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 March 31, 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 May 12, 2017, there were 13,707,306 shares of Fennec Pharmaceuticals Inc. common stock outstanding.

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

	March 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 3,251	$ 3,926
Prepaid expenses	32	43
Other current assets	5	3
Total assets	$ 3,288	$ 3,972
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 224	$ 244
Accrued liabilities	132	125
Derivative instruments (Note 4)	71	33
Total current liabilities	427	402
Total liabilities	427	402
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Common stock, no par value; unlimited shares authorized; 13,643 shares issued and outstanding (2016-13,643)	74,515	74,515
Additional paid-in capital	42,231	42,134
Accumulated deficit	(115,128)	(114,322)
Accumulated other comprehensive income	1,243	1,243
Total stockholders' equity	2,861	3,570
Total liabilities and stockholders' equity	$ 3,288	$ 3,972

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

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

	Three Months Ended	
	March 31, 2017	**March 31, 2016**
Revenue	$ -	$ -
Operating expenses:		
Research and development	225	47
General and administrative	546	407
Loss from operations	(771)	(454)
Other income/(expense):		
Unrealized (loss)/gain on derivatives (Note 4)	(37)	43
Other loss	(1)	(9)
Interest income	3	-
Total other (expense)/income, net	(35)	34
Net loss	$ (806)	$ (420)
Basic net loss per common share	$ (0.06)	$ (0.04)
Diluted net loss per common share	$ (0.06)	$ (0.04)
Weighted-average number of common shares outstanding, basic (Note 3)	13,643	10,942
Weighted-average number of common shares outstanding, diluted (Note 3)	13,643	10,942

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

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash flows (used in) provided by:		
Operating activities:		
Net loss	$ (806)	$ (420)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized loss/(gain) on derivatives	37	(43)
Stock-based compensation - consultants	56	13
Stock-based compensation - employees	41	-
Changes in operating assets and liabilities:		
Prepaid assets	11	36
Other assets	(2)	(2)
Accounts payable	(19)	(72)
Accrued liabilities	7	(11)
Net cash used in operating activities	(675)	(499)
Investing activity:		
Net cash used in investing activity	-	-
Financing activity:		
Issuance of common stock, warrants and options exercised	-	102
Net cash provided by financing activity	-	102
Effect of exchange rate on cash and cash equivalents	-	-
Decrease in cash and cash equivalents	(675)	(397)
Cash and cash equivalents - Beginning of period	3,926	942
Cash and cash equivalents - End of period	$ 3,251	$ 545

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

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

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Number (Note 5)	Amount	Capital	Income	Deficit	Equity
Balance at December 31, 2015	10,940	$ 69,401	$ 41,437	$ 1,243	$ (111,533)	$ 548
Warrants issued to consultants	-	-	13	-	-	13
Exercise of warrants	67	108	(6)	-	-	102
Net loss	-	-	-	-	(420)	(420)
Balance at March 31, 2016	11,007	69,509	41,444	1,243	(111,953)	243
Warrants issued to consultants	-	-	17	-	-	17
Stock options issued to employees	-	-	111	-	-	111
Exercise of stock options	4	6	-	-	-	6
Rights offering	2,632	5,000	-	-	-	5,000
Net loss	-	-	-	-	(724)	(724)
Balance at June 30, 2016	13,643	74,515	41,572	1,243	(112,677)	4,653
Warrants issued to consultants	-	-	19	-	-	19
Stock options issued to employees	-	-	41	-	-	41
Stock options issued to contractors	-	-	9	-	-	9
Net loss	-	-	-	-	(502)	(502)
Balance at September 30, 2016	13,643	74,515	41,641	1,243	(113,179)	4,220
Warrants issued to consultants	-	-	23	-	-	23
Stock options issued to employees	-	-	463	-	-	463
Stock options issued to contractors	-	-	7	-	-	7
Net loss	-	-	-	-	(1,143)	(1,143)
Balance at December 31, 2016	13,643	74,515	42,134	1,243	(114,322)	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	1,243	(115,128)	2,861

The accompanying notes are an integral part of these unaudited interim 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 three months ended March 31, 2017, the Company incurred a loss from operations of $771. At March 31, 2017, it had an accumulated deficit of $115,128 and had experienced negative cash flows from operating activities during the three months ended March 31, 2017 in the amount of $675.

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.

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 March 31, 2017 and to state fairly the results for the periods presented. The most significant estimates utilized during the quarter ended March 31, 2017 included estimates necessary to value derivative instruments, disclosed in Note 4.

New accounting pronouncements

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. We are currently evaluating the timing of its adoption, the transition method to apply and the impact that this guidance will have on our financial statements and related disclosures.

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 March 31, 2017, the Company had $3,251 in cash and money market accounts ($3,926 at December 31, 2016). At March 31, 2017, the Company held $83 in cash of which $3 (as translated to US dollars) was in Canadian dollars ($51 at December 31, 2016 as translated to US dollars). At March 31, 2017 the Company held $3,168 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.

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:

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

	Three Months Ended March 31,	
	2017	**2016**
Numerator:		
Net loss	$ (806)	$ (420)
Denominator:		
Weighted-average common shares, basic	13,643	10,942
Dilutive effect of stock options	-	-
Dilutive effect of warrants	-	-
Incremental dilutive shares	-	-
Weighted-average common shares, diluted	13,643	10,942
Net loss per share, basic and diluted	$ (0.06)	$ (0.04)

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	
	March 31, 2017	**March 31, 2016**
Options to purchase common stock	2,427	2,417
Warrants to purchase common stock	1,383	1,750

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 40 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 21 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.

Comparative data related to the gain recorded on re-measurement of the derivative liability for the three months ended March 31, 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.

	Fair Value as of March 31,		Three Months Ended March 31,	
	2017	**2016**	**2017**	**2016**
Gain/(Loss) on Derivative Instrument				
Warrants expiring March 29, 2016	-	-	-	41
Options to contractors	71	39	(37)	2
Gain/(loss) on Derivative Instrument	**71**	**39**	**(37)**	**43**

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.

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

Options in Thousands	Activity Since Issuance	Weighted-Average Exercise Price $CAD
Opening balance	65	$ 1.82
Exercised	(14)	$ 1.94
Forfeited	(11)	$ 1.74
Expired	-	$ -
Ending balance	**40**	**$ 1.81**

5. 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
There were no equity financings during the quarter ended March 31, 2017.

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:

Warrant Description	Common Shares Issuable Upon Exercise of Outstanding Warrants at March 31, 2017	Exercise Price $USD	Expiration Date
Investor warrants	1,333	$ 1.50 USD	November 22, 2018
Investor warrants	50	$ 3.00 USD	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 3,410 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 month periods ended March 31, 2017 and 2016.

	Three Months Ended March 31,	
	2017	2016
Contractor options expense recognized[1][2]	56	-
Employee options expense recognized[1]	41	-
Total option expense recognized	**97**	**-**

(1) On July 5, 2016, the Company issued 235 options to employees and 50 options to various contractors. The conditions of these grants state that 1/3 of the options granted shall vest on July 5, 2017 (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. Expense for grants to contractors shall be re-measured quarterly up to the Vesting Commencement Date. Subsequent to the Vesting Commencement Date, contractor options will be remeasured monthly until all options granted have fully vested. 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, 1.27%; Expected volatility, 136%; Expected life, 7. Expense for these options are being recognized evenly, each quarter over the vesting period. The contractor options were re-measured at March 31, 2017 using the Black-Scholes option pricing model using the following assumptions: Expected dividend rate, 0.00%; Risk free rate, 2.11%; Expected volatility, 132%; Expected life, 6.26 years.

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

(2) During the quarter ended March 31, 2017, the Company signed a contract with two vendors, to exchange options for services rendered over a twelve-month period. The contract calls for each vendor to receive four tranches of 10,000 options each over the duration of the service period. Grant dates straddle balance sheet dates. Option expense will be estimated each balance sheet date using the Black-Scholes option pricing model. Once the options are issued, the estimate will be reversed and actual expense recorded. At March 31, 2017, these vendor options were priced using the following assumptions: Expected dividend rate, 0.00%; Risk free rate, 2.16%; Expected volatility, 133%; Expected life, 7.0 years.

Stock option activity
There were no issuances, expirations, forfeitures or exercises for the three months ended March 31, 2017 for stock options denominated in Canadian or US dollars.

Canadian dollar denominated options issued to contractors vest immediately and are treated as derivative liabilities. They are recorded at fair value estimated using the Black-Scholes model with the gain or loss reported as unrealized gain (loss).

Upon exercise, expiration or forfeiture of those options denominated in Canadian dollars and treated as derivative liabilities the Company re-measures the derivative liability prior to exercise, expiration or forfeiture and records a gain or loss accordingly. 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 quarter ended March 31, 2017 and 2016 there was no activity related to Canadian dollar denominated options.

6. 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 March 31, 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	$ 84(1)	$ 3,167	$ -	$ 3,251
Liabilities				
Derivative liabilities	-	71	-	71

(1) The Company held $84 in cash of which $3 (as translated to US dollars) was in Canadian funds.

The Company's financial instruments include cash and cash equivalents and derivatives. Only cash and cash equivalents and derivatives are carried at their fair value. The derivative liabilities include options issued to contractors in a currency other than the functional currency of the Company.

7. 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 for approximately 350 square feet 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 office rent expense of $2 during the three month period ended March 31, 2017.

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 efforts 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 $0.8 million for the three months ended March 31, 2017 and a net loss of $0.4 million for the three months ended March 31, 2016 (inclusive of a non-cash loss on derivatives of $0.04 million and $0.04 million non-cash gain on derivatives for the three months ended March 31, 2017 and 2016, respectively). As of March 31, 2017, our accumulated deficit was approximately $115.1 million ($112.0 million at March 31, 2016).

As a result 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 March 31, 2017 versus three months ended March 31, 2016:

In thousands of U.S. Dollars	Three Months Ended March 31, 2017	%	Three Months Ended March 31, 2016	%	Change
Revenue	$ -		$ -		$ -
Operating expenses:					
Research and development	225	29%	47	10%	178
General and administration	546	71%	407	90%	139
Total operating expenses	771	100%	454	100%	317
Loss from operations	(771)		(454)		(317)
Unrealized (loss)/gain on derivatives	(37)		43		(80)
Other loss	(1)		(9)		8
Interest income and other	3		-		3
Net loss and total comprehensive loss	$ (806)		$ (420)		$ (386)

Research and development expenses for the three months ended March 31, 2017 were $0.2 million above the same period in the prior year. This increase relates primarily to drug manufacturing activities and preparations for registration batches upon release of the SIOPEL 6 results expected in late 2017.

General and administrative expenses increased over same period in 2016. There were increases in director and key employee compensation during the quarter ended March 31, 2017 over same quarter in 2016 as the Company made efforts to align our director and key employee compensations to that of companies of similar market capitalizations in similar industries. Travel and regulatory consulting also increased during the quarter ended March 31, 2017 over the same period in 2016 as the company prepares for trial results expected in late 2017. During the quarter ended March 31, 2017, there were also increases in non-cash equity compensation expenses for employees and contractors as compared with the same period in 2016.

The Company recorded an unrealized loss on derivatives of $37 in the three months ended March 31, 2017 compared to the same three months ended in 2016 where there was an unrealized gain of $43. The change results from derivative liabilities on the balance sheet and is associated with a small amount of Canadian dollar denominated options. 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.

Quarterly Information
The following table presents selected condensed financial data for each of the last eight quarters through March 31, 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
June 30, 2015	(173)	(0.02)	(0.02)
September 30, 2015	(123)	(0.01)	(0.01)
December 31, 2015	(540)	(0.05)	(0.05)
March 31, 2016	(420)	(0.04)	(0.04)
June 30, 2016	(724)	(0.06)	(0.06)
September 30, 2016	(502)	(0.04)	(0.04)
December 31, 2016	(1,143)	(0.08)	(0.08)
March 31, 2017	(806)	(0.06)	(0.06)

Liquidity and Capital Resources

U.S. Dollars in thousands Selected Asset and Liability Data:	March 31, 2017	December 31, 2016
Cash and cash equivalents	$ 3,251	$ 3,926
Other current assets	37	46
Current liabilities excluding derivative liabilities	356	369
Derivative liabilities	71	33
Working capital[(1)]	2,932	3,603
[(1)] [Current assets – current liabilities excluding derivative liability]		
Selected equity:		
Common stock	74,515	74,515
Accumulated deficit	(115,128)	(114,322)
Stockholders' equity	2,861	3,570

Cash and cash equivalents were $3,251 at March 31, 2017 and $3,926 at December 31, 2016. The decrease in cash and cash equivalents between March 31, 2017 and December 31, 2016 relates completely to cash spent on research and development and general and administrative activities. No options or warrants were exercised during the quarter ended March 31, 2017.

The following table illustrates a summary of cash flow data for the three month periods of March 31, 2017 and 2016:

U.S. Dollars in thousands	Three Months Ended March 31,	
Selected cash flow data:	2017	2016
Net cash used in operating activities	(675)	(499)
Net cash used in investing activities	-	-
Net cash provided by financing activities	-	102
(Decrease)/increase in cash and cash equivalents	**(675)**	**(397)**

Net cash used in operating activities for the three months ended March 31, 2017 was $675, as compared to $499 during the same period in 2016. This increase in cash outlays relates to ongoing STS Phase III trials and STS product development. There was no cash provided by financing activities for the three months ended March 31, 2017 compared to $102 for the three months ended March 31, 2016. Total decrease in cash and cash equivalents was $675 for the three months ended March 31, 2017 as opposed to a decrease of $397 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 $3.25 million as of March 31, 2017.

Outstanding Share Information

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

	March 31, 2017	December 31, 2016	Change
Common shares	13,643	13,643	-
Warrants	1,383	1,383	-
Stock options	2,427	2,427	-
Total	17,453	17,453	-

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 March 31, 2017, we had approximately $3.25 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 March 31, 2017 and 2016 were $225 and $47, 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 upon 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 March 31, 2017, we had $3.17 million in money market investments as compared to $0.40 million at March 31, 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 March 31, 2017 the Company held approximately 5 thousand Canadian dollars (3 thousand as translated to U.S. dollars). At December 31, 2016 the company held approximately 68 thousand Canadian dollars (51 thousand as translated 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 March 31, 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 March 31, 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 April 2016 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 March 31, 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.

Additional Risks Related to our Business

We do not presently have the financial or human resources to complete additional Phase III trials for our lead product candidate.
We do not presently have the financial or human resources internally to complete further Phase III trials for any of our lead product candidate. We may not be able to independently develop or conduct such trials ourselves.

We may experience significant delays in developing our lead product candidate
We are currently developing STS in Phase III trials in collaboration with the International Childhood Liver Tumour Strategy Group, known as SIOPEL and the Children's Oncology Group. Such collaborators might not commit sufficient resources to the development of STS, which may lead to significant delays. We have already experienced significant delays in the activation of the Children's Oncology Group trial and subsequent accrual of patients into the Children's Oncology Group and SIOPEL clinical trials. We have also experienced delays in obtaining clinical trial data.

We may not be able to license our lead product candidate
We continue to seek a licensing or funding partner for the further development of our product candidate. If a partner is not found, we may not be able to further advance our product. If a partner is found, the financial terms that they propose may not be acceptable to us.

There is no assurance that we will successfully develop a commercially viable product.
Since our formation in September 1996, we have engaged in research and development programs. We have generated no revenue from product sales, do not have any products currently available for sale, and none is expected to be commercially available for sale until we have completed additional clinical trials, if at all. There can be no assurance that the research we fund and manage will lead to commercially viable products. We have completed enrollment of two Phase III studies for STS. Our product must still undergo substantial additional regulatory review prior to commercialization.

We anticipate the need for additional capital in the future and if we cannot raise additional capital, we will not be able to fulfill our business plan.
We need to obtain additional funding in the future in order to finance our business strategy, operations and growth. We may not be able to obtain additional financing in sufficient amounts or on acceptable terms when needed. If we fail to arrange for sufficient capital on a timely basis, we may be required to curtail our business activities until we can obtain adequate financing. Debt financing must be repaid regardless of whether or not we generate profits or cash flows from our business activities. Equity financing may result in dilution to existing shareholders and may involve securities that have rights, preferences, or privileges that are senior to our common stock or other securities. If we cannot raise sufficient capital when necessary, we will likely have to curtail operations and you may lose part or all of your investment.

We may be unable to effectively deploy the proceeds from our recent financings for the development of STS.
In April 2016, we announced private placements for proceeds of $2.2 million and $5.0 million, respectively. Any inability on our part to manage effectively the deployment of this capital could limit our ability to successfully develop STS.

Additional Risks Related to our Common Stock

We may be unable to maintain the listing of our common stock on the TSX and that would make it more difficult for stockholders to dispose of their common stock.
Our common stock is currently listed on the TSX. The TSX has rules for continued listing, including minimum market capitalization and other requirements, that we might not meet in the future, particularly if the price of our common stock does not increase or we are unable to raise additional capital to continue operations. On September 8, 2012, the Toronto Stock Exchange issued an official delisting review of our common stock. The remedial delisting review was initiated because the value of the shares of our common stock that are held by “public shareholders” had been below the CAD$2.0 million threshold required under the TSX continuing listing standards for a period of 30 consecutive trading days. On January 7, 2013, the Toronto Stock Exchange completed its review of the Company and determined that the Company met TSX's continued listing requirements.

Delisting from the TSX would make it more difficult for shareholders to dispose of their common stock and more difficult to obtain accurate quotations on our common stock. This could have an adverse effect on the price of our common stock. There can be no assurances that a market maker will make a market in our common stock on the OTCQB or any other stock quotation system after delisting. Furthermore, securities quoted over-the-counter generally have significantly less liquidity than securities traded on a national securities exchange, not only in the number of shares that can be bought and sold, but also through delays in the timing of transactions and lower market prices than might otherwise be obtained. As a result, shareholders might find it difficult to resell shares at prices quoted in the market or at all. Furthermore, because of the limited market and generally low volume of trading in our common stock, our common stock is more likely to be affected by broad market fluctuations, general market conditions, fluctuations in our operating results, changes in the market's perception of our business, and announcements made by us, our competitors or parties with whom we have business relationships. Our ability to issue additional securities for financing or other purposes, or to otherwise arrange for any financing we may need in the future, may also be materially and adversely affected by the fact that our securities are not traded on a national securities exchange.

Our common stock is deemed to be a "penny stock," which may make it more difficult for investors to sell their shares due to suitability requirements.

Our common stock is subject to Rule 15g-1 through 15g-9 under the Securities Exchange Act of 1934 as amended (the "Exchange Act"), which imposes certain sales practice requirements on broker-dealers who sell our common stock to persons other than established customers and "accredited investors" who are generally individuals with a net worth in excess of $1,000,000 (excluding their principal residence) or an annual income exceeding $200,000, or $300,000 together with their spouses. For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. This rule adversely affects the ability of broker-dealers to sell our common stock and the ability of our shareholders to sell their shares of common stock.

Additionally, our common stock is subject to additional SEC regulations for "penny stock." Penny stock includes any equity security that is not listed on a national securities exchange and has a market price of less than $5.00 per share, subject to certain exceptions. The regulations require that prior to any non-exempt buy/sell transaction in a penny stock, a disclosure schedule set forth by the SEC relating to the penny stock market must be delivered to the purchaser of such penny stock. This disclosure must include the amount of commissions payable to both the broker-dealer and the registered representative and current price quotations for the common stock. The regulations also require that monthly statements be sent to holders of penny stock that disclose recent price information for the penny stock and information of the limited market for penny stocks. These requirements adversely affect the market liquidity of our common stock.

Item 2. Recent Sales of Unregistered Securities.

The following table details grants of stock options to various contractors, officers and directors of the Company:

Date of Option Grant	Number of Options Granted	Strike Price $USD
March 16, 2015	3,984	$ 2.51
May 11, 2015	4,346	$ 2.30
August 3, 2015	4,254	$ 2.35
November 10, 2015	8,124	$ 1.23
December 11, 2015	50,000	$ 1.13
February 2, 2016	50,000(1)	$ 3.00
June 9, 2016	49,180	$ 2.44
July 5, 2016	285,000(2)	$ 2.45
December 30, 2016	35,545	$ 2.11

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 February 2, 2016, the Company issued 50,000 warrants to Aranea Partners, Inc. in exchange for advisory services to be provided. Advisory services were provided through December 31, 2016. Each unit was issued at a price of $3.00 per unit and allows holder to acquire one common share for a period of three years from the date of issuance. Fair value of these warrants were determined at issuance using the Black-Scholes pricing model using the following assumptions: expected dividend 0%; risk-free interest rate 0.93%; expected volatility of 113%; and a 3 year expected life. Expense associated with these warrants will be amortized over the service period with Aranea Partners, Inc.

(2) On July 5, 2016, the Company issued 285,000 options to various employees and contractors. The conditions of these grants state that 1/3 of the options granted shall vest on July 5, 2017 (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 these grants shall be calculated as of the grant date and recognized straight line 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 March 31, 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: May 12, 2017

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

Date: May 12, 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 March 31, 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: May 12, 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 March 31, 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: May 12, 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 March 31, 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: May 12, 2017

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

Date: May 12, 2017

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

Exhibit 99.1

FENNEC PROVIDES CORPORATE UPDATE AND ANNOUNCES FIRST QUARTER 2017 RESULTS

Research Triangle Park, NC, May 12, 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 first quarter ended March 31, 2017.

Upcoming Events for 2017

Investor Events:

- **Jefferies 2017 Global Healthcare Conference -** Rosty Raykov, CEO of Fennec, will provide an overview of the Company's business on Friday, June 9 at 2:30 pm at the Jefferies 2017 Global 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.
- **Annual Meeting of Shareholders -** Fennec would like to invite all shareholders to attend its Annual General and Special Meeting on Tuesday, June 27, 2017 at 10 am at the New York Palace Hotel in the Chairman's Office, 455 Madison Avenue, New York, New York

Corporate Milestones:

- Final results from SIOPEL 6
- Prepare for NDA/MAA submissions
- Plan for commercialization

"Our highest priority remains the preparation for NDA/MAA submissions pending favorable SIOPEL 6 hearing results in October this year." said Rosty Raykov, CEO of Fennec. "I am very pleased that the team continues to execute on our internal plan."

Financial Update

The selected financial data presented below is derived from our audited 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 March 31, 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.

	Three Months Ended	
Interim Unaudited Statement of Operations	**March 31, 2017**	**March 31, 2016**
(U.S. Dollars in thousands except per share amounts)		
Revenue	$ -	$ -
Operating expenses		
Research and development	225	47
General and administrative	546	407
Loss from operations	(771)	(454)
Unrealized (loss)/gain	(37)	43
Other loss	(1)	(9)
Interest income	3	-
Net loss	$ (806)	$ (420)
Basic and diluted net loss per common share	$ (0.06)	$ (0.04)

Research and development expenses for the three months ended March 31, 2017 were $0.2 million above the same period in the prior year. This increase relates primarily to drug manufacturing activities and preparations for registration batches upon release of the SIOPEL 6 results expected in late 2017.

General and administrative expenses increased over the same period in 2016 by $0.1 million. There were increases in director and key employee compensation during the quarter ended March 31, 2017 over same quarter in 2016 as the Company made efforts to align our director and key employee compensations to that of companies of similar market capitalizations in similar industries. Travel and regulatory consulting also increased during the quarter ended March 31, 2017 over the same period in 2016 as the company prepares for trial results expected in late 2017. During the quarter ended March 31, 2017, there were also increases in non-cash equity compensation expenses for employees and contractors as compared with the same period in 2016.

The Company recorded an unrealized loss on derivatives of $37 in the three months ended March 31, 2017 compared to the same three months ended in 2016 where there was an unrealized gain of $43. The change results from derivative liabilities on the balance sheet and is associated with a small amount of Canadian dollar denominated options. 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.

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

	March 31, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$ 3,251	$ 3,926
Other current assets	37	46
Total Assets	$ 3,288	$ 3,972
Liabilities and stockholders' equity		
Current liabilities	$ 356	$ 369
Derivative liabilities	71	33
Total stockholders' equity	2,861	3,570
Total liabilities and stockholders' equity	$ 3,288	$ 3,972

Cash and cash equivalents were $3,251 at March 31, 2017 and $3,926 at December 31, 2016. The decrease in cash and cash equivalents between March 31, 2017 and December 31, 2016 relates completely to cash spent on research and development and general and administrative activities.

Working Capital	**Three Months Ended**	
Selected Asset and Liability Data:	**March 31, 2017**	**December 31, 2016**
(U.S. Dollars in thousands)		
Cash and cash equivalents	$ 3,251	$ 3,926
Other current assets	37	46
Current liabilities excluding derivative liability	(356)	(369)
Working capital	$ 2,932	$ 3,603
Selected Equity:		
Common stock	$ 74,515	$ 74,515
Accumulated deficit	(115,128)	(114,322)
Stockholders' equity	2,861	3,570

At March 31, 2017, the Company had working capital balance totaling approximately $2.9 million compared to $3.6 million as of December 31, 2016.

Dollar and shares in thousands	**Three Months Ended March 31,**	
Selected cash flow data:	**2017**	**2016**
Net cash used in operating activities	(675)	(499)
Net cash provided by investing activities	-	-
Net cash provided by financing activities	-	102
Decrease in cash and cash equivalents	(675)	(397)

Net cash used in operating activities for the three months ended March 31, 2017 was $675, as compared to $499 during the same period in 2016. This increase in cash outlays relates to ongoing STS Phase III trials and STS product development. There was no cash provided by financing activities for the three months ended March 31, 2017 compared to $102 for the three months ended March 31, 2016. Total decrease in cash and cash equivalents was $675 for the three months ended March 31, 2017 as opposed to a decrease of $397 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 10,000 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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