the Company received $5,000 in cash from the receipt of equity financing and $6 as a result of the exercise of 4 options. Total increase in cash and cash equivalents was $6,981 for the three months ended June 30, 2017 as opposed to an increase of $4,536 over the same period in 2016.

Forward looking statements

Except for historical information described in this press release, all other statements are forward-looking. Forward-looking statements are subject to certain risks and uncertainties inherent in the Company's business that could cause actual results to vary, including such risks that regulatory and guideline developments may change, scientific data may not be sufficient to meet regulatory standards or receipt of required regulatory clearances or approvals, clinical results may not be replicated in actual patient settings, protection offered by the Company's patents and patent applications may be challenged, invalidated or circumvented by its competitors, the available market for the Company's products will not be as large as expected, the Company's products will not be able to penetrate one or more targeted markets, revenues will not be sufficient to fund further development and clinical studies, the Company may not meet its future capital requirements in different countries and municipalities, the proposed sale to Elion may not be completed and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission including its Annual Report on Form 10-K for the year ended December 31, 2016. Fennec Pharmaceuticals, Inc. disclaims any obligation to update these forward-looking statements except as required by law.

For a more detailed discussion of related risk factors, please refer to our public filings available at www.sec.gov and www.sedar.com.

About Sodium Thiosulfate (STS)

Cisplatin and other platinum compounds are essential chemotherapeutic components for many pediatric malignancies. Unfortunately, platinum-based therapies cause ototoxicity in many patients, and are particularly harmful to the survivors of pediatric cancer.

In the U.S. and Europe there is estimated that over 7,000 children are diagnosed with local cancers that may receive platinum based chemotherapy. Localized cancers that receive platinum agents may have overall survival rates of greater than 80% further emphasizing the quality of life after treatment. The incidence of hearing loss in these children depends upon the dose and duration of chemotherapy, and many of these children require lifelong hearing aids. There is currently no established preventive agent for this hearing loss and only expensive, technically difficult and sub-optimal cochlear (inner ear) implants have been shown to provide some benefit. Infants and young children at critical stages of development lack speech language development and literacy, and older children and adolescents lack social-emotional development and educational achievement.

STS has been studied by cooperative groups in two Phase 3 clinical studies of survival and reduction of ototoxicity, The Clinical Oncology Group Protocol ACCL0431 and SIOPEL 6. Both studies are closed to recruitment. The COG ACCL0431 protocol enrolled one of five childhood cancers typically treated with intensive cisplatin therapy for localized and disseminated disease, including newly diagnosed hepatoblastoma, germ cell tumor, osteosarcoma, neuroblastoma, and medulloblastoma. SIOPEL 6 enrolled only hepatoblastoma patients with localized tumors.

About Fennec Pharmaceuticals

Fennec Pharmaceuticals, Inc., is a specialty pharmaceutical company focused on the development of Sodium Thiosulfate (STS) for the prevention of platinum-induced ototoxicity in pediatric patients. STS has received Orphan Drug Designation in the US in this setting. For more information, please visit www.fennecpharma.com.

For further information, please contact:

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