

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 25, 2020

FENNEC PHARMACEUTICALS INC.

(Exact name of registrant as specified in its charter)

001-32295

(Commission File Number)

British Columbia, Canada
(State or other jurisdiction of
incorporation)

20-0442384
(I.R.S. Employer Identification No.)

PO Box 13628, 68 TW Alexander Drive,
Research Triangle Park, NC
(Address of principal executive offices)

27709
(Zip Code)

Registrant's telephone number, including area code: (919) 636-4530

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common	FENC, FRX	Nasdaq, TSX

Item 1.01 Entry into a Material Definitive Agreement.

Loan and Security Agreement

On June 25, 2020 (the “Closing Date”), Fennec Pharmaceuticals, Inc, a Delaware corporation (the “Company”), and wholly owned subsidiary of Fennec Pharmaceuticals Inc. (“Fennec”) announced an amendment to its existing senior debt facility with the Life Sciences Group at Bridge Bank, a division of Western Alliance Bank, an Arizona corporation (the “Bank”), increasing the size of the facility from \$12.5 million to \$18.0 million.

The U.S. operating subsidiary of Fennec Pharmaceuticals Inc. entered into a First Amendment to the 2019 Loan and Security Agreement with Bridge Bank. This amendment provides Fennec with an \$18.0 million debt facility comprised of two term loans. Term Loan A consists of \$12.5 million to be funded upon New Drug Application (“NDA”) approval of PEDMARKTM in the U.S. Term Loan B consists of \$5.5 million to be funded upon the occurrence of a revenue event in 2021. The interest-only period for the facility has the ability to be extended from 18 months to 24 months from the funding of Term Loan A, provided that Term Loan B is funded and certain conditions are met. The Company intends to use the proceeds from the loan to provide working capital for commercialization activities for PEDMARKTM upon NDA approval.

The Company paid a good faith deposit of \$23,110 to the Bank on June 3, 2020, which amounts shall be applied toward the Bank Expenses (as defined the Loan and Security Agreement) payable on the Closing Date and, if any good faith deposit is remaining thereafter it shall be refunded to the Company. The Company may voluntarily prepay the Term Loan in full, but not in part prior to its scheduled maturity date (whether by voluntary prepayment, mandatory prepayment or otherwise) a prepayment premium equal to 1.00% of the outstanding principal will apply for the duration of the loan. Borrower shall maintain at all times unrestricted cash and cash equivalents in an amount equal to or greater than three times Borrower’s monthly cash burn amount. Monthly cash burn is defined as: for any period of determination, Borrowers’ monthly net income, plus amortization and depreciation and calculated on a trailing six-month basis, plus the monthly average of the current portion of principal on interest-bearing liabilities due and payable in the immediately succeeding three-month period. The obligations under the Loan and Security Agreement are secured by a first priority security interest in all assets of the Borrower, excluding intellectual property. Intellectual property shall be subject to a double negative pledge.

Events of default which may cause repayment of the Term Loans to be accelerated include, among other customary events of default, (1) non-payment of any obligation when due, (2) the failure to perform any obligation required under the Loan and Security Agreement and to cure such default within a reasonable time frame, (3) the occurrence of a Material Adverse Event (as defined in the Loan and Security Agreement), (4) the attachment or seizure of a material portion of the Borrower’s assets if such attachment or seizure is not released, discharged or rescinded within 10 days, and (5) if the Borrower becomes insolvent or starts an insolvency proceeding or if an insolvency proceeding is brought by a third party against the Borrower and such proceeding is not dismissed or stayed within 30 days. The Loan and Security Agreement includes customary loan conditions, Borrower representations and warranties, Borrower affirmative covenants and Borrower negative covenants for secured transactions of this type.

A copy of the Loan and Security Agreement is attached hereto as Exhibit 10.1 and is incorporated herein by reference. The foregoing is a summary description of the terms of the Loan and Security Agreement and does not purport to be complete.

Item 8.01 Other Events.

On June 26, 2020, Fennec issued a press release announcing its entry into the Loan and Security Agreement. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
Exhibit 10.1	Loan and Security Agreement dated as of June 25, 2020 by and among Fenec Pharmaceuticals, Inc. and Western Alliance Bank.
Exhibit 99.1	Press Release dated June 26, 2020

SIGNATURE

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

FENNEC PHARMACEUTICALS INC.

Date June 26, 2020

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

FIRST AMENDMENT TO THE LOAN AND SECURITY AGREEMENT

THIS FIRST AMENDMENT to the Loan and Security Agreement (this “**Amendment**”) is made effective as of June 25, 2020 (the “**Amendment Date**”) and made by and among **WESTERN ALLIANCE BANK**, an Arizona corporation (“**Bank**”) and **FENNEC PHARMACEUTICALS, INC.**, a Delaware corporation (“**Borrower**”).

WHEREAS, Bank and Borrower have entered into that certain Loan and Security Agreement, dated as of February 1, 2019 (as amended, supplemented, restated or otherwise modified from time to time, the “**Loan Agreement**”) pursuant to which Bank has provided to Borrower certain loans in accordance with the terms and conditions thereof; and

WHEREAS, Bank and Borrower desire to amend certain provisions of the Loan Agreement as provided herein and subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the promises, covenants and agreements contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

1. Capitalized terms used herein but not otherwise defined shall have the respective meanings given to them in the Loan Agreement.
2. Section 1.1 of the Loan Agreement is hereby amended by deleting therefrom the definitions of “Draw Period” and “Equity Event” and adding the following definitions therein in alphabetical order:

“Additional Warrant” is that certain Warrant to purchase Parent’s capital stock from and after the August 6, 2020 until expiry thereof, to be issued by Borrower (subject to the conditions hereof) in favor of the Bank on August 6, 2020.

“Fee In Lieu Of Additional Warrant” is an amount of One Hundred Seventeen Thousand One Hundred Fifty Dollars (\$117,150.00).

“Fennec EU” means Fennec Pharmaceuticals (EU) Limited, an Ireland company and a wholly owned subsidiary of Parent.

“First Amendment Date” is June 25, 2020.

“First Draw Period” is the period commencing of the date of the occurrence of the Approval Event and ending on the earlier of (i) December 31, 2020 and (ii) the occurrence of an Event of Default; provided, however, that the Draw Period shall not commence if on the date of the occurrence of the Approval Event an Event of Default has occurred and is continuing.

“Revenue Event” is the achievement by Borrower after the First Amendment Date of consolidated trailing six-month revenues of at least Eight Million Five Hundred Thousand Dollars (\$8,500,000) on or before December 31, 2021, at the end of any fiscal month of Borrower, as reasonably determined by the Bank based on evidence reasonably acceptable to the Bank.

“Second Draw Period” is the period commencing of the date of the occurrence of the Revenue Event and ending on the earlier of (i) December 31, 2021 and (ii) the occurrence of an Event of Default; provided, however, that the Draw Period shall not commence if on the date of the occurrence of the Revenue Event an Event of Default has occurred and is continuing.

“Seventy Five Percent Test” means that on the date of its determination, Parent shall have achieved consolidated trailing six month revenue (for the six full calendar months completed immediately preceding the date of determination) equal to at least seventy-five percent (75%) of the projected revenue for such period in accordance with the then applicable Parent’s Board approved financial projections delivered by Borrower and accepted by Bank in accordance with Section 6.3 hereof, as reasonably determined by the Bank based on evidence reasonably acceptable to the Bank.

“Term A Loan” is defined in Section 2.2(a)(i).

“Term B Loan” is defined in Section 2.2(a)(ii).

3. Section 1.1 of the Loan Agreement is hereby amended by amending and restating the following definitions therein as follows:

“Amortization Date” is (i) the date that is the nineteenth month anniversary of the first day of the month immediately following the Closing Date, if the Revenue Event does not occur and (ii) the date that is the twenty-fifth month anniversary of the first day of the month immediately following the Closing Date, if the Revenue Event does occur.

“Approval Event” is the receipt of the final NDA approval by Borrower from the U.S. Food and Drug Administration for Borrower’s drug candidate currently named PEDMARK on or before December 31, 2020.

“Closing Date” means the Funding Date of the Term A Loan.

“Effective Interest Rate” is with respect to the Term Loans, the per annum rate of interest (based on a year of three hundred sixty (360) days) equal to the sum of (a) Index Rate on the first Business Day of the month that immediately precedes the month in which the interest will accrue, plus (b) One percent (1.00%).

“Index Rate” means the higher of (i) Prime Rate published in the Money Rates section of the Western Edition of The Wall Street Journal and (ii) Three and Twenty-Five Hundredths percent (3.25%).

“Maturity Date” is the date that is the forty-eighth month anniversary of the first day of the month immediately following the Closing Date.

4. Section 2.2 of the Loan Agreement is hereby amended and restated as follows:

2.2 Term Loans.

(a) Availability.

(i) Subject to the terms and conditions of this Agreement, during the First Draw Period, Bank shall make a term loan to Borrower in the amount of Twelve Million Five Hundred Thousand Dollars (\$12,500,000) (such term loan is hereinafter referred to as “Term A Loan”). After repayment, the Term A Loan may not be re-borrowed.

(ii) Subject to the terms and conditions of this Agreement, during the Second Draw Period, Bank shall, at the request of the Borrower, make a term loan to Borrower in an aggregate original principal amount equal to up to Five Million Five Hundred Thousand Dollars (\$5,500,000) (such term loan is hereinafter referred to as “Term B Loan”; each Term A Loan or Term B Loan is hereinafter referred to singly as a “Term Loan” and the Term A Loan and the Term B Loan are hereinafter referred to collectively as the “Term Loans”). After repayment, the Term B Loan may not be re-borrowed.

(b) Repayment. Borrower shall make monthly payments of interest only commencing on the first (1st) Payment Date following the Funding Date of each Term Loan, and continuing on the Payment Date of each successive month thereafter through and including the Payment Date immediately preceding the Amortization Date. Borrower agrees to pay, on the Funding Date of each Term Loan, any initial partial monthly interest payment otherwise due for the period between the Funding Date of such Term Loan and the first Payment Date thereof. Commencing on the Amortization Date, and continuing on the Payment Date of each month thereafter, Borrower shall make equal monthly payments of principal, together with applicable interest, in arrears, as calculated by Bank (which calculations shall be deemed correct absent manifest error) based upon: (1) the amount of the Term Loans, (2) the effective rate of interest, as determined in Section 2.4(a), and (3) a repayment schedule as determined by the Bank based on the Maturity Date and the Amortization Date (which determination shall be deemed correct absent manifest error). All unpaid principal and accrued and unpaid interest is due and payable in full on the Maturity Date with respect to the Term Loans. The Term Loans may only be prepaid in accordance with Sections 2.2(c) and 2.2(d).

(c) Mandatory Prepayments. If any Term Loan is accelerated following the occurrence of an Event of Default, Borrower shall immediately pay to Bank, an amount equal to the sum of: (i) all outstanding principal of all of the Term Loans plus accrued and unpaid interest thereon through the prepayment date, (ii) the Final Payment, (iii) the Prepayment Fee, plus (iv) all other Obligations that are due and payable, including Bank's Expenses and interest at the Default Rate with respect to any past due amounts. Notwithstanding (but without duplication with) the foregoing, on the Maturity Date, if the Final Payment had not previously been paid in full in connection with the prepayment of the Term Loans in full, Borrower shall pay Bank the Final Payment in respect of the Term Loans.

(d) Permitted Prepayment of Term Loans. Borrower shall have the option to prepay all, but not less than all, of the Term Loans advanced by Bank under this Agreement, provided Borrower (i) provides written notice to Bank of its election to prepay the Term Loans at least thirty (30) days prior to such prepayment, and (ii) pays to the Bank on the date of such prepayment an amount equal to the sum of (A) all outstanding principal of the Term Loans plus accrued and unpaid interest thereon through the prepayment date, (B) the Final Payment, (C) the Prepayment Fee, plus (D) all other Obligations that are due and payable, including Bank's Expenses and interest at the Default Rate with respect to any past due amounts.

5. Section 2.5 of the Loan Agreement is hereby amended by removing "and" at the end of Section 2.5(c), replacing "." at the end of Section 2.5(d) with "; and" and adding the following Section 2.5(e) thereto:

(e) facility fee in the amount of \$23,110 which was received by the Bank on June 3, 2020.

6. Section 2.7 of the Loan Agreement is hereby amended and restated as follows:

2.7 Secured Promissory Notes. The Term Loans shall be evidenced by a Secured Promissory Note or Notes in the form attached as Exhibit D hereto (each a "Secured Promissory Note") and shall be repayable as set forth in this Agreement. Borrower irrevocably authorizes the Bank to make or cause to be made, on or about the Funding Date of any Term Loan or at the time of receipt of any payment of principal on such Secured Promissory Note, an appropriate notation on such Secured Promissory Note Record reflecting the making of such Term Loan or (as the case may be) the receipt of such payment. The outstanding amount of each Term Loan set forth on such Secured Promissory Note Record shall be prima facie evidence of the principal amount thereof owing and unpaid to the Bank, but the failure to record, or any error in so recording, any such amount on such Secured Promissory Note Record shall not limit or otherwise affect the obligations of Borrower under any Secured Promissory Note or any other Loan Document to make payments of principal of or interest on any Secured Promissory Note when due. Upon receipt of an affidavit of an officer of the Bank as to the loss, theft, destruction, or mutilation of any of its Secured Promissory Note, Borrower shall issue, in lieu thereof, a replacement Secured Promissory Note in the same principal amount thereof and of like tenor.

7. Section 3.2 of the Loan Agreement is hereby amended and restated as follows:

3.2 Conditions Precedent to all Credit Extensions. The obligation of Bank to make each Credit Extension, including the initial Credit Extension, is further subject to the representations and warranties contained in Section 5 shall be true and correct in all material respects on and as of the effective date of each Credit Extension as though made at and as of each such date, and no Event of Default shall have occurred and be continuing, or would exist after giving effect to such Credit Extension. The making of each Credit Extension shall be deemed to be a representation and warranty by Borrower on the date of such Credit Extension as to the accuracy of the facts referred to in this Section 3.2. Furthermore, the making of each Credit Extension shall be subject to the delivery by Borrower to the Bank, to the extent not delivered at the Closing, of duly executed original Secured Promissory Notes and Warrants, in number, form and content acceptable to the Bank, with respect to such Credit Extension made by the Bank after the Closing Date. Furthermore, if the Credit Extension is for Term B Loan, in addition to all other applicable provisions of this Agreement, Borrower must also have on the Funding Date of the Term B Loan, in accounts maintained with the Bank, unrestricted cash and cash equivalents in an aggregate amount equal to at least twelve times the Monthly Cash Burn as calculated on the last date of the immediately preceding month.

8. Section 5.16 of the Loan Agreement is hereby amended and restated as follows:

5.16 Use of Proceeds. Borrower shall use the proceeds of the Term Loans solely as working capital and to fund its general business requirements in accordance with the provisions of this Agreement, and not for personal, family, household or agricultural purposes.

9. Section 6.7 of the Loan Agreement is hereby amended and restated as follows:

6.7 Accounts. Borrower shall (i) maintain and shall cause each of its Subsidiaries and Parent to maintain its primary depository, operating, and investment accounts with Bank (including, without limitation, all depository, operating, and investment accounts maintained in the United States) and (ii) endeavor to utilize and shall cause each of its Subsidiaries and Parent to endeavor to utilize Bank's International Banking Division for any international banking services required by Borrower, including, but not limited to, foreign currency wires, hedges and swaps. Notwithstanding the foregoing, Parent may continue to maintain its accounts with Royal Bank of Canada that are identified on the Perfection Certificate on the Effective Date; provided, that, the aggregate balance in all such accounts may not exceed \$250,000 at any time.

10. Section 6.12 of the Loan Agreement is hereby amended and restated as follows:

6.12 Financial Covenants.

(a) Commencing on the Closing Date, Borrower shall at all times maintain in accounts held at the Bank, unrestricted cash and cash equivalents in an aggregate amount equal to at least three times the Monthly Cash Burn as calculated on the last date of the immediately preceding month.

(b) At all times on and after the Funding Date Term B Loan, Parent must satisfy the Seventy Five Percent Test each month, as determined by the Bank on the date of the receipt of the monthly financial statements by the Bank in accordance with Section 6.3 hereof.

11. The following Section 6.14 is hereby added to the Loan Agreement:

6.14 Additional Warrant; Fee In Lieu of Additional Warrant. On August 6, 2020, either (i) Borrower shall deliver to Bank a duly executed, issued and authorized Additional Warrant to purchase stock of Parent in such form and substance as is agreed to by the parties, dated as of the August 6, 2020 or (ii) Borrower shall notify the Bank in writing that in lieu of delivering the Additional Warrant Borrower shall pay to the Bank, no later than August 13, 2020, Fee In Lieu Of Additional Warrant. If Borrower opts for the option set forth in clause (ii) of the immediately preceding sentence, Borrower shall no later than August 13, 2020, irrevocably pay the Fee In Lieu Of Additional Warrant which shall be deemed to be fully earned by the Bank.

12. Section 7.12 of the Loan Agreement is hereby amended and restated as follows:

7.12 Capital Expenditures. Make or contract to make, without Bank's prior written consent, capital expenditures, including leasehold improvements:

- (i) in excess of \$250,000.00 in any fiscal year prior to the Funding Date Term B Loan; or
- (ii) in excess of \$500,000.00 in any fiscal year after the Funding Date Term B Loan,

or incur liability for rentals of property (including both real and personal property) in an amount which, together with capital expenditures, shall in any such fiscal year exceed such applicable sum.

13. The following Section 7.14 is hereby added to the Loan Agreement:

7.14 Fennec EU.

- (a) Parent shall cause the aggregate amount of assets held by Fennec EU not to exceed Nine Hundred Thousand Dollars (\$900,000.00) at any given time.
- (b) The aggregate amount of cash that may be collectively transferred by Borrower, Parent and all other subsidiaries of Parent to Fennec EU in any given fiscal quarter shall not exceed Six Hundred Thousand Dollars (\$600,000.00).

14. Exhibit C to the Loan Agreement is hereby amended and restated as set forth on Exhibit A hereto.

15. Exhibit D to the Loan Agreement is hereby amended and restated as set forth on Exhibit B hereto.

16. Limitation of Amendment.

a. The amendments set forth above are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right, remedy or obligation which the Bank or Borrower may now have or may have in the future under or in connection with any Loan Document, as amended hereby.

b. This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

17. To induce the Bank to enter into this Amendment, Borrower hereby represents and warrants to the Bank as follows:

a. Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct in all material respects as of such date), and (b) no Event of Default has occurred and is continuing;

b. Borrower has the power and due authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

c. The organizational documents of Borrower delivered to the Bank on the Effective Date, and updated pursuant to subsequent deliveries by the Borrower to the Bank, if any, remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

d. The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, will not constitute an event of default under any material agreement with a Person binding on Borrower, or a breach of any provision contained in the Articles of Incorporation or Bylaws of Borrower; and

e. This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and by general equitable principles.

18. Borrower hereby remises, releases, acquits, satisfies and forever discharges the Bank, its agents, employees, officers, directors, predecessors, attorneys and all others acting or purporting to act on behalf of or at the direction of the Bank ("**Releasees**"), of and from any and all manner of actions, causes of action, suit, debts, accounts, covenants, contracts, controversies, agreements, variances, damages, judgments, claims and demands whatsoever, in law or in equity, which any of such parties ever had, now has or, to the extent arising from or in connection with any act, omission or state of facts taken or existing on or prior to the date hereof, may have after the date hereof against the Releasees, for, upon or by reason of any matter, cause or thing whatsoever relating to or arising out of the Loan Agreement or the other Loan Documents on or prior to the date hereof and through the date hereof. Without limiting the generality of the foregoing, the Borrower waives and affirmatively agrees not to allege or otherwise pursue any defenses, affirmative defenses, counterclaims, claims, causes of action, setoffs or other rights they do, shall or may have as of the date hereof, including the rights to contest: (a) the right of Bank to exercise its rights and remedies described in the Loan Documents; (b) any provision of this Amendment or the Loan Documents; or (c) any conduct of the Bank or other Releasees relating to or arising out of the Loan Agreement or the other Loan Documents on or prior to the date hereof.

19. Except as expressly set forth herein, the Loan Agreement shall continue in full force and effect without alteration or amendment. This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements.

20. This Amendment shall be deemed effective as of the Amendment Date upon the due execution and delivery to the Bank of this Amendment by each party hereto.

21. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute one and the same instrument.

22. This Amendment and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of California.

[Balance of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to the Loan and Security Agreement to be executed as of the date first set forth above.

FENNEC PHARMACEUTICALS, INC., A DELAWARE CORPORATION

By: /s/ Robert Andrade

Name: Robert Andrade

Title: Chief Financial Officer

WESTERN ALLIANCE BANK, AN ARIZONA CORPORATION

By: /s/ Lindsay Forty

Name: Lindsay Forty

Title: VP, Portfolio Management

EXHIBIT C

COMPLIANCE CERTIFICATE

TO: WESTERN ALLIANCE BANK, an Arizona corporation

FROM: _____

The undersigned authorized officer of FENNEC PHARMACEUTICALS, INC. hereby certifies that in accordance with the terms and conditions of the Loan and Security Agreement between Borrower and Bank (the "Agreement"), (i) Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below and (ii) all representations and warranties of Borrower stated in the Agreement are true and correct as of the date hereof. Attached herewith are the required documents supporting the above certification. The Officer further certifies that these are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are consistently applied from one period to the next except as explained in an accompanying letter or footnotes.

Please indicate compliance status by circling Yes/No under "Complies" column.

<u>Reporting Covenant</u>	<u>Required</u>	<u>Complies</u>	
Annual financial statements (CPA Audited)	FYE within 90 days	Yes	No
Quarterly financial statements and Compliance Certificate	Prior to each Credit Extension, and monthly within 30 days	Yes	No
Monthly cash balances statement	Prior to each Credit Extension, and monthly within 30 days	Yes	No
10K and 10Q	Within 5 days of filing	Yes	No
Annual operating budget, sales projections and operating plans approved by board of directors	Annually no later than 30 days prior to the beginning of each fiscal year	Yes	No
Monthly Cash Burn (after Closing Date)[1]: _____			
Unrestricted deposits with Bank \$ _____			
<u>Covenant</u>		Yes	No
At all times after the Closing Date unrestricted cash and cash equivalents held at accounts at the Bank must be greater than or equal to three time the Monthly Cash Burn			
At all times on and after the Funding Date of Term B Loan, Parent must achieve 75% of the trailing 6-month consolidated revenue		Yes	No

1 Please attach separate sheet showing the calculation

Deposit balances with Bank
Deposit balance outside Bank

\$ _____
\$ _____

Comments Regarding Exceptions: See Attached.

Sincerely,

SIGNATURE

TITLE

DATE

BANK USE ONLY

Received by:

AUTHORIZED SIGNER

Date:

Verified:

AUTHORIZED SIGNER

Date:

Compliance Status

Yes

No

Exhibit B

EXHIBIT D

**SECURED PROMISSORY NOTE
(Term [A][B] Loan)**

\$_[_____]

Dated: [_____]

FOR VALUE RECEIVED, the undersigned, FENNEC PHARMACEUTICALS, INC., a Delaware corporation with offices located at 68 TW Alexander Drive, Research Triangle Park, NC 27709 ("**Borrower**") HEREBY PROMISES TO PAY to the order of WESTERN ALLIANCE BANK ("**Bank**") the principal amount of [____] DOLLARS (\$[_____]) or such lesser amount as shall equal the outstanding principal balance of the Term [A][B] Loan made to Borrower by the Bank, plus interest on the aggregate unpaid principal amount of such Term [A][B] Loan, at the rates and in accordance with the terms of the Loan and Security Agreement dated February 1, 2019 by and between Borrower and the Bank (as amended, restated, supplemented or otherwise modified from time to time, the "**Loan Agreement**"). If not sooner paid, the entire principal amount and all accrued and unpaid interest hereunder shall be due and payable on the Maturity Date as set forth in the Loan Agreement. Any capitalized term not otherwise defined herein shall have the meaning attributed to such term in the Loan Agreement.

Principal, interest and all other amounts due with respect to the Term [A][B] Loan, are payable in lawful money of the United States of America to the Bank as set forth in the Loan Agreement and this Secured Promissory Note (this "**Note**"). The principal amount of this Note and the interest rate applicable thereto, and all payments made with respect thereto, shall be recorded by the Bank and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Note.

The Loan Agreement, among other things, (a) provides for the making of a secured Term [A][B] Loan by the Bank to Borrower, and (b) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

This Note may not be prepaid except as set forth in Section 2.2 (c) and Section 2.2(d) of the Loan Agreement.

This Note and the obligation of Borrower to repay the unpaid principal amount of the Term [A][B] Loan, interest on the Term [A][B] Loan and all other amounts due to the Bank under the Loan Agreement is secured under the Loan Agreement.

Presentment for payment, demand, notice of protest and all other demands and notices of any kind in connection with the execution, delivery, performance and enforcement of this Note are hereby waived.

Borrower shall pay all reasonable fees and expenses, including, without limitation, reasonable attorneys' fees and costs, incurred by the Bank in the enforcement or attempt to enforce any of Borrower's obligations hereunder not performed when due.

This Note shall be governed by, and construed and interpreted in accordance with, the internal laws of the State of California.

The ownership of an interest in this Note shall be registered on a record of ownership maintained by the Bank or its agent. Notwithstanding anything else in this Note to the contrary, the right to the principal of, and stated interest on, this Note may be transferred only if the transfer is registered on such record of ownership and the transferee is identified as the owner of an interest in the obligation. Borrower shall be entitled to treat the registered holder of this Note (as recorded on such record of ownership) as the owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in this Note on the part of any other person or entity.

[Balance of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed by one of its officers thereunto duly authorized on the date hereof.

BORROWER:

FENNEC PHARMACEUTICALS, INC.

By _____

Name: _____

Title: _____

Term [A][B] Loan Note

LOAN INTEREST RATE AND PAYMENTS OF PRINCIPAL

Date	Principal Amount	Interest Rate	Scheduled Payment Amount	Notation By
-------------	-----------------------------	----------------------	-------------------------------------	--------------------



FENNEC PHARMACEUTICALS ANNOUNCES AMENDMENT TO INCREASE EXISTING SENIOR DEBT FACILITY

Research Triangle Park, NC, June 26, 2020 – Fennec Pharmaceuticals Inc. (NASDAQ:FENC; TSX: FRX), a specialty pharmaceutical company focused on the development of PEDMARK™ (a unique formulation of sodium thiosulfate) for the prevention of platinum-induced ototoxicity in pediatric patients, today announced an amendment to its existing senior debt facility with the Life Sciences Group at Bridge Bank increasing the size of the facility from \$12.5 million to \$18 million.

The U.S. operating subsidiary of Fennec Pharmaceuticals Inc., entered into a First Amendment to the 2019 Loan and Security Agreement with Bridge Bank. This amendment provides Fennec with an \$18 million debt facility comprised of two term loans. Term Loan A consists of \$12.5 million to be funded upon New Drug Application (NDA) approval of PEDMARK™ in the U.S. Term Loan B consists of \$5.5 million to be funded upon the occurrence of a revenue event in 2021. The interest-only period for the facility has the ability to be extended from 18 months to 24 months from the funding of Term Loan A, provided that Term Loan B is funded and certain conditions are met. The Company intends to use the proceeds from the loans to provide working capital for commercialization activities for PEDMARK™ upon NDA approval.

“This loan amendment further strengthens our balance sheet and provides us with additional operating capital and flexibility as we prepare for the launch of PEDMARK™, if approved, in the second half of 2020,” said Robert Andrade, chief financial officer of Fennec Pharmaceuticals. “We are pleased to expand our relationship with Bridge Bank, a premier lending institution with a broad scope of services.”

“We have been working with Fennec for the past two years and are excited to continue working with the company as they transition to becoming a commercial-stage organization,” said Ms. Lindsay Fouty, vice president in Bridge Bank’s Life Sciences Group. “We are pleased to provide flexible debt capital to support the launch of PEDMARK™, which addresses an important unmet medical need for the prevention of ototoxicity in children receiving cisplatin chemotherapy.”

About Fennec Pharmaceuticals

Fennec Pharmaceuticals Inc. is a specialty pharmaceutical company focused on the development of PEDMARK™ for the prevention of platinum-induced ototoxicity in pediatric patients. Further, PEDMARK has received Orphan Drug Designation in the U.S. for this potential use. Fennec has a license agreement with Oregon Health and Science University (OHSU) for exclusive worldwide license rights to intellectual property directed to sodium thiosulfate and its use for chemoprotection, including the prevention of ototoxicity induced by platinum chemotherapy, in humans. For more information, please visit www.fennecpharma.com

About PEDMARK™

Cisplatin and other platinum compounds are essential chemotherapeutic agents for many pediatric malignancies. Unfortunately, platinum-based therapies cause ototoxicity, or hearing loss, which is permanent, irreversible and particularly harmful to the survivors of pediatric cancer.

In the U.S. and Europe, it is estimated that, annually, over 10,000 children may receive platinum-based chemotherapy. The incidence of ototoxicity 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 that suffer ototoxicity at critical stages of development lack speech language development and literacy, and older children and adolescents lack social-emotional development and educational achievement.

PEDMARK 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 have been completed. 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.

The FDA has accepted for filing the Company's New Drug Application (NDA) for PEDMARK™ and has granted Priority Review. The Marketing Authorization Application (MAA) for Pedmarqsi (EU tradename) is currently under evaluation by the European Medicines Agency (EMA). PEDMARK has received Breakthrough Therapy and Fast Track Designation by the FDA in March 2018, and a Prescription Drug User Fee Act (PDUFA) Target Action Date of August 10, 2020

About Bridge Bank

Bridge Bank, a division of Western Alliance Bank, Member FDIC, helps business clients realize their ambitions. Founded in 2001 in Silicon Valley, Bridge Bank offers a better way to bank for small-market and middle-market businesses across many industries, as well as emerging technology companies and the private equity community. Geared to serving both venture-backed and non-venture-backed companies, Bridge Bank delivers a broad scope of financial solutions including capital, equipment and working capital credit facilities, venture debt, treasury management, asset-based lending, SBA and commercial real estate loans, ESOP finance and a full line of international products and services. Based in San Jose, Bridge Bank has 16 offices in major markets across the country along with Western Alliance Bank's powerful array of specialized financial services. Western Alliance Bank is the primary subsidiary of Phoenix-based Western Alliance Bancorporation. One of the country's top-performing banking companies, Western Alliance has ranked in the top 10 on the Forbes "Best Banks in America" list for five consecutive years, 2016-2020, and was named #1 best-performing of the 50 largest public U.S. banks for 2019 by S&P Global Market Intelligence. For more information, visit bridgebank.com.

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 as unforeseen global instability, including political instability, or instability from an outbreak of pandemic or contagious disease, such as the novel coronavirus (COVID-19), or surrounding the duration and severity of an outbreak, 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 product will not be as large as expected, the Company's product 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, 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, 2019. 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.

For further information, please contact:**Investors:**

Rosty Raykov
Chief Executive Officer
Fennec Pharmaceuticals Inc.
(919) 636-5144

Media:

Elixir Health Public Relations
Lindsay Rocco
(862) 596-1304
lrocco@elixirhealthpr.com
