

Faron Pharmaceuticals Oy
("Faron" or "Company")

Issue of Warrants to IPF
Funding Update

Company announcement, March 28, 2024 at 3 AM (EDT) / 7 AM (GMT) / 9 AM (EET)

TURKU, FINLAND / BOSTON, MA - Faron Pharmaceuticals Ltd. (AIM: FARN, First North: FARON), a clinical-stage biopharmaceutical company pursuing a CLEVER approach to reprogramming myeloid cells to activate anti-tumor immunity in hematological and solid tumor microenvironments, today announces that Faron has committed to granting IPF special rights entitling to subscribe for ordinary shares of the Company against payment ("Warrants") in addition to the warrants created on February 28, 2022.

IPF Warrants

As was announced by the Company on March 4, 2024, pursuant to the waiver regarding certain events of default ("Waiver") under the terms of the secured debt agreement with IPF Fund II SCA, SICAV-FIAR ("IPF") as Lender and Faron Pharmaceuticals Ltd as Borrower ("Facilities Agreement"), 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 Strike Price shall be the lower of either EUR 1.63 (equivalent to the terms of the Waiver) or the subscription price per share in any subsequent share offering undertaken by the Company. The number of Warrants primarily issued to IPF is calculated by dividing 10% of the original loan amount (EUR 10 million) by the Strike Price, subject to certain adjustments in accordance to the terms of a warrant holder agreement entered into between the Company and IPF ("Warrant holder Agreement"). The Warrants are exercisable for a period of seven years.

In accordance with the Waiver and the Warrant holder Agreement, on March 27, 2024, the Board of Directors of the Company, based on the authorisation granted to the Board by shareholders at the Company's Annual General Meeting held on March 24, 2023, resolved upon a warrant program directed to IPF. Pursuant to the warrant program, the Warrants are issued without consideration. The Warrants are issued as a part of the negotiated funding arrangement with IPF and therefore, from the Company's point of view, there is a weighty financial reason for the program and the issuance of Warrants thereunder.

Pursuant to the Warrant holder Agreement, a preliminary amount of [613,496] warrants were issued on March 27, 2024 to IPF. The maximum total number of warrants to be granted pursuant to the Warrant holder Agreement is 1,500,000, and the Board of the Company shall cause the registration of the remaining 886,504 warrants after the Annual General Meeting 2024 of the Company, scheduled to be held on April 5, 2024. Should the Annual General Meeting 2024 of the Company resolve not to approve the proposal made to the Annual General Meeting to authorise the Board to resolve on the issuance of special rights entitling to shares in the Company, the Board shall convene an Extraordinary General Meeting of the Company to authorise the Board to issue such additional number of special rights as is required to satisfy the maximum total number of warrants to be granted pursuant to the Warrant holder Agreement. Each warrant entitles its holder to subscribe for one new share in the Company, and the number of shares in the Company may be increased by a maximum of 613,496 shares as a result of the exercise of the warrants now issued to IPF and should the maximum amount of warrants be issued to IPF, the number of shares in the Company may be increased by a maximum of 1,500,000 (when taking into account the 613,496 shares already issued) as a result of the exercise of said warrants. The warrants may be exercised for a period of seven years. Pursuant to the terms of the Warrant holder Agreement the number of warrants to be issued to IPF may be further increased upon (and subject to) agreed adjustment events so that the total number of new shares in the Company (as a result of the exercise of the exercise of the warranties) multiplied by the (adjusted) Strike Price is equal to EUR 1,000,000 (minus any amounts already paid). The terms and conditions of the warrants are attached to this announcement and will be available on the Company's website.

http://www.ms-pdf.londonstockexchange.com/ms/60581_1-2024-3-27.pdf

Funding Update

Further to the Company's announcement on February 19, 2024 regarding the Events of Default with IPF, and the subsequent announcements in regards to the Company's ongoing financial position, the Company confirms that it is in advanced negotiations with various investors in order to secure immediate funding.

The Company's current cash balance is sufficient to allow the Faron to continue its operations into April 2024, however whilst the Company is in advanced negotiations to complete the remaining bridge financing of approximately EUR 5 million shortly, the Company notes that there is no guarantee that the required funds will be raised.

The Company will update the market in due course of any material developments as soon as practicable.

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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-Cleaver-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 and as a monotherapy in last line solid cancers. Further information is available at www.faron.com.

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