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**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF EU REGULATION 596/2014 ("MAR") AND ARTICLE 7 OF MAR AS IT FORMS PART OF DOMESTIC LAW IN THE UNITED KINGDOM BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("UK MAR").**

**Faron Pharmaceuticals Ltd**  
("Faron" or the "Company")

**Inside Information: The Company has received binding commitments for convertible loans in the total amount of EUR 3.2 million enabling the Company to make critical payments and to continue preparing alternative short- and long-term financing options.**

**Company announcement, 4 March 2024 at 7:00 a.m. GMT / 9:00 a.m. EET**

**Inside information**

**Key highlights**

- Binding commitments for convertible loans obtained from certain existing shareholders allowing the Company to make critical payments to third parties under agreed waivers with IPF.
- Active participation in the round by early investors of the Company.
- Receipt of the EUR 3.2 million committed funding enables the Company to secure its immediate short-term financing needs until the end of March 2024, in addition to which approximately EUR 5 million of further short-term bridge financing is required.
- The Company continues active endeavors and is in continuous discussions to secure longer term funding. In addition to the short-term bridge financing, the Board intends to propose to the Annual General Meeting an authorization for a larger share issue.
- The next BEXMAB readout will be provided to markets in mid-March. To complete the enrolment of the phase 2 of the BEXMAB study with interim and final readouts and to obtain regulatory feedback from the FDA, the Company expects to need EUR 35 million in total.
- The unaudited total cash and cash equivalents held by the Company was ca. EUR 4.3 million as of 19 February 2024. The Company further provides certain unaudited preliminary financial information in the announcement.

**TURKU, FINLAND / BOSTON, MA** – Faron Pharmaceuticals Ltd (First North: FARON, AIM: FARN), a clinical stage biopharmaceutical company pioneering macrophage reprogramming for effective anticancer immunotherapies, today announces that it has obtained binding and irrevocable commitments amounting to a total of EUR 3.2 million ("Commitments") from a limited number of the Company's existing shareholders ("Investors") to subscribe for convertible loan instruments to be issued by the Company ("Loans").

As was announced by the Company on 19 February 2024, the Company was in breach of several undertakings agreed in the secured debt agreement with IPF Fund II SCA, SICAV-FIAR ("IPF") as Lender and Faron Pharmaceuticals Ltd as Borrower ("Facilities Agreement"), and as a result of such Events of Default, IPF blocked the Company's bank accounts which are pledged to IPF.

Based on the Commitments, IPF has allowed the Company to make certain critical payments and, upon the Company's receipt of the Loan funds in full no later than 8 March 2024, agreed to waive certain Events of Default under the terms of the Facilities Agreement ("Waiver") and to unblock the Company's bank accounts, allowing the Company to make

payments to third parties without a separate consent from IPF. The Loans are fully subordinated to the Facilities Agreement and the Company will not make any extraordinary payments to IPF other than agreed waiver fees. As part of the Waiver the minimum cash covenant will be lowered to EUR 4.5 million until 30 April 2024 and thereafter it returns to the previously agreed level. In accordance with the Waiver, the Company shall issue to IPF additional special rights which entitle them to subscribe for new ordinary shares in the Company ("Warrants"), with an exercise price equal to the volume-weighted average price of the Company's share during the three trading days preceding the date of the Waiver ("Strike Price"). The number of Warrants is calculated by dividing 10% of the original loan amount (EUR 10 million) by the Strike Price. The Warrants are exercisable for a period of seven years and the Company will separately publish an announcement on the issuance of the Warrants. Simultaneously, the Company and IPF have agreed on certain amendments to the fee structure under the Facilities Agreement.

Receipt of the EUR 3.2 million pursuant to the Loans enables the Company to secure its immediate short-term financing needs until the end of March 2024. The Company continues active endeavors and is in discussions to secure its short and longer-term financing needs, including first additional bridge financing of approximately EUR 5 million, to secure publishing of the Company's annual accounts for the year 2023 on 13 March 2024 and continued compliance with the cash covenants agreed in the Waiver.

Further, the Board of Directors of Faron intends to propose to the Annual General Meeting (scheduled to be held on 5 April 2024) an authorization for a larger share issue, contemplated to be launched as a public offering (with planned allocation preferences to existing shareholders and bridge finance lenders (including the Investors to enable the conversion of the Loans) and in compliance with the relevant securities markets regulation) as soon as practicable once the required preparations and approvals are in place. The receipt of long-term financing is necessary to secure funding for 2024 and especially the uninterrupted continuation of the Company's BEXMAB study to full read out of the Phase II study and FDA feedback on registrational study design during 2024. The targeted size of the contemplated share issue is planned to be set accordingly, to meet these cash runway needs for 2024. The Company is also evaluating and continuously negotiating several business development alternatives that may result in non-dilutive funding.

*"This fundraise will enable us to meet our immediate financing needs and continue our ambitious bexmarilimab development program, with a focus on delivering next milestones,"* said Dr. Markku Jalkanen, Chief Executive Officer of the Company. *"These funds are part of the larger financing plan to secure cash runway for 2024 and to complete Phase II study and receive FDA's guidance for the pivotal study part. We would like to thank support from our investors in developing this novel immunotherapy, especially for myeloid leukemia with very few treatment options".* To support the Company's short-term financing, the Company's CEO has agreed to give up his salary for the coming three months.

The Company expects to publish the next BEXMAB phase I read out in mid-March with special focus on durability of *bexmarilimab* efficacy on HMA-failed MDS patients known to have very short life expectancy post HMA failure. To complete the enrolment into the ongoing phase 2 of the BEXMAB study, to produce interim and final readouts from the study and to get regulatory feedback from the FDA, the Company expects to need EUR 35 million in total.

The unaudited total cash and cash equivalents held by the Company was ca. EUR 4.3 million as of 19 February 2024. The Company also provides the following preliminary, unaudited financial information: on 19 February 2024 the Company's gross debts were around EUR 13.8 million and net debts around EUR 9.4 million. The Company's financial statements bulletin for the financial year ended 31 December 2023 is planned to be published on 13 March 2024 subject to the receipt of the approximately EUR 5 million of additional bridge financing.

#### **DETAILS OF THE EUR 3.2 MILLION LOAN ARRANGEMENT**

In accordance with the Commitments from several Investors, the Company will by 8 March 2024 obtain Loans amounting to a total of approximately EUR 3.2 million which are fully subordinated to the Facilities Agreement. The Loans shall be converted to new shares in the Company as a part of (and at the subscription price of) the next investment

round where shares or other equity securities are issued by the Company to existing shareholders and/or new third-party investors, with a minimum size of EUR 8 million ("Investment Round"). In the event that the subscription price in such Investment Round exceeds EUR 1.50 per share, an Investor shall have the right to postpone the conversion of the Loan until 10 June 2024 ("Due Date"). In the event that there is no Investment Round by the Due Date (or the subscription price of the Investment Round exceeds EUR 1.50 per share and the respective Investor has decided to postpone the conversion of the Loan) and the Loan has not been otherwise repaid prior to the Due Date (subject to a subordination agreement to be entered into between the Investors, the Company and IPF), then the Loan shall be at the request of the Investor converted into new shares in the Company in connection with the Due Date. In such case, the subscription price per share shall be EUR 1.50 per share. However, if then the Lender elects not to exercise its conversion right on the Due Date, (such option being only available if there has not been any Investment Round), the Due Date of the Loan will automatically be extended until 31 December 2024 ("Final Due Date"). On such Final Due Date, the Loan shall be either repaid in full in cash, subject to the terms of the subordination agreement, or converted into new shares in the Company with the subscription price of EUR 1.50 per share, subject to a valid share issue authorization being in place. In case the Loan is converted before the Due Date, each Investor is entitled to an arrangement fee of 15% of its respective Loan amount. If conversion has not taken place prior to the Due Date, the arrangement fee will be 30% of the Investor's respective Loan amount. No interest shall be payable on the Loan if a conversion takes place before 30 May 2024, and thereafter the interest will be 12% + 3-months Euribor and paid subject to the subordination agreement.

#### **RELATED PARTY TRANSACTION**

Timo Syrjälä, an existing shareholder in the Company, has committed to participate in the Loan in the amount of EUR 600,000. Mr. Syrjälä's total holding in the Company's shares, which includes his indirect holding through Acme Investments SPF Sarl ("Acme"), an entity wholly owned by Mr. Syrjälä, is on the date of this release 13,410,336 shares, representing 19.5 % of all shares and votes in the Company. Mr Syrjälä is a "Substantial Shareholder" in the Company for the purposes of the AIM Rules for Companies (the "AIM Rules"). His commitment to participate in the Loan is a related party transaction for the purposes of the AIM Rules, the First North Rulebook and the Finnish Limited Liability Companies Act. The members of the Board of Directors of the Company, all of whom are independent of Mr. Syrjälä, having consulted with Cairn Financial Advisers LLP, the Company's nominated adviser for the purposes of the AIM Rules, consider the terms of the participation by Mr. Syrjälä in the Loan to be fair and reasonable insofar as shareholders are concerned.

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**About *Bexmarilimab***

*Bexmarilimab* is Faron's wholly owned, investigational immunotherapy designed to overcome resistance to existing treatments and optimize clinical outcomes, by targeting myeloid cell function and igniting the immune system. *Bexmarilimab* binds to Clever-1, an immunosuppressive receptor found on macrophages leading to tumor growth and metastases (i.e. helps cancer evade the immune system). By targeting the Clever-1 receptor on macrophages, *bexmarilimab* alters the tumor microenvironment, reprogramming macrophages from an immunosuppressive (M2) state to an immunostimulatory (M1) one, upregulating interferon production and priming the immune system to attack tumors and sensitizing cancer cells to standard of care.

**About Faron Pharmaceuticals Ltd.**

Faron (AIM: FARN, First North: FARON) is a global, clinical-stage biopharmaceutical company, focused on tackling cancers via novel immunotherapies. Its mission is to bring the promise of immunotherapy to a broader population by uncovering novel ways to control and harness the power of the immune system. The Company's lead asset is *bexmarilimab*, a novel anti-Clever-1 humanized antibody, with the potential to remove immunosuppression of cancers through targeting myeloid cell function. *Bexmarilimab* is being investigated in Phase I/II clinical trials as a potential therapy for patients with hematological cancers in combination with other standard treatments. Further information is available at [www.faron.com](http://www.faron.com).

**Caution regarding forward-looking statements**

Certain statements in this announcement are, or may be deemed to be, forward-looking statements. Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "should", "expect", "envisage",

"estimate", "intend", "may", "plan", "potentially", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the completion and use of proceeds from the Placing, the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward-looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors.

A number of factors could cause actual results to differ materially from the results and expectations discussed in the forward-looking statements, many of which are beyond the control of the Company. In addition, other factors which could cause actual results to differ materially include the ability of the Company to successfully licence its programmes, risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets or other sources of funding, reliance on key personnel, uninsured and underinsured losses and other factors. Although any forward-looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. Subject to any continuing obligations under applicable law or any relevant AIM Rule requirements, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward-looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.