UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF SECURITIES EXCHANGE ACT OF 1934

For the transition period from_____to _____

Commission File Number**: 001-34079**

Ocuphire Pharma, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**11-3516358**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
37000 Grand River Avenue, Suite 120 Farmington Hills, MI	**48335**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: **(248) 957-9024**

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Trading Symbol(s)**	**Name of Each Exchange on Which Registered**
Common Stock, $0.0001 par value per share	**OCUP**	**The Nasdaq Stock Market LLC**

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Non-accelerated filer	☒
Accelerated filer	☐	Smaller reporting company	☒
		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. ☐

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

The number of outstanding shares of the registrant's common stock as ofMay 8, 2024 was 25,924,158.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Ocuphire Pharma, Inc.
Condensed Balance Sheets
(in thousands, except share amounts and par value)

	As of	
	March 31, 2024	December 31, 2023
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 47,161	$ 50,501
Accounts receivable	1,924	926
Contract assets and unbilled receivables (Note 9)	1,194	1,407
Prepaids and other assets	1,560	1,099
Short-term investments	5	15
Total current assets	51,844	53,948
Property and equipment, net	—	—
Total assets	$ 51,844	$ 53,948
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 2,064	$ 2,153
Accrued expenses	3,649	1,815
Derivative liability	74	74
Total current liabilities	5,787	4,042
Total liabilities	5,787	4,042
Commitments and contingencies (Note 3 and Note 8)		
Stockholders' equity:		
Preferred stock, par value $0.0001; 10,000,000 shares authorized as of March 31, 2024 and December 31, 2023; no shares issued and outstanding at March 31, 2024 and December 31, 2023.	—	—
Common stock, par value $0.0001; 75,000,000 shares authorized as of March 31, 2024 and December 31, 2023;25,085,592 and 23,977,491 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively.	3	2
Additional paid-in capital	134,626	131,370
Accumulated deficit	(88,572)	(81,466)
Total stockholders' equity	46,057	49,906
Total liabilities and stockholders' equity	$ 51,844	$ 53,948

See accompanying notes.

Ocuphire Pharma, Inc.
Condensed Statements of Comprehensive Loss
(in thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2024	**2023**
License and collaborations revenue	$ 1,711	$ 1,749
Operating expenses:		
General and administrative	4,670	2,285
Research and development	4,749	5,595
Total operating expenses	9,419	7,880
Loss from operations	(7,708)	(6,131)
Fair value change in derivative liabilities	—	—
Other income, net	602	340
Loss before income taxes	(7,106)	(5,791)
Benefit (provision) for income taxes	—	—
Net loss	(7,106)	(5,791)
Other comprehensive loss, net of tax	—	—
Comprehensive loss	$ (7,106)	$ (5,791)
Net loss per share:		
Basic and diluted (Note 10)	$ (0.29)	$ (0.28)
Number of shares used in per share calculations:		
Basic and diluted	24,520,475	20,939,607

See accompanying notes.

Ocuphire Pharma, Inc.
Condensed Statements of Changes in Stockholders' Equity
(in thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid–In Capital	Accumulated Deficit	Total Equity
	Shares	Amount			
Balance at December 31, 2022	20,861,315	$ 2	$ 117,717	$ (71,480)	$ 46,239
Issuance costs	—	—	(2)	—	(2)
Stock–based compensation	68,646	—	804	—	804
Exercise of warrants	17,869	—	—	—	—
Net and comprehensive loss	—	—	—	(5,791)	(5,791)
Balance at March 31, 2023	20,947,830	$ 2	$ 118,519	$ (77,271)	$ 41,250

	Common Stock		Additional Paid–In Capital	Accumulated Deficit	Total Equity
	Shares	Amount			
Balance at December 31, 2023	23,977,491	$ 2	$ 131,370	$ (81,466)	$ 49,906
Issuance of common stock in connection with the at-the-market program and purchase agreement	1,000,550	1	2,478	—	2,479
Issuance costs		—	(165)	—	(165)
Stock–based compensation	120,516	—	985	—	985
Share repurchases for the payment of employee taxes	(12,965)	—	(42)	—	(42)
Net and comprehensive loss	—	—	—	(7,106)	(7,106)
Balance at March 31, 2024	25,085,592	$ 3	$ 134,626	$ (88,572)	$ 46,057

See accompanying notes.

Ocuphire Pharma, Inc.
Condensed Statements of Cash Flows
(in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2024	**2023**
Operating activities		
Net loss	$ (7,106)	$ (5,791)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	985	804
Depreciation	—	1
Fair value change in derivative liabilities	—	—
Unrealized loss from short-term investments	10	27
Change in assets and liabilities:		
Accounts receivable	(998)	(1,536)
Contract assets and unbilled receivables	213	1,085
Prepaid expenses and other assets	(461)	365
Accounts payable	(89)	1,152
Accrued expenses	1,730	247
Net cash used in operating activities	(5,716)	(3,646)
Investing activities		
Net cash used in investing activities	—	—
Financing activities		
Proceeds from issuance of common stock in connection with the at-the-market program and purchase agreement	2,479	—
Issuance costs	(61)	—
Share repurchases for the payment of employee taxes	(42)	—
Net cash provided by financing activities	2,376	—
Net decrease in cash and cash equivalents	(3,340)	(3,646)
Cash and cash equivalents at beginning of period	50,501	42,634
Cash and cash equivalents at end of period	$ 47,161	$ 38,988
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ —	$ —
Cash paid for interest	$ —	$ —
Supplemental non-cash financing transactions:		
Unpaid issuance costs	$ 104	$ 2

See accompanying notes.

Notes to Condensed Financial Statements

1. Company Description and Summary of Significant Accounting Policies

Nature of Business

Ocuphire Pharma, Inc. (the "Company" or "Ocuphire") is a clinical-stage biopharmaceutical company with one FDA-approved product currently marketed by Viatris, Inc. Headquartered in Farmington Hills, Michigan, the Company is focused on developing novel therapies for the treatment of unmet needs of patients with retinal and refractive eye disorders.

The Company's lead retinal product candidate, APX3330, is a small-molecule inhibitor of Ref-1 (reduction oxidation effector factor-1 protein). Ref-1 is a regulator of transcription factors such as HIF-1α and NF-kB. Inhibiting Ref-1 reduces levels of vascular endothelial growth factor ("VEGF") and inflammatory cytokines which are known to play key roles in ocular angiogenesis and inflammation. APX3330 is an oral tablet administered twice per day in development for the treatment of diabetic retinopathy ("DR"). A Phase 2 study in subjects with DR or diabetic macular edema was completed and results were reported in January 2023. An End-of-Phase 2 ("EOP2") meeting with the U.S. Food and Drug Administration (the "FDA") was held in October 2023 at which the Company obtained agreement on the registration endpoint supporting the advancement of APX3330 into future clinical trials. Ocuphire submitted a Special Protocol Assessment ("SPA") to the FDA in February 2024 to seek agreement on the clinical trial protocol and statistical analysis plan.

The Company has also in-licensed APX2009 and APX2014, which are second-generation analogs of APX3330. The unique mechanism of action of this family of Ref-1 inhibitors of reducing angiogenesis and inflammation could potentially be beneficial in treating other retinal diseases such as age-related macular degeneration, geographic atrophy, and non-ophthalmic diseases.

In November 2022, the Company entered into a license and collaboration agreement (the "Viatris License Agreement") with FamyGen Life Sciences, Inc. ("Famy") (acquired by and now known as Viatris, Inc. ("Viatris") in January 2023) pursuant to which it granted Viatris an exclusive license to develop, manufacture, import, export and commercialize its refractive product candidate Phentolamine Ophthalmic Solution 0.75% (initially known as Nyxol) ("PS"). PS is a once-daily eye drop formulation of phentolamine mesylate designed to reduce pupil diameter and improve visual acuity. PS was approved by the FDA for the treatment for pharmacologically-induced mydriasis under the brand name RYZUMVITM in September 2023 and was launched commercially in April 2024. The VEGA-2 Phase 3 study in presbyopia achieved its primary endpoint. PS is currently in an additional Phase 3 clinical trial for presbyopia (age-related blurry near vision). On December 5, 2023, the Company received FDA Agreement Under Special Protocol Assessment for LYNX-2, a Phase 3 Trial of PS for the treatment of decreased Visual Acuity under dim (mesopic) light conditions following keratorefractive surgery. The first patient enrolled in LYNX-2 in April 2024.

Basis of Presentation

The accompanying condensed financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations.

The December 31, 2023 condensed balance sheet was derived from audited financial statements, and may not include all disclosures required by GAAP; however, the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited condensed financial statements should be read in conjunction with the audited financial statements and the notes thereto for the fiscal year ended December 31, 2023.

In the opinion of management, all adjustments, consisting of only normal recurring adjustments that are necessary to present fairly the financial position, results of operations, and cash flows for the interim periods, have been made. The results of operations for the interim periods are not necessarily indicative of the operating results for the full fiscal year or any future periods.

Liquidity

The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern. From its inception, the Company has devoted substantially all of its efforts to drug development and conducting clinical trials.

As of March 31, 2024, the Company had $47.2 million in cash and cash equivalents. The Company believes its current available cash and cash equivalents will be sufficient to fund the Company's planned expenditures and meet its obligations for at least twelve months from the date of issuance of these financial statements.

In the future, the Company may need to raise additional funds until it is able to generate sufficient revenues to fund its development activities. The Company's future operating activities, coupled with its plans to raise capital or issue debt financing, may provide additional liquidity in the future, however these actions are not solely within the control of the Company and the Company is unable to predict the outcome of these actions to generate the liquidity ultimately required.

Notes to Condensed Financial Statements

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Segment Information

Operating segments are components of an enterprise for which separate financial information is available and is evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and assessing performance. The Company's chief operating decision maker is its Chief Executive Officer or such person functioning in such role. The Company's Chief Executive Officer views the Company's operations and manages its business in one operating segment, which is the business of development of products related to vision performance and health. Accordingly, the Company has a single reporting segment.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of 90 days or less at the time of deposit to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents. Management follows approved policies established by its Board of Directors to reduce credit risk associated with the Company's cash deposit and investment accounts. Pursuant to these policies, the Company limits its exposure through the kind, quality and concentration of its investments. The Company's cash and cash equivalents are held or managed by two financial institutions in the United States. As of March 31, 2024, the Company had cash equivalents of $46.7 million that were not eligible for coverage by Federal Deposit Insurance Corporation. These balances are invested in funds whose assets consist almost entirely of securities issued by the U.S. Treasury or guaranteed by the U.S. government.

Short-term Investments

The Company determines the appropriate classification of its investments in debt and equity securities at the time of purchase and records them on a settlement date basis. The Company's short-term investments are comprised of equity securities, which in accordance with the fair value hierarchy described below are recorded at fair value using Level 1 inputs on the balance sheets. Subsequent changes in fair values are recorded in other income (expense), net on the statements of comprehensive loss. The Company classifies investments available to fund current operations as current assets on its balance sheets. The Company did not recognize any impairments on its investments to date through March 31, 2024.

Revenue Recognition

The Company follows the provisions of Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*. The guidance provides a five-step model to determine how revenue is recognized. The Company has entered into license agreements which have revenue recognition implications (See Note 9 – License and Collaboration Agreements).

In determining the appropriate amount of revenue to be recognized, the Company performs the following steps: (i) identification of the contracts with a customer; (ii) determination of the performance obligations in the contract; (iii) measurement of the transaction price, including potential constraints on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated stand-alone selling prices; and (v) recognition of revenue when (or as) the Company satisfies a performance obligation.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. Performance obligations may include license rights, development and other services. Significant management judgment is required to determine the level of effort required under an arrangement and the period over which the Company expects to complete its performance obligations under the arrangement. If the Company cannot reasonably estimate when its performance obligations are either completed or become inconsequential, then revenue recognition is deferred until the Company can reasonably make such estimates. Revenue is then recognized over the remaining estimated period of performance using the cumulative catch-up method.

As part of the accounting for these arrangements, the Company must develop assumptions that require judgment to determine the stand-alone selling price of each performance obligation identified in the contract. The Company uses key assumptions to determine the stand-alone selling price, which may include forecasted revenues, development timelines, reimbursement rates for personnel costs, discount rates and probabilities of technical and regulatory success. The Company allocates the total transaction price to each performance obligation based on the relative standalone selling prices of the promised goods or service underlying each performance obligation.

Licenses of intellectual property and research and development services: If the license to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes revenues from non-refundable, up-front fees allocated to the license when the license is transferred to the customer, and the customer can use and benefit from the license. For licenses that are bundled with other obligations, such as research and development services, the Company utilizes judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from non-refundable, up-front fees. For research and development services that are distinct from a license transfer obligation, the Company determines whether the services are satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from such services. The Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Notes to Condensed Financial Statements

Milestone payments: At the inception of each arrangement that includes milestone payments, the Company evaluates whether the milestones are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the value of the associated milestone (such as a regulatory submission) is included in the transaction price. Milestone payments that are not within the control of the Company, such as approvals from regulators, are not considered probable of being achieved until such contingency occurs (such as receipt of those approvals).

Royalties: For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Company recognizes revenue at the later of (a) when the related sales occur, or (b) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Contract Assets and Unbilled Receivables

The Company recognizes contract assets and unbilled receivables when goods or services are transferred to the customer before the customer pays or before reimbursement for payment is billed or due, excluding any amounts presented as an account receivable. The Company recorded contract assets and unbilled receivables in connection with a license and collaboration agreement (See Note 9 – License and Collaboration Agreements).

Accounts Receivable and Allowances for Credit Losses

The Company records a provision for credit losses, when appropriate, based on historical experience, current conditions and reasonable supportable forecasts. The Company estimates credit losses over the remaining expected life of an asset by, among other things, primarily using historical experience and current economic conditions that could affect the collectability of the balances in the future. Account balances are charged off against the allowance when the Company believes that it is probable that the receivable will not be recovered. Actual write-offs may be in excess of the Company's estimated allowance. The Company has not incurred any bad debt expense to date and no allowance for credit losses has been recorded during the periods presented.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel-related costs, including salaries, benefits and stock-based compensation costs, for personnel in functions not directly associated with research and development activities. Other significant costs include insurance coverage for directors and officers and other property and liability exposures, legal fees relating to intellectual property and corporate matters, professional fees for accounting and tax services, other services provided by business consultants, and legal settlements.

Research and Development

Research and development expenses consist of costs incurred in performing research and development activities, including compensation, benefits and stock-based compensation costs for research and development employees and costs for consultants, costs associated with nonclinical studies and clinical trials, regulatory activities, manufacturing activities to support clinical activities, license fees, nonlegal patent costs, fees paid to external service providers that conduct certain research and development, and an allocation of overhead expenses. Research and development expenses include costs that are reimbursed under the Viatris License Agreement (See Note 9 – License and Collaboration Agreements).

Other Income, net

Other income, net includes interest earned from cash and cash equivalent investments, realized and unrealized gains (losses) from equity investments and reimbursements in connection with grants and other sources when they occur. In addition, this line item would include payments when made by the Company in connection with the Contingent Value Rights Agreement (the "CVR Agreement") discussed further below with former Rexahn shareholders.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with the provisions of the Financial Accounting Standards Board ("FASB") ASC 718, *Compensation — Stock Compensation.* Accordingly, compensation costs related to equity instruments granted are recognized at the grant date fair value. The Company records forfeitures when they occur. Stock-based compensation arrangements to non-employees are accounted for in accordance with the applicable provisions of ASC 718.

Derivative Liability

The Company evaluates all features contained in financing agreements to determine if there are any embedded derivatives that require separation from the underlying agreement under ASC 815 – *Derivatives and Hedging*. An embedded derivative that requires separation is accounted for as a separate liability from the host agreement. The separated embedded derivative is accounted for separately on a fair market value basis. The Company records the fair value change of a separated embedded derivative at each reporting period in the statements of comprehensive loss under the fair value change in derivative liability line item. The Company determined that certain features under an equity line financing (See Note 6 — Stockholders' Equity) collectively qualified as an embedded derivative. The derivative was accounted for separately from the underlying equity line financing agreement.

Notes to Condensed Financial Statements

Fair Value Measurements

The Company follows accounting guidance that emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." Fair value measurements are defined on a three-level hierarchy:

- Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 inputs: Quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active, or inputs which are observable, whether directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 inputs: Unobservable inputs in which there is little or no market data available, which requires management to develop its own assumptions in pricing the asset or liability.

As of March 31, 2024 and December 31, 2023, the fair values of cash and cash equivalents, accounts receivable, contract assets and unbilled receivables, prepaid and other assets, accounts payable, and accrued expenses approximated their carrying values because of the short-term nature of these assets or liabilities. The fair value of the short-term investments, while outstanding, were based on observable Level 1 inputs in the form of quoted market prices from a major stock exchange. The fair value of the derivative liability associated with the equity line financing facility (See Note 6 – Stockholders' Equity) was based on cash flow models discounted at current implied market rates representing expected returns by market participants for similar instruments and are based on Level 3 inputs as well the Company's underlying stock price and associated volatility, expected term of the financing and market interest rates. The fair value of the warrant liabilities, while outstanding, were based on a Black-Scholes option model using Level 3 inputs. There were no transfers between fair value hierarchy levels during the three months ended March 31, 2024 and 2023.

The fair value of financial instruments measured on a recurring basis is as follows (in thousands):

	As of March 31, 2024			
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Short-term investments	$ 5	$ 5	$ —	$ —
Total assets at fair value	$ 5	$ 5	$ —	$ —
Liabilities:				
Derivative liability	$ 74	$ —	$ —	$ 74
Total liabilities at fair value	$ 74	$ —	$ —	$ 74

	As of December 31, 2023			
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Short-term investments	$ 15	$ 15	$ —	$ —
Total assets at fair value	$ 15	$ 15	$ —	$ —
Liabilities:				
Derivative liability	$ 74	$ —	$ —	$ 74
Total liabilities at fair value	$ 74	$ —	$ —	$ 74

The following table provides a roll-forward of short-term investments measured at fair value on a recurring basis using observable level 1 inputs for the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,	
	2024	**2023**
Short-term investments		
Balance as of beginning of period	$ 15	$ 49
Unrealized loss	(10)	(27)
Balance as of end of period	$ 5	$ 22

Notes to Condensed Financial Statements

The following table provides a roll-forward of the derivative liabilities measured at fair value on a recurring basis using unobservable level 3 inputs for the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,	
	2024	2023
Derivative liabilities		
Balance as of beginning of period	$ 74	$ —
Change in fair value of derivative liabilities	—	—
Balance as of end of period	$ 74	$ —

Rexahn Warrants

The fair value of the warrant liabilities associated with the Rexahn Pharmaceuticals, Inc. ("Rexahn") warrants was *de minimis* during the periods presented. The last of the Rexahn warrants classified as liabilities expired in April 2023 unexercised. See Note 2 – Merger for additional background.

There were no financial instruments measured on a non-recurring basis for any of the periods presented.

Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07 - *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which enhances reportable segment disclosure requirements, primarily through disclosures of significant segment expenses. This ASU is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years, with early adoption permitted. The guidance must be applied retrospectively to all prior periods presented. The Company is currently evaluating the impact of adoption of this guidance on its financial statements.

In December 2023, the FASB issued ASU 2023-09 *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which enhances income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This guidance also includes certain other amendments to improve the effectiveness of income tax disclosures. This ASU is effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years and should be applied on a prospective basis, with retrospective application permitted. The Company is currently evaluating the impact of adoption of this guidance on its financial statements.

2. Merger

On November 5, 2020, the Company completed the Merger transaction with Rexahn (the "Merger"). In connection with the Merger, the Company, Shareholder Representatives Services LLC, as representative of the Rexahn stockholders prior to the Merger, and Olde Monmouth Stock Transfer Co., Inc., as the rights agent, entered into the CVR Agreement.

Pursuant to the terms of the Merger and the CVR Agreement, Rexahn stockholders of record as of immediately prior to the effective time of the Merger received one contingent value right ("CVR") for each share of Rexahn common stock held.

Each CVR entitles such holders to receive, for each calendar quarter (each, a "CVR Payment Period") during the 15-year period after the closing (the "CVR Term"), an amount equal to the following:

- 90% of all payments received by Rexahn or its affiliates during such CVR Payment Period from or on behalf of BioSense Global LLC ("BioSense") pursuant to that certain License and Assignment Agreement, dated as of February 25, 2019, by and between BioSense and Rexahn, as amended by Amendment No. 1, dated August 24, 2019, and as further amended by Amendment No. 2, dated March 10, 2020, minus certain permitted deductions;

- 90% of all payments received by Rexahn or its affiliates during such CVR Payment Period from or on behalf of Zhejiang HaiChang Biotechnology Co., Ltd. ("HaiChang") pursuant to that certain Exclusive License Agreement, dated as of February 8, 2020, by and between HaiChang and Rexahn, minus certain permitted deductions; and

- 75% of the sum of (i) all cash consideration paid by a third party to Rexahn or its affiliates during the applicable CVR Payment Period in connection with the grant, sale or transfer of rights to Rexahn's pre-closing intellectual property (other than a grant, sale or transfer of rights involving a sale or disposition of the post-Merger combined company) that is entered into during the 10-year period after the closing ("Parent IP Deal"), plus (ii) with respect to any non-cash consideration received by Rexahn or its affiliates from a third party during the applicable CVR Payment Period in connection with any Parent IP Deal, all amounts received by Rexahn or its affiliates for such non-cash consideration at the time such non-cash consideration is monetized by Rexahn or its affiliates, minus (iii) certain permitted deductions.

The CVRs are not transferable, except in certain limited circumstances, will not be certificated or evidenced by any instrument, will not accrue interest and will not be registered with the SEC or listed for trading on any exchange. The CVR Agreement will continue in effect until the later of the end of the CVR Term and the payment of all amounts payable thereunder. For the periods presented, no payments subject to the CVR Agreement were made. In addition, no milestones had been accrued as there were no potential milestones yet considered probable beyond those previously reported.

Notes to Condensed Financial Statements

Former Rexahn Warrants

As of March 31, 2024, none of the Rexahn warrants classified as equity remained outstanding. The remaining warrants in the amount of 58,597 with an exercise price of $38.40 per share expired unexercised in January 2024.

3. Commitments and Contingencies

Apexian Sublicense Agreement

On January 21, 2020, the Company entered into a sublicense agreement with Apexian Pharmaceuticals, Inc., pursuant to which it obtained exclusive worldwide patent and other intellectual property rights. In exchange for the patent and other intellectual rights, the Company agreed to certain milestone payments and royalty payments on future sales (See Note 8 — Apexian Sublicense Agreement). As of March 31, 2024, there was sufficient uncertainty with regard to any future cash milestone payments under the sublicense agreement that no liabilities were recorded related to the sublicense agreement.

Facility Leases

The Company has a short-term, non-cancellable facility lease (the "HQ Lease") for its headquarters. The HQ Lease qualified for the short-term lease exception under ASC 842, *Leases*. The monthly base rent for the HQ Lease is approximately $3,000. The rent expense associated with the HQ Lease amounted to $9,000 during each of the three-month periods ended March 31, 2024 and 2023. The total remaining expected rental payments under the HQ Lease amount to $27,000 through its current expiration date of December 31, 2024.

Other

In the ordinary course of business, from time to time, the Company may be subject to a broad range of claims and legal proceedings that relate to contractual allegations, patent infringement and other claims. In addition, the Company from time to time may be potentially committed to reimburse third parties for costs incurred associated with business development related transactions upon the achievement of certain milestones. The Company establishes accruals when applicable for matters and commitments which it believes losses are probable and can be reasonably estimated. To date, no loss contingency for such matters and potential commitments have been recorded. Although it is not possible to predict with certainty the outcome of these matters or potential commitments, the Company is of the opinion that the ultimate resolution of these matters and potential commitments will not have a material effect on its results of operations or financial position.

4. Supplemental Balance Sheet Information

Prepaid and Other Assets

Prepaid and other assets consist of the following (in thousands):

	March 31, 2024	December 31, 2023
Prepaids	$ 1,471	$ 997
Other	89	102
Total prepaids and other assets	$ 1,560	$ 1,099

Property and Equipment, net

Property and equipment held for use by category are presented in the following table (in thousands):

	March 31, 2024	December 31, 2023
Equipment	20	$ 20
Furniture	5	5
Total property and equipment	25	25
Less accumulated depreciation	(25)	(25)
Property and equipment, net	$ —	$ —

Depreciation expense was zero and $1,000 during three months ended March 31, 2024 and 2023, respectively.

Notes to Condensed Financial Statements

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	March 31, 2024	December 31, 2023
Payroll	$ 427	$ 753
Professional services	1,630	591
Research and development services and supplies	1,497	400
Other	95	71
Total	$ 3,649	$ 1,815

5. Related Party Transactions

On April 8, 2022, Ocuphire entered into a consulting agreement (as amended, the "2022 Consulting Agreement") with Jay Pepose, M.D., a director of the Company. The consulting agreement originally provided for $10,000 a month in cash payments and a stock option grant for 50,000 options, of which 25% vested on March 31, 2023, with the remainder vesting in equal monthly installments over 36 months. The consulting agreement was amended on September 19, 2022 to provide for vesting acceleration for stock-based awards in the event of a change in control. The consulting agreement was also amended effective December 1, 2022 to increase the cash payment to $25,000 per month and amended effective January 1, 2024 to extend the expiration to March 31, 2024 and to increase the retainer for March 2024 to $49,000. See also Note 13 – Subsequent Events for a description of Dr. Pepose's new consulting agreement.

The Company incurred related consulting expenses of $99,000 and $75,000 during the three months ended March 31, 2024 and 2023, respectively, in connection with related parties. As of March 31, 2024 and December 31, 2023, $99,000 and $25,000 of the related consulting expenses were unpaid, respectively.

6. Stockholders' Equity

Lincoln Park Purchase Agreement

On August 10, 2023, the Company entered into a common stock purchase agreement with Lincoln Park Capital Fund, LLC ("Lincoln Park") for an equity line financing (the "Purchase Agreement"). The Purchase Agreement provides that, subject to the terms and conditions set forth therein, the Company has the sole right, but not the obligation, to direct Lincoln Park to purchase up to $50 million of shares of the Company's common stock from time to time over the 30-month term of the Purchase Agreement. Concurrently with entering into the Purchase Agreement, the Company also entered into a registration rights agreement with Lincoln Park (the "Registration Rights Agreement"), pursuant to which the Company agreed to register the resale of the shares of the Company's common stock that have been and may be issued to Lincoln Park under the Purchase Agreement pursuant to a registration statement. Lincoln Park has agreed not to cause or engage in any manner whatsoever in any direct or indirect short selling or hedging of the Company's common stock.

In addition to the commitment shares referenced above, a total of 1,450,000 shares (150,000 shares during the three months ended March 31, 2024) of the Company's common stock were sold under the Purchase Agreement for net proceeds through March 31, 2024 in the amount of $4.8 million ($0.3 million during the three months ended March 31, 2024). Lastly, the Company incurred issuance costs of $152,000, consisting of investor expense reimbursement and legal costs, through March 31, 2024 with *de minimis* costs incurred during the three months ended March 31, 2024.No shares of the Company's common stock were sold under the Purchase Agreement prior to the third quarter of 2023. See Note 13 – Subsequent Events.

Under the Purchase Agreement, on any business day selected by the Company, the Company may direct Lincoln Park to purchase up to 50,000 shares of its common stock on such business day (or the purchase date) (a "Regular Purchase"), provided that the closing sale price of the Company's common stock on Nasdaq on the applicable purchase date is not below $0.25 and subject to other adjustments. A Regular Purchase may be increased to up to (i)60,000 shares if the closing sale price of the Company's common stock on Nasdaq is not below $5.00 on the applicable purchase date and (ii) 70,000 shares if the closing sale price of the Company's common stock on Nasdaq is not below $7.50 on the applicable purchase date. The Company may direct Lincoln Park to purchase shares in Regular Purchases as often as every business day. The purchase price per share for each such Regular Purchase will be equal to the lesser of:

- the lowest sale price for the Company's common stock on Nasdaq on the purchase date of such shares; and
- the average of the three lowest closing sale prices for the Company's common stock on Nasdaq during the ten consecutive business days prior to the purchase date of such shares.

In addition, the Company may also direct Lincoln Park, on any business day on which the Company has submitted a Regular Purchase notice for the maximum amount allowed for such Regular Purchase, to purchase an additional amount of the Company's common stock (an "Accelerated Purchase") of up to the lesser of:

- three times the number of shares purchased pursuant to such Regular Purchase; and
- 30% of the aggregate shares of the Company's common stock traded on Nasdaq during all or, if certain trading volume or market price thresholds specified in the Purchase Agreement are crossed on the applicable Accelerated Purchase date, the portion of the normal trading hours on the applicable Accelerated Purchase date prior to such time that any one of such thresholds is crossed (the "Accelerated Purchase Measurement Period").

The purchase price per share for each such Accelerated Purchase will be equal to 96.5% of the lower of:

- the closing sale price of the Company's common stock on Nasdaq on the applicable Accelerated Purchase date; and
- the volume-weighted average price of the Company's common stock on Nasdaq during the applicable Accelerated Purchase Measurement Period on the applicable Accelerated Purchase date.

The Company may also direct Lincoln Park, on any business day on which an Accelerated Purchase has been completed and all of the shares to be purchased thereunder have been delivered to Lincoln Park in accordance with the Purchase Agreement, to purchase an additional amount of the Company's common stock (an "Additional Accelerated Purchase") as described in the Purchase Agreement.

The pricing and settlement provisions in the Purchase Agreement result in the recognition of a derivative liability accounted for on a fair value basis under the provisions of ASC 815 - *Derivatives and Hedging*. A Monte Carlo simulation model is used to estimate future stock pricing and purchase activity to determine the fair value of the derivative liability. As of March 31, 2024, the change in the derivative liability from December 31, 2023 was *de minimis.* The fair value change in the derivative liability is recorded in the fair value change in derivative liabilities line item in the accompanying condensed statements of comprehensive loss during periods with valuation changes.

At-The-Market Program

On February 4, 2021, Ocuphire filed a Form S-3 shelf registration under the Securities Act of 1933 which was declared effective by the SEC on February 12, 2021 (the "2021 Shelf") under which the Company may offer and sell, from time to time in its sole discretion, securities having an aggregate offering price of up to $125 million. In connection with the 2021 Shelf, on March 11, 2021, Ocuphire entered into a sales agreement with JonesTrading Institutional Services LLC ("JonesTrading") under which the Company may offer and sell, from time to time at its sole discretion, to or through JonesTrading, acting as agent and/or principal, shares of its common stock having an aggregate offering price of up to $40 million (the "2021 ATM"). During the three months ended March 31, 2024, 850,550 shares of common stock were sold under the ATM for aggregate gross proceeds in the amount of $2.2 million, before deducting issuance expenses, including the placement agent's fees, legal and accounting expenses, in the amount of $165,000. There were no sales of common stock under the 2021 ATM during the three-month period ended March 31, 2023. See Note 13 – Subsequent Events.

Registered Direct Offering

On June 4, 2021, the Company entered into a placement agency agreement for a registered direct offering ("RDO") with A.G.P./Alliance Global Partners ("AGP"). Pursuant to the terms of the placement agency agreement, AGP on June 8, 2021 sold an aggregate of 3,076,923 shares of the Company's common stock and warrants to purchase 1,538,461 shares of the Company's common stock (the "RDO Warrants") at an offering price of $4.875 per one share and per one-half of each RDO Warrant. The RDO was made pursuant to the Company's 2021 shelf registration.

The RDO Warrants have an exercise price of $6.09 per share, are exercisable from the initial issuance date of June 8, 2021, and will expirefive years following the initial issuance date. As of March 31, 2024, 1,538,461 RDO Warrants were outstanding and none have been exercised since issuance.

Subject to limited exceptions, a holder of a RDO Warrant will not have the right to exercise any portion of its RDO Warrants if the holder, together with its affiliates, would beneficially own in excess of 4.99% (or, at the election of a holder prior to the date of issuance,9.99%) of the number of shares of the Company's common stock outstanding immediately after giving effect to such exercise; provided that upon prior notice to the Company, the holder may increase or decrease the beneficial ownership limitation, provided further that in no event shall the beneficial ownership limitation exceed 9.99%.

Pre-Merger Financing

On June 17, 2020, Ocuphire, Rexahn and certain investors entered into a Securities Purchase Agreement, which was amended and restated in its entirety on June 29, 2020 (as amended and restated, the "Securities Purchase Agreement"). Pursuant to the Securities Purchase Agreement, the investors invested a total of $21.15 million in cash, including $300,000 invested by five directors of Ocuphire Pharma, Inc., prior to the Merger and one director of Rexahn upon closing of the Merger (the "Pre-Merger Financing"). The Pre-Merger Financing also included the issuance of Series A Warrants and Series B Warrants discussed further below.

Series A Warrants

The Series A Warrants were issued on November 19, 2020 at an initial exercise price of $4.4795 per share, were immediately exercisable upon issuance and have a term of five years from the date of issuance. The Series A Warrants are exercisable for 5,665,838 shares of common stock in the aggregate (without giving effect to any limitation on exercise contained therein) and were outstanding as of March 31, 2024. The Series A Warrants were accounted for and classified as equity on the accompanying balance sheets.

Notes to Condensed Financial Statements

Series B Warrants

The Series B Warrants had an exercise price of $0.0001, were exercisable upon issuance and would have expired on the day following the later to occur of (i) the Reservation Date (as defined therein) or (ii) the date on which the investor's Series B Warrants would have been exercised in full (without giving effect to any limitation on exercise contained therein). None of the Series B Warrants were outstanding as of March 31, 2024. During the three months ended March 31, 2023, the last of the Series B Warrants were exercised for 17,869 shares of common stock. The Series B Warrants were accounted for and classified as equity on the accompanying condensed balance sheets while outstanding.

7. Stock-based Compensation

Stock-based compensation expense was included in general and administrative and research and development costs as follows in the accompanying condensed statements of comprehensive loss for the three-month periods indicated below (in thousands):

	March 31,	
	2024	2023
General and administrative	$ 775	$ 468
Research and development	210	336
Total stock-based compensation	$ 985	$ 804

Ocuphire Stock Options

Inducement Plan

On February 22, 2021, the Company adopted the Ocuphire Pharma, Inc. 2021 Inducement Plan (as amended, the "Inducement Plan"), which was amended on November 1, 2023, pursuant to which the Company reserved 2,325,258 shares of its common stock to be used exclusively for grants of awards to individuals who were not previously employees or directors of the Company, as an inducement material to the individual's entry into employment with the Company within the meaning of Rule 5635(c)(4) of the Nasdaq Listing Rules.

2020 Equity Incentive Plan

In November 2020, the stockholders of the Company approved the 2020 Equity Incentive Plan (the "2020 Plan") for stock-based awards. Under the 2020 Plan, (i) 1,000,000 new shares of common stock were reserved for issuance and (ii) up to 70,325 additional shares of common stock may be issued, consisting of (A) shares that remain available for the issuance of awards under prior equity plans and (B) shares of common stock subject to outstanding stock options or other awards covered by prior equity plans that have been cancelled or expire on or after the date that the 2020 Plan became effective. Under the 2020 Plan, the shares reserved automatically increase on January 1 of each year, for a period of not more than ten years from the date the 2020 Plan is approved by the stockholders of the Company, commencing on January 1, 2021 and ending on (and including) January 1, 2030, by an amount equal to 5% of the shares of common stock outstanding as of December 31st of the preceding calendar year. The 2020 Plan permits the grant of incentive and nonstatutory stock options, appreciation rights, restricted stock, restricted stock units, performance stock and cash awards, and other stock-based awards. On January 1, 2024, 1,198,875 shares were added to the 2020 Plan as a result of its evergreen provision.

2018 Equity Incentive Plan

Prior to the 2020 Plan, the Company had adopted a 2018 Equity Incentive Plan (the "2018 Plan") in April 2018 under which 1,175,000 shares of the Company's common stock were reserved for issuance to employees, directors and consultants. Upon the effective date of the 2020 Plan, no additional shares were available for issuance under the 2018 Plan.

Stock Options

During the three months ended March 31, 2024 and 2023, 762,080 and 665,383 options were granted to officers, employees and consultants, respectively, generally vesting over a five (5) to forty-eight (48) month period. The Company recognized $447,000 and $500,000 in stock-based compensation expense related to stock options during the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024 and December 31, 2023, 4,827,433 and 4,410,258 stock options were outstanding, respectively.

The weighted average fair value per share of options granted during the three months ended March 31, 2024 and 2023 was $2.16 and $2.75, respectively. The Company measures the fair value of stock options with service-based vesting criteria to employees, directors, consultants and directors on the date of grant using the Black-Scholes option pricing model. The Company does not have sufficient share trading history to support an internal calculation of volatility and expected term. As such, the Company has used a weighted average volatility considering the volatilities of several guideline companies.

Notes to Condensed Financial Statements

For purposes of identifying similar entities, the Company considered characteristics such as industry, length of trading history, and stage of life cycle. The assumed dividend yield was based on the Company's expectation of not paying dividends in the foreseeable future. The average expected life of the options was based on the contractual term for agreements that allow for exercise of vested options through the end of the contractual term upon termination of continuous service, and for all other agreements, was based on the midpoint between the vesting date and the end of the contractual term according to the "simplified method" as described in Staff Accounting Bulletin 110. The risk-free interest rate is determined by reference to implied yields available from U.S. Treasury securities with a remaining term equal to the expected life assumed at the date of grant. The Company records forfeitures when they occur.

The weighted average assumptions used in the Black-Scholes option pricing model are as follows during the three months ended March 31, 2024 and 2023:

	2024	2023
Expected stock price volatility	97.5%	95.4%
Expected life of options (years)	6.1	6.1
Expected dividend yield	—%	—%
Risk free interest rate	4.1%	3.7%

During the three months ended March 31, 2024 and 2023, 164,555 and 246,068 stock options vested, respectively. The weighted average fair value per share of options vesting during the three months ended March 31, 2024 and 2023 was $2.82 and $2.44, respectively. During the three months ended March 31, 2024 and 2023, no stock options were exercised. During the three months ended March 31, 2024 and 2023, 344,905 and zero options were forfeited, respectively.

Restricted Stock Units

During the three months ended March 31, 2024 and 2023, the Company granted an aggregate of 313,364 and 291,584 restricted stock units ("RSUs"), respectively, to certain officers and employees under the 2020 Plan. The weighted average grant date fair value of the RSUs granted during the three months ended March 31, 2024 and 2023 was $2.69 and $3.50 per unit, respectively. The RSUs vest over a four-year period with 25 percent vesting annually on each anniversary of the grant date, subject to the recipient's continued service on such dates. As of March 31, 2024 and December 31, 2023, 993,112 and 801,700 RSUs were outstanding, respectively.

During the three months ended March 31, 2024 and 2023, 39,282 and zero RSUs vested, respectively, and 82,670 and no RSUs were forfeited during these periods, respectively. The total expense for the three months ended March 31, 2024 and 2023 related to the RSUs was $293,000 and $57,000, respectively.

Common Stock Issued for Services

The Company granted stock for services in the amount of 81,234 and 68,646 common shares during the three months ended March 31, 2024 and 2023, respectively, to four board members during these periods who elected to receive their board retainers in the form of stock for services. The stock-based compensation related to these services amounted to $245,000 and $247,000 during the three months ended March 31, 2024 and 2023, respectively.

General

As of March 31, 2024, 2,010,740 shares were available for future issuance under the 2020 Plan and Inducement Plan in the aggregate.No shares were available for future issuance under the 2018 Plan. Unrecognized stock-based compensation cost was $7.3 million as of March 31, 2024. The unrecognized stock-based expense is expected to be recognized over a weighted average period of 1.9 years.

8. Apexian Sublicense Agreement

On January 21, 2020, the Company entered into a sublicense agreement (as amended on June 4, 2020, the "Apexian Sublicense Agreement") with Apexian, pursuant to which it obtained exclusive worldwide patent and other intellectual property rights that constitute a Ref-1 Inhibitor program relating to therapeutic applications to treat disorders related to ophthalmic and diabetes mellitus conditions. The lead compound in the Ref-1 Inhibitor program is APX3330, which the Company intends to develop as an oral tablet therapeutic to treat diabetic retinopathy initially, and potentially later to treat diabetic macular edema, geographic atrophy and age-related macular degeneration. In connection with the Apexian Sublicense Agreement, the Company issued a total of 891,422 shares of its common stock to Apexian and to certain affiliates of Apexian in calendar year 2020. As a result of the common stock issued pursuant to the Apexian Sublicense Agreement, Apexian is considered by Ocuphire to be a related party.

The Company also agreed to make one-time milestone payments under the Apexian Sublicense Agreement for each of the first ophthalmic indication and the first diabetes mellitus indication for the development and regulatory milestones, and once for each of several sales milestones. These milestone payments include (i) payments for specified developmental and regulatory milestones (including completion of the first Phase 2 trial and the first Phase 3 pivotal trial in the United States, and filing and achieving regulatory approval from the FDA for the first New Drug Application for a compound) totaling up to $11 million in the aggregate and (ii) payments for specified sales milestones of up to $20 million in the aggregate, which net sales milestone payments are payable once, upon the first achievement of such milestone. Lastly, the Company also agreed to make a royalty payment equal to a single-digit percentage of its net sales of products associated with the covered patents under the Apexian Sublicense Agreement. If it is not terminated pursuant to its terms, the Apexian Sublicense Agreement shall remain in effect until expiration of the last to expire of the covered patents.

None of the milestone or royalty payments were triggered or deemed probable as of March 31, 2024.

9. License and Collaboration Agreements

Viatris License Agreement

On November 6, 2022, the Company entered into the Viatris License Agreement, pursuant to which it granted Viatris (as successor to Famy) an exclusive, perpetual, sub-licensable license to develop, manufacture, import, export and commercialize (i) PS, for treating (a) reversal of mydriasis, (b) night vision disturbances or dim light vision, and (c) presbyopia, and (ii) PS and low dose pilocarpine for treating presbyopia (together, the "PS Products") worldwide except for certain countries and jurisdictions in Asia (the "Viatris Territory"). The Company retains the exclusive right to develop, manufacture, have manufactured, import, export and commercialize the PS Products outside of the Viatris Territory.

Under the terms of the Viatris License Agreement, the Company in partnership with Viatris, will develop the PS Products in the United States. Viatris will reimburse the Company for agreed-to budgeted costs related to the development of the PS Products through FDA approval, and then share costs above the agreed upon threshold amount. Viatris will be responsible for developing the PS Products in countries and jurisdictions in the Viatris Territory outside of the United States.

Pursuant to the Viatris License Agreement, the Company received a one-time non-refundable cash payment of $ 35 million in November 2022 for the exclusive, perpetual, sub-licensable license to develop, manufacture, import, export and commercialize the PS Products in the Viatris Territory. In addition, with respect to the PS Products, the Company will be eligible to receive potential additional payments of up to $130 million in the aggregate upon achieving certain specified regulatory or net sales milestones, with the first milestone payment of $10 million to be made following approval by the FDA of PS, for reversal of mydriasis which occurred during the third quarter of 2023. The Company will also receive tiered royalties, starting at low double-digit royalties up to low 20% royalties, based on the aggregate annual net sales of all PS Products in the United States, and will receive low double-digit royalties based on all annual net sales in the Viatris Territory outside of the United States. The royalty payments will continue on a country-by-country basis from the date of the first commercial sale of the first PS Product in a country of the Viatris Territory until December 31, 2040.

The Viatris License Agreement was accounted for under the provisions of ASC 606. In accordance with the provisions under ASC 606, the Company identified two distinct performance obligations at the effective date: (1) the license to its intellectual property ("license transfer") and (2) research and development services.

The aggregate transaction price associated with the Viatris License Agreement, as adjusted for variable consideration subsequent to December 31, 2022, was $40.0 million which comprised the initial license transfer fee of $35.0 million and the $5.0 million payment anticipated under the research and development services that were not subject to cancellation. The transaction price was allocated between performance obligations based on their relative standalone selling price ("SSP"). The performance obligations for research and development services through the non-cancellation period were fully met by the Company as of the first quarter of 2023.

The SSP for the license transfer and for the research and development services was determined to be $ 287.8 million and $5.0 million, respectively. The SSP for the license transfer was determined based on a discounted royalty cash flow approach, taking into consideration assumptions, including projected worldwide net profit for each of the respective programs based on probability assessments, projections based on internal forecasts, industry data, and information from other guideline companies within the same industry and other relevant factors. The SSP for the research and development services was determined using a cost-plus margin approach, based on anticipated expenditure outlays within the first 120-day non-cancellation window. On a relative SSP basis, $39.3 million and $0.7 million of the transaction price was allocated to the license transfer and to the research and development services obligations, respectively.

The Company determined that the licenses transferred represented functional intellectual property. As such, the revenue related to the licenses was recognized at the point in time in which the license/know-how was delivered to Viatris which occurred during the fourth quarter of 2022. The Company determined that revenue related to the research and development services constrained to the 120-day non-cancellation period was to be recognized over time as the services are rendered based on an estimated percentage of completion input model.

Recognition of Revenue

Revenue recognized under the Viatris License Agreement during each of the three months ended March 31, 2024 and 2023 was $1.7 million.

Regulatory Milestones under the Viatris License Agreement

The Company has evaluated the regulatory milestones that may be received in connection with the Viatris License Agreement. There is uncertainty that the events to obtain the remaining regulatory milestones (aside from the approval by the FDA of PS, for reversal of mydriasis) will be achieved given the nature of clinical development and the stage of the development of the PS Products. These remaining regulatory milestones will be constrained until it is probable that a significant revenue reversal will not occur.

Sales Milestone and Royalty Payments

Sales milestones and royalties relate predominantly to a license of intellectual property granted to Viatris and are determined by sales or usage-based thresholds. The sales milestones and royalties are accounted for under the royalty recognition constraint and are accounted for as constrained variable consideration. The Company applies the royalty recognition constraint for each commercial milestone and only recognize revenues for each once a sale of a licensed product (achievement of each) occurs. Royalty payments in the amount of $3,000 were recognized related to the sale of RYZUMVI by Viatris in late March 2024.

Each of the remaining regulatory and sales milestone performance obligations (aside from the $10 million milestone payment related to the FDA's approval of PS in the third quarter of 2023) were constrained as of March 31, 2024 and no revenue was recognized related to these milestones.

A reconciliation of the closing balance of the contract assets and unbilled receivables associated with the Viatris License Agreement is as follows as of March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,	
	2024	2023
Contract Assets and Unbilled Receivables		
Balance as of beginning of three-month period	$ 1,407	$ 3,552
Revenue recognized	1,711	1,749
Reclassification to accounts receivable related to costs billed under the Viatris License Agreement	(1,924)	(2,834)
Balance as of end of three-month period	$ 1,194	$ 2,467

The remaining amounts in contract assets and unbilled receivables as of March 31, 2024 attributed to the research and development services are expected to be settled during the second quarter of 2024.

BioSense License and Assignment Agreement

On March 10, 2020, prior to the Merger, Rexahn entered into an amendment to its collaboration and license agreement, (as amended, the "BioSense License and Assignment Agreement") with BioSense to advance the development and commercialization of the Rexahn RX-3117 drug compound ("RX-3117") for all human uses in the Republic of Singapore, China, Hong Kong, Macau, and Taiwan (the "BioSense Territory").

Under the BioSense License and Assignment Agreement, the Company is eligible to receive additional milestone payments in an aggregate of up to $84,500,000 upon the achievement of development, regulatory and commercial goals and will also be eligible to receive tiered royalties at low double-digit rates on annual net sales in the BioSense Territory. The Company determined that none of the milestone payments under the BioSense License and Assignment Agreement were probable of payment as of March 31, 2024, and as a result, no revenue related to the milestones was recognized as the achievement of events entitling the Company to any milestone payments were highly susceptible to factors outside of the Company's control. Future sales-based royalties related to the exclusive license to develop RX-3117 will be recognized in the period the underlying sales transaction occurs.

Payments received under the BioSense License and Assignment Agreement are subject to the CVR Agreement described in Note 2 – Merger.

Processa License Agreement

On June 16, 2021, the Company entered into a license agreement (the "Processa License Agreement") with Processa Pharmaceuticals, Inc. ("Processa"), pursuant to which the Company has agreed to grant Processa an exclusive license to develop, manufacture and commercialize RX-3117 globally, excluding the BioSense Territory.

Processa will make future payments to the Company upon the achievement of certain development and regulatory milestones, which primarily consist of dosing a patient in pivotal trials or having a drug indication approved by a regulatory authority in the United States or another country. In addition, Processa will pay the Company mid-single-digit percentage royalties based on annual sales under the license and will make one-time sales milestone payments based on the achievement during a calendar year of certain thresholds for annual sales. Processa is also required to give the Company 32% of any milestone payments received based on any sub-license agreement Processa may enter into with respect to the Processa License Agreement. The Company determined that none of the milestone payments under the Processa License Agreement were probable of payment as of March 31, 2024, and as a result, no revenue related to the milestones was recognized, as the achievement of events entitling the Company to any milestone payments were highly susceptible to factors outside of the Company's control.

Future payments received under the Processa License Agreement will be subject to the CVR Agreement described in Note 2 – Merger.

10. Net loss per share

Basic loss per share of common stock is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted earnings or loss per share of common stock is computed similarly to basic earnings or loss per share except the weighted average shares outstanding are increased to include additional shares from the assumed exercise of any common stock equivalents, if dilutive. The Company's warrants, stock options and RSUs outstanding, are considered common stock equivalents for this purpose. Diluted earnings is computed utilizing the treasury method for the warrants, stock options and RSUs. No incremental common stock equivalents were included in calculating diluted loss per share because such inclusion would be anti-dilutive given the net loss reported for the periods presented.

The following potential common shares were not considered in the computation of diluted net loss per share as their effect would have been anti-dilutive for the three-month periods ended presented below:

	March 31,	
	2024	2023
Series A and RDO warrants	7,204,299	7,204,299
Stock options	4,827,433	3,601,427
RSUs	993,112	291,584
Former Rexahn warrants	—	60,713

11. Income Taxes

The effective tax rate for the three months ended March 31, 2024 and 2023 was zero percent. As of March 31, 2024, a full valuation allowance has been established to reduce the Company's net deferred income tax assets. As such, no tax benefit related to the Company's pre-tax loss was recognized for any of the periods presented.

The Company's corporate returns are subject to examination for tax years beginning in 2020 for federal income tax purposes and subject to examination in various state jurisdictions. The Company does not have any reserves for income taxes that represent the Company's potential liability for uncertain tax positions.

12. Deferred Compensation Plan

Effective October 1st, 2021, the Company began offering a 401(k) plan ("401K Plan") to its employees. All employees are eligible to participate in the 401K Plan. The Company makes matching contributions equal to 100% on the first 3% of compensation that is deferred as an elective deferral and an additional50% on the next 2% of compensation. The Company's matching contributions are made on a payroll-by-payroll basis. During the three months ended March 31, 2024 and 2023, the Company contributed $58,000 and $34,000 to the 401K Plan, respectively.

13. Subsequent Events

On April 11, 2024, the Company entered into a Consulting Agreement (the "2024 Consulting Agreement"), pursuant to which Dr. Pepose, a director of the Company, agreed to continue to serve as a consultant of the Company following the expiration of the 2022 Consulting Agreement. Pursuant to the 2024 Consulting Agreement, Dr. Pepose will be paid a monthly consulting fee of $ 39,583. Additionally, Dr. Pepose received an award of 32,000 RSUs, as well as stock options to purchase 48,000 shares of the Company's common stock. The RSUs awarded under the 2024 Consulting Agreement will vest on April 11, 2025, subject to Dr. Pepose's continued service over that period. The options granted under the 2024 Consulting Agreement will vest in 12 equal monthly installments beginning on May 11, 2024, subject to Dr. Pepose's continued service over that period. The 2024 Consulting Agreement is scheduled to terminate on April 11, 2025.

Subsequent to March 31, 2024, 538,566 shares of common stock were sold under the ATM for gross proceeds through May 6, 2024 in the amount of $1.1 million, before deducting issuance expenses, including the placement agent's fees and legal and accounting expenses, in the amount of $28,000.

Subsequent to March 31, 2024, a total of250,000 shares of the Company's common stock were sold under the Purchase Agreement for net proceeds through May 6, 2024 in the amount of $460,000.

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

The following discussion of our financial condition and results of operations should be read in conjunction with the unaudited financial statements and notes included in Part I "Financial Information", Item I "Financial Statements" of this Quarterly Report on Form 10-Q (the "Report") and the audited financial statements and related footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2023.

Forward-Looking Statements

Certain statements contained in this Report are not statements of historical fact and are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements give current expectations or forecasts of future events or our future financial or operating performance. Such statements include, but are not limited to, statements concerning the applications of Phentolamine Ophthalmic Solution 0.75%, formerly known as Nyxol ("PS") in ophthalmology, the registration program for PS, the LYNX-2 Phase 3 registration study, the benefits, uses and side effects of PS treatment, ongoing discussions with the U.S. Federal Drug Administration (the "FDA") regarding various of our drug products, and continued drug development under our agreement with Viatris. In some cases, you can identify forward-looking statements by the following words: "anticipate," "believe," "could," "continue," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "should," "will," "would" or the negative of those terms, and similar expressions that convey uncertainty of future events or outcomes to identify these forward-looking statements.

These forward-looking statements reflect our management's beliefs and views with respect to future events, are based on estimates and assumptions as of the date of this Report and are subject to risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from those in these forward-looking statements, including, without limitation:

- The success and timing of regulatory submissions and pre-clinical and clinical trials, including enrollment and data readouts;
- Regulatory requirements or developments;
- Changes to or unanticipated events in connection with clinical trial designs and regulatory pathways;
- Delays or difficulties in the enrollment of patients in clinical trials;
- Substantial competition and rapid technological change;
- Our development of sales and marketing infrastructure;
- Future revenue losses and profitability;
- Our relatively short operating history;
- Changes in capital resource requirements;
- Risks related to the inability of Ocuphire to obtain sufficient additional capital to continue to advance its product candidates and its preclinical programs;
- Domestic and worldwide legislative, regulatory, political and economic developments;
- Employee misconduct;
- Changes in market opportunities and acceptance;
- Reliance on third-parties;
- Future, potential product liability and securities litigation;
- System failures, unplanned events, or cyber incidents;
- The substantial number of shares subject to potential issuance associated with our Equity Line of Credit arrangement with Lincoln Park Capital Fund, LLC;
- Risks that our partnership with Viatris, or our other licensing arrangements, may not facilitate the commercialization or market acceptance of Ocuphire's product candidates;
- Future fluctuations in the market price of our common stock;
- The success and timing of commercialization of any of Ocuphire's product candidates; and
- Obtaining and maintaining Ocuphire's intellectual property rights.

We discuss many of these risks in greater detail under Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 and subsequent reports filed with or furnished to the Securities and Exchange Commission (the "SEC"). Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

Any forward-looking statement made by us in this Report speaks only as of the date hereof or as of the date specified herein. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by applicable laws or regulations.

Overview

We are a clinical-stage biopharmaceutical company focused on developing novel therapies for the treatment of unmet needs of patients with retinal and refractive eye disorders with one FDA-approved product currently marketed by Viatris, Inc.

APX3330

Our lead retinal product candidate, APX3330, is a small-molecule inhibitor of Ref-1 (reduction oxidation effector factor-1 protein). Ref-1 is a regulator of transcription factors such as HIF-1α and NF-kB. Inhibiting Ref-1 has been shown to reduce levels of vascular endothelial growth factor ("VEGF") and inflammatory cytokines which are known to play key roles in ocular angiogenesis and inflammation. APX3330 is an oral tablet administered twice per day in development for the treatment of diabetic retinopathy ("DR").

DR affects approximately 10 million diabetics and is projected to impact over 14 million Americans by 2050. DR is classified as either Non-Proliferative Diabetic Retinopathy ("NPDR"), the early stage of the disease in which symptoms may be mild or non-existent, or Proliferative Diabetic Retinopathy ("PDR"), which is the more advanced stage of diabetic eye disease that can be highly symptomatic with loss of vision. Approximately 8 million DR patients have NPDR that may progress to PDR if left untreated. APX3330, as an oral tablet, has the potential to be an early, non-invasive treatment for the 8 million NPDR patients in the US.

In January 2023, we reported top-line efficacy and safety results from the ZETA-1 Phase 2 trial conducted in 103 subjects (51 treated with 600 mg daily dose of APX3330) in DR, including moderately severe and severe NPDR and mild PDR, as well as patients with diabetic macular edema without loss of central vision. Although administration of APX3330 daily did not meet the study's primary endpoint of percentage of patients with a ≥ 2-step improvement in Early Treatment of Diabetic Retinopathy Study ("ETDRS") diabetic retinopathy severity scale ("DRSS") in the study eye at week 24 compared to placebo, efficacy was seen on the ≥3-step worsening on a binocular DRSS Person Scale. Prevention or slowing of progression of DR to vision-threatening complication such as PDR is a clinically meaningful endpoint. APX3330 also demonstrated favorable safety and tolerability in diabetic patients. An End-of-Phase 2 ("EOP2") meeting with the U.S. Food and Drug Administration (the "FDA") was held in October 2023 at which we obtained agreement on the registration endpoint of ≥3-step worsening on a binocular DRSS Person Scale. APX3330 demonstrated favorable safety and tolerability in the ZETA-1 trial. Ocuphire submitted a Special Protocol Assessment ("SPA") to the FDA in February 2024 to seek agreement on the clinical trial protocol and statistical analysis plan and will share specifics on the study design parameters and anticipated timing if and when a SPA agreement is reached with the FDA.

We also in-licensed APX2009 and APX2014, which are second-generation analogs of APX3330. The unique mechanism of action of this family of Ref-1 inhibitors of reducing angiogenesis and inflammation could potentially be beneficial in treating other retinal diseases such as age-related macular degeneration, geographic atrophy, and non-ophthalmic diseases.

We are currently evaluating local delivery routes of APX3330 and its second-generation analogs (APX2009 and APX2014) in addition to the systemic (oral) route as part of its pipeline expansion in retinal therapies.

RYZUMVI and Phentolamine Ophthalmic Solution 0.75% (PS)

In November 2022, we entered into a license and collaboration agreement (the "Viatris License Agreement") with Viatris, Inc. ("Viatris"), as successor to FamyGen Life Sciences, Inc., pursuant to which we granted Viatris an exclusive license to develop, manufacture, import, export and commercialize (i) our refractive product candidate Phentolamine Ophthalmic Solution 0.75%, formerly known as Nyxol ("PS"), for treating (a) reversal of pharmacologically-induced mydriasis, (b) decreased vision under mesopic (low) light conditions after keratorefractive surgery, and (c) presbyopia; and (ii) PS and low dose pilocarpine for treating presbyopia (together, the "PS Products") worldwide except for certain countries and jurisdictions in Asia (the "Viatris Territory"). PS was approved by the FDA for the treatment for pharmacologically-induced mydriasis under the brand name RYZUMVI in September 2023, which triggered a $10 million milestone payment under the Viatris License Agreement. RYZUMVI was commercialized by Viatris in April 2024.

Under the terms of the Viatris License Agreement, Ocuphire, in partnership with Viatris, will develop the PS Products in the United States. Viatris will reimburse us for budgeted costs related to the development of the PS Products through FDA approval. Viatris will be responsible for developing the PS Products in countries and jurisdictions in the Viatris Territory outside of the United States.

PS is a once-daily eye drop formulation of phentolamine mesylate designed to reduce pupil diameter and improve visual acuity. PS can potentially be used across multiple indications such as treatment of pharmacologically-induced mydriasis ("RM") (dilation of the pupil), presbyopia (age-related blurry near vision) and decreased vision under mesopic (low) light conditions after keratorefractive surgery. PS has been studied in a total of 12 clinical trials (three of which were Phase 1 trials, five of which were Phase 2 trials, and four of which were Phase 3 trials) in a total of over 1100 study participants (with over 650 participants being treated with PS) and has demonstrated promising clinical data across the three targeted refractive indications.

We reported positive top-line data from multiple late-stage clinical trials for PS in reversal of pharmacologically induced mydriasis, presbyopia and dim light disturbances. The VEGA-2 Phase 3 study in presbyopia achieved its primary endpoint and Viatris, our development and commercial partner, is expected to continue Phase 3 development in the first half of 2024. For decreased vision under mesopic (low) light conditions following keratorefractive surgery, we received FDA agreement under Special Protocol Assessment for LYNX-2, a Phase 3 Trial of PS. The first patient was enrolled in LYNX-2 in April 2024.

Strategic Outlook

We intend to continue to explore opportunities to acquire additional assets, expand current pipeline to other retinal indications with APX3330, APX2009 and APX2014, and to seek strategic partners for late-stage development, regulatory preparation and commercialization of APX3330 in key global markets. To date, our primary activities have been conducting research and development activities, performing business and financial planning, recruiting personnel and raising capital. We have only one product, RYZUMVI, approved for sale with commercialization launched in April 2024, that has started to generate royalties based on sales by Viatris. However, we do not expect to consistently generate significant revenues, other than license and collaborations revenue, unless and until the FDA or other regulatory authorities approve, and we successfully commercialize, APX3330 or PS for other indications. Until such time, if ever, as we can consistently generate substantial product revenue, we expect to finance our cash needs through a combination of equity and debt financings as well as through collaborations, strategic alliances and licensing arrangements.

Through March 31, 2024, we have funded our operations primarily through equity financings that totaled $65.8 million in gross proceeds, of which $21.15 million was received in connection with the merger ("Merger") with Rexahn Pharmaceuticals, Inc. ("Rexahn") and through the issuance of convertible notes in private placements that totaled $8.5 million in gross proceeds net cash. In addition, we have received license fee and milestone payments of $45.0 million in the aggregate and reimbursement for costs related to development, all in connection with the Viatris License Agreement.

Our net loss was $7.1 million for the three months ended March 31, 2024 as compared to a net loss of $5.8 million for the three months ended March 31, 2023. As of March 31, 2024, we had an accumulated deficit of $88.6 million. Furthermore, we anticipate that our expenses will increase as we:

- continue clinical trials for APX3330, PS and for any other product candidate in our future pipeline;
- continue nonclinical studies for APX3330, APX2009 and APX2014, PS and for any other product candidate in our future pipeline;
- develop additional product candidates that we identify, in-license or acquire;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- contract to manufacture our product candidates;
- maintain, expand and protect our intellectual property portfolio;
- hire additional staff, including clinical, scientific, operational and financial personnel, to execute our business plan;
- add operational, financial and management information systems and personnel to support our product development and potential future commercialization efforts;
- continue to operate as a public company; and
- establish on our own or with partners, a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain regulatory approval.

Our net loss will likely continue to fluctuate significantly from quarter to quarter and year to year, depending on the timing of our nonclinical studies, clinical trials, expenditures on other research and development activities (and reimbursement thereof), and from potential milestone payments received from and revenue earned under the Viatris License Agreement or any other license and collaboration agreements that we enter into, and potential payments that may become payable from time to time under the Apexian Sublicense Agreement.

Financial Operations Overview

License and Collaborations Revenue

License and collaborations revenue to date was derived from a one-time non-refundable payment related to a license transfer, an additional milestone payment and reimbursement of expenses earned under the Viatris License Agreement, and to a much lesser degree, from license agreements with BioSense Global LLC ("BioSense") and Processa Pharmaceuticals, Inc. ("Processa") in connection with the Rexahn RX-3117 drug compound. We anticipate that we will recognize revenue as we earn reimbursement for research and development services in connection with the Viatris License Agreement and we may earn additional revenues from potential milestone and royalty payments from the agreements with Viatris, BioSense, Processa, or from other license agreements entered into the future; however, the attainment of milestones or level of sales required to earn royalty payments is highly uncertain for the reasons explained below.

To date, outside of the license and collaborations revenue referenced above, we do not expect to generate significant revenue unless or until our partner, Viatris, commercializes RYZUMVI, or regulatory approval is obtained, and commercialization begins for APX3330 or PS for indications other than RM. If we fail to complete the development of APX3330, PS, or any other product candidate we may pursue in the future, in a timely manner, or fail to obtain regulatory approval, our ability to generate significant revenue would be compromised.

Operating Expenses

Ocuphire's operating expenses are classified into two categories: general and administrative and research and development.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel-related costs, including salaries, benefits and stock-based compensation costs, for personnel in functions not directly associated with research and development activities. Other significant costs include insurance coverage for directors and officers and other property and liability exposures, legal fees relating to intellectual property and corporate matters, professional fees for accounting and tax services, other services provided by business consultants and legal settlements.

Research and Development Expenses

To date, our research and development expenses have related primarily to the clinical stage development of APX3330 and PS. Research and development expenses consist of costs incurred in performing research and development activities, including compensation, benefits and stock-based compensation costs for research and development employees and costs for consultants, costs associated with nonclinical studies and clinical trials, regulatory activities, manufacturing activities to support clinical activities, license fees, nonlegal patent costs, fees paid to external service providers that conduct certain research and development, and an allocation of overhead expenses.

Pursuant to the Viatris License Agreement, our budgeted research and development expenses related to the development of PS to date have been fully reimbursed by Viatris. However, all research and development costs, including those related to PS, are expensed as incurred, and costs incurred by third parties are expensed as the contracted work is performed. We accrue for costs incurred as the services are being provided by monitoring the status of the study or project, and as the invoices are received from our external service providers. We adjust our accrual as actual costs become known. Research and development activities are central to our business model.

We expect that APX3330 and PS will have higher development costs during the later stages of clinical development, as compared to costs incurred during their earlier stages of development, primarily due to the increased size and duration of the later-stage clinical trials and associated nonclinical studies. We expect our research and development expenses to increase over the next several years. However, it is difficult for us to determine with certainty the duration, costs and timing to complete our current or future nonclinical programs and clinical trials of APX3330, PS, and other product candidates.

Fair value change in derivative liabilities

The fair value change in derivative liabilities consists of the fair value change of the derivative liability associated with our equity line financing during the periods the equity line financing is outstanding. In addition, the fair value change of the warrant liabilities associated with the Rexahn warrants, while outstanding, was also included in this line item.

Other Income, net

Other income, net includes interest earned from cash and cash equivalent investments, realized and unrealized gains (losses) from equity investments and reimbursements in connection with grants and other sources when they occur. In addition, other income, net also includes payments when made by us in connection with the Contingent Value Rights Agreement (the "CVR Agreement") with former Rexahn shareholders.

Provision for Income Taxes

Provision for income taxes consists of federal and state income taxes in the United States, as well as deferred income taxes and changes in related valuation allowance reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Currently, a full valuation allowance has been provided on the net deferred tax assets as of March 31, 2024 and December 31, 2023 and given the uncertainty of future taxable income and other related factors impacting the realizability or our remaining net deferred tax assets.

Results of Operations

Comparison of Three Months Ended March 31, 2024 and 2023

The following table summarizes Ocuphire's operating results for the periods indicated (in thousands):

	For the Three Months Ended March 31,		
	2024	2023	Change
License and collaborations revenue	$ 1,711	$ 1,749	$ (38)
Operating expenses:			
General and administrative	4,670	2,285	2,385
Research and development	4,749	5,595	(846)
Total operating expenses	9,419	7,880	1,539
Loss from operations	(7,708)	(6,131)	(1,577)
Fair value change in derivative liabilities	—	—	—
Other income, net	602	340	262
Loss before income taxes	(7,106)	(5,791)	(1,315)
Provision for income taxes	—	—	—
Net loss	$ (7,106)	$ (5,791)	$ (1,315)

License and Collaborations Revenue

License and collaborations revenue was $1.7 million for each of the three months ended March 31, 2024 and 2023. Revenue during both quarterly periods was derived from the Viatris License Agreement largely from the reimbursement of research and development services. During the first quarter of 2024, we earned our first royalty payment in the amount of $3,000 stemming from the sale of RYZUMVI by Viatris in late March 2024.

General and Administrative

General and administrative expenses for the three months ended March 31, 2024 were $4.7 million compared to $2.3 million for the three months ended March 31, 2023. The increase period over period of $2.4 million was primarily attributable to an increase in payroll related costs of $0.6 million, stock-based compensation of $0.3 million, professional services of $0.1 million, corporate legal support of $0.6 million, legal fees associated with intellectual property of $0.5 million, business development activities of $0.2 million and general operating costs of $0.1 million on a net basis. General and administrative expenses included $0.8 million and $0.5 million in stock-based compensation expense during the three months ended March 31, 2024 and 2023, respectively.

Research and Development

The following table illustrates the components of our research and development expenses for the periods presented (in thousands):

	For the Three Months Ended March 31,		
	2024	2023	Change
External costs:			
Phentolamine Ophthalmic Solution 0.75% ("PS")	$ 1,065	$ 3,801	$ (2,736)
APX 3330	2,663	886	1,777
Unallocated	67	198	(131)
Total external cost	3,795	4,885	(1,090)
Internal costs:			
Employee related expenses	937	707	230
Facilities, supplies and other	17	3	14
Total internal costs	954	710	244
Total research and development expenses	$ 4,749	$ 5,595	$ (846)

Research and development expenses for the three months ended March 31, 2024 were $4.7 million compared to $5.6 million for the three months ended March 31, 2023. The $0.8 million decrease was primarily attributable to lower clinical costs of $1.5 million, lower regulatory costs of $0.1 million and lower manufacturing expenses of $0.3 million attributed to an activity reduction in the PS VEGA-2 trial. The lower research and development costs in the current quarter when compared to the comparable prior year quarter were offset in part by an increase in toxicology costs of $0.9 million, higher payroll costs of $0.1 million, when factoring in stock-based compensation, and by an increase in general consulting costs of $0.1 million. Pursuant to the Viatris License Agreement, our budgeted research and development expenses related to the development of the PS Products have been fully reimbursed by Viatris to date. Research and development expenses included $0.2 million and $0.3 million in stock-based compensation expense during the three months ended March 31, 2024 and 2023, respectively.

Fair value change in derivative liabilities

The fair value change in derivative liabilities attributed to the equity line financing, as described further below, was negligible for the three months ended March 31, 2024. This is attributed to the fluctuations in our common stock fair value and the number of potential shares of common stock issuable at the various discount tiers under the equity line financing. The equity line financing was not in effect during the three months ended March 31, 2023. Lastly, the fair value change of the warrant liabilities associated with the Rexahn warrants was also included in this line item for the three months ended March 31, 2023, but was *de minimis.* The last of the Rexahn warrants classified as liabilities expired in April 2023 unexercised.

Other Income, net

During the three months ended March 31, 2024, Ocuphire had other income, net of $0.6 million related to interest income related to our cash and cash equivalents on-hand of $0.6 million.

During the three months ended March 31, 2023, Ocuphire had other income, net of $0.3 million related to interest income related to our cash and cash equivalents on-hand of $367,000, offset in part by net unrealized losses from our short-term investments of $27,000.

Liquidity and Capital Resources

Capital Resources

As of March 31, 2024, our principal sources of liquidity consisted of cash and cash equivalents of $47.2 million. We believe that our cash on hand as of March 31, 2024 will be sufficient to fund our operations for at least twelve months beyond the date of this filing. As of March 31, 2024, our cash and cash equivalents were invested primarily in cash deposits and cash equivalent investments at two large financial institutions.

Historical Capital Resources

Our primary source of cash to fund our operations has been various equity offerings in the amount of approximately $65.8 million and the issuance of convertible notes in the amount of $8.5 million, inclusive of the promissory notes exchanged for Ocuphire convertible notes (the "Ocuphire Convertible Notes"). In addition, we received a one-time non-refundable cash payment of $35.0 million during the fourth quarter of 2022, a $10.0 million milestone payment during the fourth quarter of 2023, and have received reimbursement for costs related to development since the fourth quarter of 2022, all in connection with the Viatris License Agreement.

Lincoln Park Purchase Agreement

On August 10, 2023, we entered into a common stock purchase agreement with Lincoln Park Capital Fund, LLC ("Lincoln Park") for an equity line financing (the "Purchase Agreement"). The Purchase Agreement provides that, subject to the terms and conditions set forth therein, we have the sole right, but not the obligation, to direct Lincoln Park to purchase up to $50 million of shares of the Company's common stock from time to time over the 30-month term of the Purchase Agreement. Concurrently with entering into the Purchase Agreement, we also entered into a Registration Rights Agreement, pursuant to which we agreed to register the resale of the shares of our common stock that have been and may be issued to Lincoln Park under the Purchase Agreement pursuant to a registration statement. Upon the execution of the Purchase Agreement, we issued 246,792 shares of the Company's common stock to Lincoln Park as consideration for its commitment to purchase shares of our common stock under the Purchase Agreement. Lincoln Park has agreed not to cause or engage in any manner whatsoever in any direct or indirect short selling or hedging of our common stock. In addition to the commitment shares referenced above, a total of 1,450,000 shares of common stock were sold under the Purchase Agreement for gross proceeds through March 31, 2024 in the amount of $4.8 million. No shares of common stock were sold under the Purchase Agreement prior to the third quarter of 2023.

At-The-Market Program

On January 10, 2024, we filed a Form S-3 shelf registration under the Securities Act which was declared effective by the SEC on January 23, 2024 under which the Company may offer and sell, from time to time in our sole discretion, securities having an aggregate offering price up to $175 million. On March 11, 2021, we entered into a sales agreement with JonesTrading Institutional Services LLC ("JonesTrading") under which we may offer and sell, from time to time at our sole discretion, to or through JonesTrading, acting as agent and/or principal, shares of our common stock having an aggregate offering price of up to $40 million (the "ATM"). A total of 6,895,866 shares of common stock were sold under the ATM since its inception for gross proceeds through March 31, 2024 in the amount of $24.8 million.

Registered Direct Offering

On June 4, 2021, we entered into a placement agency agreement with A.G.P./Alliance Global Partners ("AGP"). Pursuant to the terms of the placement agency agreement, AGP on June 8, 2021, sold an aggregate of 3,076,923 shares of our common stock and warrants to purchase 1,538,461 shares of our common stock (the "RDO Warrants") at an offering price of $4.875 per share and 0.50 RDO Warrants, for gross proceeds of $15.0 million, before deducting AGP's fees and related offering expenses in the amount of $1.1 million. The purchase agreement contains customary representations, warranties and agreements by Ocuphire, customary conditions to closing, indemnification obligations of Ocuphire, other obligations of the parties and termination provisions.

The RDO Warrants have an exercise price of $6.09 per share, are exercisable upon the initial issuance date of June 8, 2021, and will expire five years following the initial exercise date. Subject to limited exceptions, a holder of a RDO Warrant will not have the right to exercise any portion of its RDO Warrants if the holder, together with its affiliates, would beneficially own in excess of 4.99% (or, at the election of a holder prior to the date of issuance, 9.99%) of the number of shares of common stock outstanding immediately after giving effect to such exercise; provided, however, that upon prior notice to us, the holder may increase or decrease the beneficial ownership limitation, provided further that in no event shall the beneficial ownership limitation exceed 9.99%. As of March 31, 2024, 1,538,461 RDO Warrants were still outstanding. The offering of the securities was made pursuant to our effective shelf registration statement on Form S-3.

Pre-Merger Financing

Securities Purchase Agreement

On June 17, 2020, Ocuphire, Rexahn and certain investors entered into a Securities Purchase Agreement, which was amended and restated in its entirety on June 29, 2020 (as amended and restated, the "Securities Purchase Agreement"). Pursuant to the Securities Purchase Agreement, the investors invested a total of $21.15 million in cash, including $300,000 invested by directors of Ocuphire, and one director of Rexahn, upon closing of the Merger (the "Pre-Merger Financing"). Pursuant to the Pre-Merger Financing, (i) Ocuphire issued and sold to the investors shares of common stock of Ocuphire (the "Initial Shares"), which converted pursuant to the exchange ratio in the Merger into an aggregate of 1,249,996 shares (the "Converted Initial Shares") of common stock, (ii) Ocuphire deposited into escrow, for the benefit of the investors, additional shares of common stock of Ocuphire (the "Additional Shares"), which converted pursuant to the exchange ratio in the Merger into an aggregate of 3,749,992 shares of common stock (the "Converted Additional Shares"), which Converted Additional Shares were delivered (or became deliverable) to the investors on November 19, 2020, and (iii) we agreed to issue to each investor on the tenth trading day following the consummation of the Merger (x) Series A Warrants representing the right to acquire shares of common stock equal to the sum of (A) the Converted Initial Shares purchased by the investor, (B) the Converted Additional Shares delivered or deliverable to the investor, without giving effect to any limitation on delivery contained in the Securities Purchase Agreement and (C) the initial number of shares of common stock, if any, underlying the Series B Warrants issued to the investor and (y) additional warrants to purchase shares of common stock.

Waiver Agreements

Effective February 3, 2021, each investor that invested in the Pre-Merger Financing (each, a "Holder") entered into a Waiver Agreement with the Company (collectively, the "Waiver Agreements"). Pursuant to the Waiver Agreements, the Holders and Ocuphire agreed to waive certain rights, finalize the exercise price and number of Series A Warrants and Series B Warrants, eliminate certain financing restrictions, extend the term of certain leak-out agreements, and, in the case of certain Holders, grant certain registration rights for the shares underlying the warrants.

The Waiver Agreements provide for the permanent waiver of the full ratchet anti-dilution provisions, contained in the Series A Warrants (as certain of the anti-dilution provisions had previously caused liability accounting treatment for the Series A Warrants). Upon the effective date of the Waiver Agreement, the Series A Warrants were reclassified to equity.

Pursuant to the Waiver Agreements, the number of shares underlying all of the Series B Warrants was fixed at 1,708,335 in the aggregate with respect to all Holders.

Series A Warrants

The Series A Warrants were issued on November 19, 2020 at an initial exercise price of $4.4795 per share, were immediately exercisable upon issuance and have a term of five years from the date of issuance. The Series A Warrants are exercisable for 5,665,838 shares of common stock in the aggregate (without giving effect to any limitation on exercise contained therein). As of March 31, 2024, 5,665,838 Series A Warrants were still outstanding.

At issuance, the Series A Warrants contained certain provisions that could have resulted in a downward adjustment of the initial exercise price and an upward adjustment in the number of shares underlying the warrants if Ocuphire were to have issued or sold, or made an agreement to issue or sell, any shares of common stock for a price lower than the exercise price then in effect. Pursuant to the terms of the Waiver Agreements, these provisions are no longer in effect.

Series B Warrants

The Series B Warrants had an exercise price of $0.0001, were exercisable upon issuance and would have expired on the day following the later to occur of (i) the Reservation Date (as defined therein) or (ii) the date on which the investor's Series B Warrants would have been exercised in full (without giving effect to any limitation on exercise contained therein). The Series B Warrants were initially exercisable for 665,836 shares of common stock in the aggregate (without giving effect to any limitation on exercise contained therein) and ultimately became exercisable for 1,708,335 shares of common stock upon execution of the Waiver Agreements. As of March 31, 2024, none of the Series B Warrants remained outstanding.

At issuance, the Series B Warrants contained certain provisions that could have resulted in the issuance of additional Series B Warrants depending on the dollar volume-weighted average prices of a share of Common Stock during a 45-trading day reset period. Pursuant to the terms of the Waiver Agreements, those provisions were no longer in effect.

Ocuphire Convertible Notes

From May 2018 through March 2020, we issued the Ocuphire Convertible Notes for aggregate gross proceeds of $8.5 million, inclusive of the promissory notes exchanged for Ocuphire Convertible Notes. The final closing of the Ocuphire Convertible Notes occurred on March 10, 2020. The Ocuphire Convertible Notes had an interest rate of 8% per annum. On November 4, 2020, all of Ocuphire's outstanding notes were converted into 977,128 shares of Ocuphire common stock in connection with the completion of the Merger.

Cash Flows

The following table summarizes Ocuphire's cash flows for the periods indicated (in thousands):

	For the Three Months Ended March 31,	
	2024	**2023**
Net cash used in operating activities	$ (5,716)	$ (3,646)
Net cash provided by (used in) investing activities	—	—
Net cash provided by financing activities	2,376	—
Net decrease in cash and cash equivalents	$ (3,340)	$ (3,646)

Cash Flow from Operating Activities

For the three months ended March 31, 2024, cash used in operating activities of $5.7 million was attributable to a net loss of $7.1 million, partially offset by $1.0 million in non-cash operating expenses and a net change cash source of $0.4 million in Ocuphire's net operating assets and liabilities. The non-cash expenses consisted principally of stock-based compensation of $1.0 million and unrealized loss on short-term investments of $10,000. The change in operating assets and liabilities was primarily attributable to an increase in Ocuphire's accrued expenses and prepaid expenses, offset in part by an increase in our accounts receivable, attributed to fluctuations in Ocuphire's operating expenses and collections under the normal course of business.

For the three months ended March 31, 2023, cash used in operating activities of $3.6 million was attributable to a net loss of $5.8 million, partially offset by $0.8 million in non-cash operating expenses and a net change cash source of $1.3 million in Ocuphire's net operating assets and liabilities. The non-cash expenses consisted principally of stock-based compensation of $0.8 million and unrealized loss on short-term investments of $27,000. The change in operating assets and liabilities was primarily attributable to an increase in Ocuphire's accounts payable and accrued expenses, and by decreases in our contract asset and prepaid expenses, associated with Ocuphire's operating expenses under the normal course of business. These net change sources of cash were offset in part by an increase in our accounts receivable during the period.

Cash Flow from Investing Activities

There were no sources or uses from investing activities during the periods presented.

Cash Flow from Financing Activities

Net cash provided by financing activities during the three months ended March 31, 2024 was $2.4 million that consisted principally of proceeds received from the ATM and Purchase Agreement, net of issuance costs, in the amount of $0.2 million.

There were no financing activities during the three months ended March 31, 2023.

Liquidity and Capital Resource Requirements

As of March 31, 2024, we had cash and cash equivalents of $47.2 million. License and collaborations revenue inception to date was derived from a one-time non-refundable payment of $35 million, a milestone payment of $10 million, reimbursement and expected reimbursement of expenses and royalties earned under the Viatris License Agreement and, to a much lesser degree, from license agreements with BioSense Global LLC ("BioSense") and Processa Pharmaceuticals, Inc. ("Processa") in connection with the Rexahn RX-3117 drug compound. We anticipate that we will recognize revenue as we earn reimbursement for research and development services in connection with the Viatris License Agreement and we may earn additional revenues from future potential milestone and royalty payments from the agreements with Viatris, BioSense, Processa, or from other license agreements entered into in the future; however, the attainment of milestones or level of sales required to earn royalty payments is highly uncertain for the reasons explained below.

To date, outside of the license and collaborations revenue referenced above, we do not expect to generate significant revenue unless or until RYZUMVI sales become material, or regulatory approval is obtained and commercialization begins for APX3330 or PS for indications other than RM. If we fail to complete the development of APX3330, PS or any other product candidate we may pursue in the future, in a timely manner, or fail to obtain regulatory approval for any of such product candidates, our ability to generate significant revenue would be compromised.

In addition, on August 10, 2023, we entered into the Purchase Agreement with Lincoln Park, which provides that we have the sole right, but not the obligation, to direct Lincoln Park to purchase up to $50 million of shares of our common stock, from time to time over the 30-month term of the Purchase Agreement. The Purchase Agreement was executed to compliment the ATM. Concurrently with entering into the Purchase Agreement, we also entered into a Registration Rights Agreement with Lincoln Park, pursuant to which we agreed to register the resale of the shares of our common stock that have been and may be issued to Lincoln Park under the Purchase Agreement pursuant to a registration statement. We filed a prospectus supplement to our Registration Statement (File No. 333-252715) on August 11, 2023 with the SEC. Per the terms of the Purchase Agreement, we will be unable to sell shares of our common stock to Lincoln Park if the sale price falls below $0.25 per share. Therefore, there is no assurance that we will have full access to the facility during the term of the Purchase Agreement.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation, warrants or other preferences that adversely affect your rights as a common stockholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through future collaborations, strategic alliances or licensing arrangements with pharmaceutical partners, we may have to relinquish valuable rights to our technologies, future revenue streams or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings or through collaborations, strategic alliances or licensing arrangements when needed, we may be required to delay, limit, reduce or terminate our product development, future commercialization efforts, or grant rights to develop and market our product candidates that we would otherwise prefer to develop and market ourselves.

Future Capital Requirements

Pursuant to the Viatris License Agreement, our budgeted research and development expenses related to the development of PS are fully reimbursed by Viatris. The development of APX3330 is subject to numerous uncertainties, and we have based these estimates on assumptions that may prove to be substantially different than what we currently anticipate and could result in cash resources being used sooner than what we currently expect. Additionally, the process of advancing early-stage product candidates and testing product candidates in clinical trials is costly, and the timing of progress in these clinical trials is uncertain. Our ability to successfully transition to profitability will be dependent upon achieving a level of product sales adequate to support our cost structure. We cannot give any assurance that we will ever be profitable or generate positive cash flow from operating activities.

Contractual Obligations and Commitments

Facility Lease

We lease a facility under a non-cancellable operating lease that expires on December 31, 2024, as amended, for a base rent in the amount of $3,000 per month.

Apexian Sublicense Agreement

On January 21, 2020, we entered into the Apexian Sublicense Agreement, pursuant to which we obtained exclusive worldwide patent and other intellectual property rights that constitute a Ref-1 Inhibitor program relating to therapeutic applications to treat disorders related to ophthalmic and diabetes mellitus conditions. The lead compound in the Ref-1 Inhibitor program is APX3330, which is currently in development as an oral tablet therapeutic to treat DR in patients with NPDR. The mechanism of action of Ref-1 inhibitors (e.g., APX3330, APX2009 and APX2014) of reducing angiogenesis and inflammation could potentially be beneficial in treating other retinal diseases such as diabetic macular edema (“DME”), wet age-related macular degeneration (“wAMD”) and geographic atrophy (“GA”) as well as non-ophthalmic indications. Ocuphire is currently evaluating local delivery routes in addition to the systemic (oral) route as part of its pipeline expansion into retina and non-ophthalmic indications.

In connection with the Apexian Sublicense Agreement, we issued 843,751 shares of our common stock to Apexian and certain of Apexian’s affiliates.

We agreed to make one-time milestone payments under the Apexian Sublicense Agreement for each of the first ophthalmic indication and the first diabetes mellitus indication. These milestone payments include (i) payments for specified developmental and regulatory milestones (including completion of the first Phase 2 trial (if such trial meets a primary endpoint) and the first Phase 3 pivotal trial in the United States, and filing and achieving regulatory approval from the FDA for the first New Drug Application for a compound) totaling up to $11 million in the aggregate and (ii) payments for specified sales milestones of up to $20 million in the aggregate, each of which net sales milestone payments is payable once, upon the first achievement of such milestone.

Additionally, we also agreed to make royalty payments equal to a single-digit percentage of our net sales of products covered by the patents under the Apexian Sublicense Agreement. None of the milestone or royalty payments were triggered as of the date of this Report.

Other Commitments

In the course of normal operations, we entered into cancellable purchase commitments with our suppliers for various key research, clinical and manufacturing services. The purchase commitments covered by these arrangements are subject to change based on our research and development efforts.

Other Funding Requirements

As noted above, certain of our cash requirements relate to the funding of our ongoing research and development of APX3330, inclusive of any potential milestone and royalty obligations under our intellectual property licenses. See "Part I, Item 1— Business— Potential Clinical Plans for APX3330—PS Potential Clinical Plans—Future In-Licensing and Acquisition Opportunities—Manufacturing—Apexian Sublicense Agreement— Review and Approval of Drugs in the United States" in our Annual Report on Form 10-K for the year ended December 31, 2023 for a discussion of design, development, pre-clinical and clinical activities that we may conduct in the future, including expected cash expenditures required for some of those activities, to the extent we are able to estimate such costs.

Our other cash requirements within the next twelve months include accounts payable, accrued expenses, purchase commitments and other current liabilities. Our other cash requirements greater than twelve months from various contractual obligations and commitments may include operating leases and contractual agreements with third-party service providers for clinical research, product development, manufacturing, commercialization, supplies, payroll, equipment maintenance, and audits for periods into calendar year 2024. Refer to Note 3 – Commitments and Contingencies included in Part 1, Item 1 – "Financial Statements" of this Report for further detail of our lease obligation and license agreements with regard to the timing of expected future payments.

We expect to satisfy our short-term and long-term obligations through cash on hand, from future equity and debt financings, and from reimbursement payments, potential milestone and royalty payments under the Viatris License Agreement and any future collaborations and license agreements, until we generate an adequate level of revenue from commercial sales to cover expenses, if ever.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with U.S. GAAP. These accounting principles require us to make estimates and judgments that can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenue and expense during the periods presented. We believe that the estimates and judgments upon which we rely are reasonably based upon information available to us at the time that we make these estimates and judgments. To the extent that there are material differences between these estimates and actual results, our financial results will be affected. The accounting policies that reflect our more significant estimates and judgments and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results are described below.

Our significant accounting policies are discussed in Note 1 — Company Description and Summary of Significant Accounting Policies, included in "Part I, Item 1 – Financial Statements and Supplementary Data" of this Report. We believe that the following accounting policies and estimates are the most critical to aid in fully understanding and evaluating our reported financial results. These estimates require our most difficult, subjective, or complex judgments because they relate to matters that are inherently uncertain. We have reviewed these critical accounting policies and estimates and related disclosures with the Audit Committee of our Board of Directors. We have not made any material changes to date, nor do we believe there is a reasonable likelihood of a material future change to the accounting methodologies for the areas described below.

License and Collaborations Revenue

We account for license and collaborations revenue in accordance with the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers.* The guidance provides a unified model to determine how revenue is recognized. We have entered into license and collaboration agreements which have revenue recognition implications. We recognize license and collaborations revenue by first allocating the transaction price of a contract to each performance obligation under the contract based on its stand-alone price. The stand-alone price of each performance obligation is based on its fair value utilizing a discounted cash flow approach, taking into consideration assumptions, including projected worldwide net profit for each of the respective programs based on probability assessments, projections based on internal forecasts, industry data, and information from other guideline companies within the same industry and other relevant factors. We do not expect to have in the future, significant variable consideration adjustments related to our existing license and collaborations revenue recognized. For discussion about the determination of license and collaborations revenue, see Note 9 — License and Collaboration Agreements included in Part 1, Item 1 – "Financial Statements" of this Report.

Stock-based Compensation

Ocuphire accounts for stock-based compensation in accordance with the provisions of ASC 718,*Compensation — Stock Compensation.* Accordingly, compensation costs related to equity instruments granted are recognized at the grant date fair value which is not subject to remeasurement. We record equity instrument forfeitures when they occur. For discussions about the application of grant date fair value associated with our stock-based compensation, see Note 7 — Stock-based Compensation included in "Part 1, Item 1 – Financial Statements" of this Report.

Income Tax Assets and Liabilities

A full valuation allowance has been provided on our net deferred tax assets given the uncertainty of future taxable income and other related factors impacting the realizability of our remaining net deferred tax assets. For additional information, see Note 11 — Income Taxes included in "Part II, Item 8 – Financial Statements and Supplementary Data" in our Annual Report filed on Form 10-K for the year ended December 31, 2023, and see Note 11 — Income Taxes included in "Part 1, Item 1 – Financial Statements" of this Report.

Contingencies

We are subject to numerous contingencies arising in the ordinary course of business, including obligations related to certain license agreements. For additional information, see Note 3 — Commitments and Contingencies included in "Part 1, Item 1 – Financial Statements" of this Report.

Recent Accounting Pronouncements

Refer to Note 1— Company Description and Summary of Significant Accounting Policies to our condensed financial statements included in "Part 1, Item 1 – Financial Statements" in this Report for a discussion of recently issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable for smaller reporting companies.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information we are required to disclose in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We designed and evaluated our disclosure controls and procedures recognizing that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance and not absolute assurance of achieving the desired control objectives. Also, the design of a control system must reflect the fact that there are resource constraints and that the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Under the supervision of and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15(d)- 15(e) promulgated under the Exchange Act as of March 31, 2024. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2024.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in various claims and legal proceedings relating to claims arising out of our operations. We are not currently a party to any legal proceedings that, in the opinion of our management, are likely to materially affect our business or financial results. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

Other than as set forth below, there have been no material changes in our risk factors previously disclosed in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023. You should carefully consider the risks and uncertainties described below and therein.

Our strategy of focusing on the cash-pay utilization for future sales of RYZUMVI may limit our ability to increase sales or achieve profitability with this product.

With regard to the commercialization of RYZUMVI, our strategy is to focus on cash-pay utilization. This focus may limit the potential profitability of this product. We believe pursuing a non-insurance reimbursed product strategy in connection with RYZUMVI allows for meaningful strategic advantages in the United States, including pricing and marketing flexibility. However, companies offering products competitive to RYZUMVI may nonetheless try to compete on price, both directly through rebates, promotional programs, and coupons, as well as indirectly through product bundling and customer loyalty programs. In addition, we cannot predict how the market, including customers, doctors, patients, and governmental agencies, will react to this strategy. If RYZUMVI does not achieve sufficient success and market acceptance, if we face retaliation from third parties as a result of this arrangement and program (for example, in the form of non-coverage determinations, limitations on coverage, or unfavorable reimbursement with respect to our other products) or if any part of this arrangement is found to be non-compliant with applicable law or regulations, this could have a material adverse effect on our business, financial condition, cash flows, and results of operations and could cause the market value of our common shares to decline. Our business, financial results, and future prospects will be materially harmed if we cannot generate sufficient consumer demand for RYZUMVI with this strategy.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable to our Company.

Item 5. Other Information

During the quarter ended March 31, 2024, none of the Company's directors or officers has adopted or terminated a Rule10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (each as defined in Item 408 of Regulation S-K under the Exchange Act).

Item 6. Exhibits

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
10.1**	Third Amendment to the Consulting Agreement, dated as of January 1, 2024, by and between the Company and Jay Pepose, M.D.
10.2+	Employment Agreement, dated as of February 13, 2024, by and between the Company and Nirav Jhaveri (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on February 16, 2024).
10.3+	First Amendment to Employment Agreement, dated as of February 16, 2024, by and between the Company and Nirav Jhaveri (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed on February 16, 2024).
10.4	Consulting Agreement, dated as of April 11, 2024, by and between the Company and Jay Pepose, M.D. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on April 17, 2024).
31.1**	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	Inline XBRL Instance Document.
101.SCH**	Inline XBRL Taxonomy Extension Schema Document.
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104**	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

\+ Indicates management contract or compensatory plan.

* Documents are furnished not filed.

** Filed herewith.

Ocuphire Pharma, Inc.
Form 10-Q

SIGNATURES

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 thereunto duly authorized.

Dated: May 10, 2024

Ocuphire Pharma, Inc.

By: /s/ George Magrath
George Magrath
Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ Nirav Jhaveri
Nirav Jhaveri
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Amy Rabourn
Amy Rabourn
Senior Vice President of Finance
(Principal Accounting Officer)

Exhibit 10.1

AMENDMENT NO. 3 TO CONSULTING AGREEMENT

This **AMENDMENT NO. 3** ("Amendment No. 3") to the **CONSULTING AGREEMENT** dated April 1, 2022, as amended on September 19, 2022, (the ***"Agreement"***) between **Ocuphire Pharma, Inc.**, a Delaware corporation having its principal place of business at 37000 Grand River Avenue, Suite 120, Farmington Hills, Michigan 48335 (the ***"Company"***), and **Jay S. Pepose, M.D.**, having an address at 1815 Clarkson Road, Chesterfield, MO 63017 (***"Consultant"***) is made as of January 1, 2024 (the ***"Effective Date"***).

I. The term of the Agreement shall be extended to March 31, 2024.

II. The monthly retainer for March 2024 will be $49,000 which is a one-time increase comprised of the standard $25,000 monthly retainer and additional consulting hours at an hourly rate.

All other terms of the Agreement shall remain in effect without change.

Having understood and agreed to the foregoing, the Company and Consultant have signed this Amendment No. 3 and the same shall be effective as of the Effective Date.

CONSULTANT:

By: /s/ Jay S. Pepose, M.D.
Jay S. Pepose, M.D.
4/2/2024

THE COMPANY:

Ocuphire Pharma, Inc.

By: /s/ Bernhard Hoffmann
Bernhard Hoffmann
SVP - Corporate Development
4/2/2024

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a) OR 15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, George Magrath, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2024 of Ocuphire Pharma, 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 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 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 consolidated 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 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 10, 2024

/s/ George Magrath

Name: George Magrath
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a) OR 15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Nirav Jhaveri, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2024 of Ocuphire Pharma, 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 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 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 consolidated 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 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 10, 2024

/s/ Nirav Jhaveri
Name: Nirav Jhaveri
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

In connection with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (the "Report") of Ocuphire Pharma, Inc., a Delaware corporation (the "Company"), as filed with the Securities and Exchange Commission, George Magrath, as Chief Executive Officer of the Company, and Nirav Jhaveri, as Chief Financial Officer of the Company, each hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of his or her knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

/s/ George Magrath
George Magrath
Chief Executive Officer
(Principal Executive Officer)

/s/ Nirav Jhaveri
Nirav Jhaveri
Chief Financial Officer
(Principal Financial Officer)

Dated: May 10, 2024