MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THIRD QUARTER 2015

Knight Therapeutics Inc. ("Knight" or the "Company") is a specialty pharmaceutical company and its principal business activity is developing, acquiring, in-licensing, out-licensing, marketing and distributing innovative pharmaceutical products in Canada and select international markets. Knight finances other life sciences companies in Canada and internationally with the goal of earning interest income, strengthening relationships in the industry, and securing product rights for Canada and select international markets. Additionally, Knight invests in life sciences venture capital funds in which the Company earns a return similar to any other limited partner in the fund and receives preferential access to innovative healthcare products from around the world for Canada and select international markets. Headquartered in Montreal, Canada, Knight is a public company listed on Toronto Stock Exchange under the ticker symbol "GUD".

This management's discussion and analysis ("MD&A") provides our overview of Knight's operations, performance and financial condition for the three and nine-month periods ended September 30, 2015. This document should be read in conjunction with the interim condensed consolidated financial statements and notes thereto for the three and nine-month periods ended September 30, 2015. Knight's interim condensed consolidated financial statements as at and for the three and nine-month periods ended September 30, 2015 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board. This review was prepared by management from information available as at November 10, 2015.

Forward-looking statements

This document contains forward-looking statements for the Company and its subsidiaries. These forward looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. The Company considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of the Company and its subsidiaries, may ultimately prove to be incorrect. Factors and risks which could cause actual results to differ materially from current expectations are discussed in the Company's Annual Report and in the Company's Annual Information Form for the year ended December 31, 2014. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information or future events, except as required by law.

Overview and Overall Performance

Key Highlights in Q3, 2015

- On July 9, 2015, Knight invested in the Bloom Burton Healthcare Lending Trust (the "Trust") managed by Stratigis Capital Advisors Inc. by subscribing for $500,000 of Trust units as part of a $15.9 million private placement. The Trust will use the proceeds to invest in debt and debt-like securities of emerging commercial-stage public and private Canadian healthcare companies that have been overlooked by traditional lenders.

- On July 21, 2015, Knight entered into an agreement with Alimera Sciences, Inc. pursuant to which Knight acquired the exclusive Canadian distribution rights to ILUVIEN®, a sustained release intravitreal implant for the treatment of diabetic macular edema. Knight will handle all Canadian regulatory and commercial activities related to ILUVIEN®, which is currently commercially available in the United States, the United Kingdom, Germany and Portugal, but not approved for sale in Canada.

- On July 24, 2015, Knight entered into an agreement with Akorn, Inc. pursuant to which Knight acquired the exclusive Canadian distribution rights to AzaSite®, an eye drop solution for topical treatment of bacterial conjunctivitis, commonly known as pink eye. Knight will handle all regulatory and commercial activities for AzaSite® in Canada. When launched, AzaSite® is expected to be the first ophthalmic azithromycin product to be available in Canada.

- On August 5, 2015, Knight issued a secured loan of $1.3 million [US$1.0 million] to Ember Therapeutics Inc. ("Ember") which bears interest at 12.5% per annum for a one year term, plus other consideration. Furthermore, Knight may provide additional future equity commitments to Ember of up to $6.6 million [US$5.0 million]. On August 14, 2015, Knight assigned $654,000 [US$500,000] of the principal amount of the loan to the Bloom Burton Healthcare Lending Trust.

  In conjunction with the loan, Knight entered into an exclusive distribution agreement with Ember to commercialize its promising Bone Morphogenetic Protein-7 pipeline, including targeted therapies for osteoarthritis and kidney fibrosis, in Canada, Israel, Russia and Sub-Saharan Africa.

- On August 6, 2015, Knight's New Drug Submission (NDS) was accepted for review by Health Canada for ATryn® (Antithrombin (Recombinant)) for the prevention of peri-operative and peri-partum thromboembolic events in hereditary antithrombin deficient patients. Knight received the rights to commercialize ATryn® in Canada through its acquisition of Orphan Canada's assets in September 2014.

- On August 24, 2015, Knight received a distribution of $2.0 million [US$1.5 million] related to its investment in Sectoral Asset Management Inc.'s New Emerging Medical Opportunities Fund II, Ltd. ("NEMO II").

On August 26, 2015, Knight entered into a licensing agreement with Advaxis, Inc. (“Advaxis”) to commercialize in Canada its product portfolio including its lead drug candidates for HPV-associated cancers, prostate cancer and HER2 expressing solid tumors. Additionally, Knight has a right of first refusal on all present and future Advaxis products, except ADXS-HPV, for Israel. In connection with the licensing agreement, Knight purchased directly from Advaxis 359,454 shares at $18.50 [US$13.91] per share which were subsequently sold in the quarter for a net gain of $186,000 over the purchase price.

- On September 9, 2015, Knight acquired a 28.3% ownership interest in Medison Biotech (1995) Ltd. (“Medison”), a privately-owned specialty pharmaceutical company based in Israel. The consideration given for the equity interest in Medison amounts to $82.0 million, which includes the fair value of 10,330,884 common shares of Knight issued to Medison and its controlling shareholder, representing approximately a 10% equity interest in Knight plus contingent consideration and transaction costs. An additional 660,000 Knight shares may be issued if Medison meets certain financial targets over the next two years.

- On September 28, 2015, Knight, through one of its wholly-owned subsidiaries, entered into an exclusive distribution agreement with Profounda Inc. (“Profounda”) to commercialize Impavido® (miltefosine), an oral treatment for visceral, mucosal and cutaneous leishmaniasis, in the United States. Under the terms of the agreement, Profounda will be responsible for leading all commercial activities related to Impavido® in the United States in exchange for a share of U.S. net sales. Knight is responsible for product supply and regulatory management.

Subsequent to the quarter ended September 30, 2015

- On November 2, 2015, through one of its wholly-owned subsidiaries, Knight announced that a dividend in the amount of 5.66 million New Israeli Shekels (ILS) [CA$1.9 million] was approved by the Board of Directors of Medison related to the Company’s 28.3% equity interest in Medison. This dividend attributed to Knight represents 28.3% of a semi-annual payment to Medison’s shareholders.

Recent accounting Pronouncements

In July 2014, the IASB amended IFRS 9, “Financial Instruments”, to bring together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, “Financial Instruments: Recognition and Measurement”. The standard supersedes all previous versions of IFRS 9 and will be effective on January 1, 2018 for the Company with earlier application permitted. The Company has not yet assessed the impact of this standard and amendments on its consolidated financial statements.

Significant accounting estimates and assumptions

Our significant accounting estimates and assumptions are reported in note 2 of our interim condensed consolidated financial statements for the quarter ended September 30, 2015.

Segment reporting

The Company has one reportable segment, and our principal business activity is focused on developing, acquiring, in-licensing, out-licensing, marketing and distributing innovative pharmaceutical products in Canada and select international markets.

Selected quarterly financial information

(In thousands of CAD except for per share amounts)

	Q3, F2015	Q2, F2015	Q1, F2015	Q4, F2014	Q3, F2014	Q2, F2014	Q1, F2014
Revenue	**114**	333	247	110	7	247	1
Income before income taxes	**6,516**	7,667	14,018	130,226	507	396	(76)
Net income	**6,277**	8,520	13,816	124,981	562	391	(76)
Cash and marketable securities	**445,889**	436,997	452,186	416,857	227,223	234,507	75,449
Total assets	**627,821**	530,136	525,424	486,614	261,614	260,324	86,483
Total Liabilities	**2,372**	3,797	5,973	7,623	1,036	1,768	2,990
Earnings (Loss) per share							
Basic	**0.07**	0.09	0.15	1.58	0.007	0.006	(0.01)
Diluted	**0.07**	0.09	0.15	1.57	0.007	0.006	(0.01)

No dividends were declared or paid on the Company’s common shares since its inception. Knight does not expect to pay any dividends in the foreseeable future.

Results of Operations

(In thousands of Canadian dollars except for per share amounts)

	Three-months ended September 30		Nine-months ended September 30	
	2015	**2014**	**2015**	**2014**
	$	$	$	$
Revenue	**114**	7	**694**	255
Cost of goods sold	**18**	—	**376**	—
Gross margin	**96**	7	**318**	255
Expenses				
General and administrative	**2,123**	1,227	**7,247**	1,998
Research and development	**1,819**	687	**2,453**	814
	(3,846)	(1,907)	**(9,382)**	(2,557)
Depreciation of property and equipment	**7**	7	**22**	14
Amortization of intangible assets	**22**	19	**64**	44
Interest expense	**—**	—	**—**	23
Interest income	**(4,297)**	(1,135)	**(11,858)**	(2,054)
Other income	**(376)**	(329)	**(1,343)**	(434)
Net gain on financial assets	**(1,965)**	—	**(15,989)**	—
Purchase gain on business combination	**—**	—	**(550)**	—
Gain on settlement of loan receivable	**—**	—	**(358)**	—
Share of net income of associate	**(95)**	—	**(95)**	—
Foreign exchange gain	**(3,658)**	(976)	**(7,476)**	(977)
Income before income taxes	**6,516**	507	**28,201**	827
Income tax expense (recovery)	**143**	(1)	**(911)**	4
Deferred income tax expense (recovery)	**96**	(54)	**499**	(54)
Net income for the period	**6,277**	562	**28,613**	877
Basic earnings per share	**0.07**	0.007	**0.31**	0.018
Diluted earnings per share	**0.07**	0.007	**0.30**	0.018

Revenues

Revenue for the three and nine-month periods ended September 30, 2015 relate to sales of Impavido® and Neuragen®**.** Revenue from Impavido® is expected to be irregular as Impavido® sales are associated with a tender process marked by relatively infrequent opportunities to offer the product for sale in less developed countries. Revenues increased $107 thousand to $114 thousand for the three-month period ended September 30, 2015 from $7 thousand for the comparative three-month period ended September 30, 2014.

For the nine months ended September 30, 2015, revenues increased by $439 thousand to $694 thousand from $255 thousand for the same nine-month period last year. The increase is partially explained by the fact that the global (excluding U.S.) Impavido® distribution and license agreement with Paladin Labs Inc. ("Paladin") was entered into by the Company as of February 27, 2014 rather than at the start of the 2014 fiscal year. The cost of goods sold related to Impavido® and Neuragen® sales was $18 thousand and $376 thousand for the three and nine-month periods ended September 30, 2015 respectively, as compared to $nil for the three and nine-month periods ended September 30, 2014. The increase is due in part to an amendment to the distribution and license agreement with Paladin that took place in December 2014.

General and administrative

General and administrative expenses increased by $896 thousand to $2.1 million for the three-month period ended September 30, 2015 from $1.2 million for the comparative three-month period ended September 30, 2014. For the nine months ended September 30, 2015, general and administrative expenses increased $5.2 million to $7.2 million from $2.0 million for the same nine-month period last year.

The key components of the increase for the three-month period ended September 30, 2015 over the comparative period are salaries which increased by $660 thousand, $191 thousand of which consisted of stock-based compensation, professional fees which increased by $105 thousand and listing-related expenditures which increased by $40 thousand.

The increase in compensation is explained by the fact that Knight grew to approximately 14 full-time employees in the three-month period ended September 30, 2015 as compared to having approximately 5 full-time employees in the comparative period. The professional fees increased in part due to the increased number of and complexity of transactions that took place in the quarter relative to the comparative period which led to higher legal and consulting fees.

Similarly, for the nine-month period ended September 30, 2015, $4.3 million of the $5.2 million increase relates to salary expense stemming from the increase in number of employees over the comparative period. The increase in salary over the comparative nine month period includes a $2.8 million increase in stock-based compensation. An additional $591 thousand of the increase relates to professional fees resulting from the increased number of and complexity of transactions and $228 thousand due to listing-related fees.

Research and development expenses

Research and development expenses increased by $1.1 million to $1.8 million for the three-month period ended September 30, 2015 from $687 thousand for the comparative three-month period ended September 30, 2014. For the nine months ended September 30, 2015, research and development expenses increased $1.6 million to $2.5 million from $814 thousand for the same nine-month period last year. The increase is primarily due to the increase in the acquisition of product distribution rights of $957 thousand expensed in the three-month period ended September 30, 2015. The remaining increase is explained by FDA post-marketing requirements of Impavido®, consulting and regulatory fees, and expenses related to NeurAxon which were not required in the comparative periods.

Interest income

Knight's interest income is derived primarily from interest earned from loans receivable and interest on the Company's cash, cash equivalents and marketable securities balances. Interest income increased by $3.2 million to $4.3 million for the three-month period ended September 30, 2015 from $1.1 million for the comparative three-month period ended September 30, 2014. For the nine months ended September 30, 2015, interest income increased $9.8 million to $11.9 million from $2.1 million for the same nine-month period last year.

The increase of $3.2 million for the quarter over the comparative three-month period last year is explained by the increase in loans receivable to the Company of $66.0 million as at September 30, 2015, as compared to $7.1 million in the prior year, and an increase in the Company's cash, cash equivalents and marketable securities balances as at September 30, 2015 to $445.9 million, as compared to $227.2 million in the prior year.

Other income

Income earned for advisory and other services provided by the Company was $376 thousand for the three-month period ended September 30, 2015 which was comparable to the $329 thousand earned during for the three-month period ended September 30, 2014.

For the nine-month period ended September 30, 2015, income earned for advisory and other services provided by the Company increased $909 thousand to $1.3 million as compared to $434 thousand for the comparative period. The increase is due to the annual fee earned over the nine-month period ended September 30, 2015 in relation to the Company's agreement with CRH Medical Corporation ("CRH").

Net gain on financial assets

The Company's net gain on financial assets was $2.0 million for the three-month period ended September 30, 2015 as compared to $nil for the three-month period ended September 30, 2014. The increase relates primarily to the realized gain of $953 thousand related to Knight's investment in NEMO II from a distribution received during the quarter. In addition, the amount includes a gain of $621 thousand related to the sale of Advaxis shares over the fair value price of $17.29 [US$13.00] per share at the time the shares were acquired.

For the nine-month period ended September 30, 2015, the net gain on financial assets was $16.0 million versus $nil for the comparative period. The increase is primarily due to realized gains totalling $7.0 million related to Knight's investment in NEMO II from distributions received year-to-date, the gain on sale of Advaxis shares of $621 thousand in the third quarter of 2015, as well as the sale of 3,000,000 shares of CRH for a realized gain of $7.0 million that took place in the three-month period ended March 31, 2015.

Purchase gain on business combination

The purchase gain on business combination of $550 thousand for the nine-month period ended September 30, 2015 compared to $nil for the nine-month period ended September 30, 2014 is due to the excess of the fair value of the assets acquired over the consideration paid upon the acquisition of NeurAxon on January 1, 2015.

Gain on settlement of loan receivable

The gain on settlement of loan receivable of $358 thousand for the nine-month period ended September 30, 2015 compared to $nil for the nine-month period ended September, 2014 is due to acquisition of assets related to Neuragen® as further described in note 3 of the interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2015.

Foreign exchange gain

For the three and nine-month periods ended September 30, 2015, Knight had a foreign exchange gain of $3.7 million and $7.5 million, respectively. The fluctuation is due to gains on U.S. dollar denominated financial assets as the Canadian dollar weakened against the U.S. dollar during the periods.

Deferred income taxes

Deferred income tax expense of $96 thousand and $499 thousand for the three and nine-month periods ended September 30, 2015, respectively, relates to the origination and reversal of temporary differences in the statement of income. Deferred income tax recovery was $54 thousand for the comparative three and nine-month periods ended September 30, 2014.

Income tax recovery

The income tax recovery of $911 thousand for the nine-month period ended September 30, 2015 is mainly due to an adjustment to reduce the income taxes payable of one of the Company's foreign subsidiaries to reflect the final income taxes payable due upon the filing of the corporation income tax returns, offset in part by the current income tax provision on income generated during the period.

Use of Proceeds from Financing

Knight has raised net proceeds of approximately $341 million from three public offerings in fiscal 2014 which includes the completion of the Over-Allotment Option in January 2015.

In our short form prospectuses related to the Offerings, Knight disclosed that its intent was to use a substantial portion of the net proceeds (i) for potential acquisitions of (a) in-licensing of over-the-counter and prescription pharmaceutical products and targeted promotion of these products, and (b) specialty pharmaceutical businesses in select international markets, (ii) for financing of other life sciences companies in Canada and internationally as well as for investments in funds focused on the life sciences sector, and (iii) the remainder for general corporate purposes.

To date, Knight has deployed or invested or committed to deploy or invest more than $200 million for the purposes disclosed in the prospectuses, as described above. Pending the application of the remainder of the net proceeds, Knight has invested part of the net proceeds in short-term investment-grade securities and bank deposits, and holds the remainder in cash. Knight anticipates that it has sufficient funds available to achieve its business objectives and milestones as listed in the prospectuses.

LIQUIDITY AND CAPITAL RESOURCES

The Company's investment policy regulates the investment activities relating to cash resources. The Company invests in strategic investments in the form of equity funds, equity or in liquid investment securities with varying terms to maturity, selected with regard to the expected timing of investments and expenditures for continuing operations, and prevailing interest rates.

The Company believes that its existing cash, cash equivalents and marketable securities as well as cash generated from operations are sufficient to finance its current operations, working capital requirements and future product acquisitions.

As at September 30, 2015, the Company had $246.6 million of cash and cash equivalents and $199.3 million in marketable securities.

The table below sets forth the Company's net cash flows provided by and used in operating, investing and financing activities.

All figures are reflected in thousands of CAD.

	Nine months ended September 30	
	2015	**2014**
	$	$
Net cash provided by (used in) operating activities	**(2,697)**	591
Net cash used in investing activities	**(51,328)**	(19,063)
Net cash provided by financing activities	**13,841**	245,844
Increase (decrease) in Cash	**(40,184)**	227,223
Beginning Cash	**283,445**	—
Net foreign exchange difference	**3,345**	—
Ending Cash	**246,606**	227,223

Cash flows used in operating activities for the nine-month period ended September 30, 2015 were $2.7 million. Cash flows used in operating activities primarily relate to cash flows from operating expenses including salaries, research and development, listing-related fees and office expenses, offset by interest income received of $7.5 million for the nine-month period ended September 30, 2015. Cash flows used in operating activities excludes revenues and expenses not affecting cash such as deferred income taxes, share-based compensation expense, depreciation and amortization, accretion of interest, unrealized foreign exchange gain, deferred revenue and net changes in non-cash balances relating to operations.

Cash flows used in investing activities were $51.3 million for the nine-month period ended September 30, 2015. The cash outflow relates to the purchase of marketable securities of $48.4 million net of disposals, secured loans and debentures issued of $31.9 million, investment in funds of $9.0 million, the purchase of $2.4 million of equity securities, and disbursement of $1.75 million due to the acquisition of NeurAxon. The outflows were offset by the proceeds from the disposal of other current financial assets of $31.3 million, including $19.0 million [US$15.1 million] from distributions related to NEMO II, $9.9 million from the sale of 3,000,000 shares of CRH, and cash inflows of $10.0 million [US$8.0 million] from repayment of the Company's loan receivable from CRH.

Cash flows generated from financing activities were $13.8 million for the nine-month period ended September 30, 2015. The exercise in full of the Over-Allotment Option in January 2015 provided cash of $12.4 million, net of costs. Cash inflows from the exercise of compensation warrants and participation of employees and directors in the Company's share option plan and share purchase plan amounted to $1.6 million for the nine months ended September 30, 2015.

Off-balance sheet arrangements

The Company's off-balance sheet arrangements, as described in note 10 of the interim consolidated financial statements for the three and nine-month periods ended September 30, 2015, include an operating lease arrangement, an equity commitment, commitments to contribute additional capital to several life sciences fund investments, and revenue and milestone commitments related to product distribution, license and supply agreements.

Transactions between related parties

On January 21, 2014, Long Zone Holdings Inc. issued an unsecured revolving credit facility of up to $5.0 million in favour of the Company for general working capital and general corporate requirements. The credit facility matures two years from the date of issuance and bears an interest rate equal to prime rate plus 4%. As at September 30, 2015, there were no amounts withdrawn from this credit facility.

Financial instruments

Knight has not entered into any currency or other hedging instrument contracts during the three and nine-month periods ended September 30, 2015.

Financial commitments

Knight's financial commitments as at September 30, 2015 with respect to an operating lease, an equity commitment, commitments to contributing additional capital to our available-for-sale investments in funds, revenue and milestone commitments related to product distribution, license and supply agreements, and a commitment to support the funding of certain earn-out obligations of another company are reported in note 10 of our interim consolidated financial statements for the three and nine-month periods ended September 30, 2015.

Outstanding share data

The table below summarizes the share data**:**

As at	**Nov 10, 2015**
	$
Common shares	103,450,125
Stock options[1]	3,107,438

[1]On March 24, 2015, the Company issued 690,218 share-based compensation options to employees, officers and directors at an exercise price of $8.75 per share.

On August 17, 2015, the Company issued 32,500 share-based compensation options to employees at an exercise price of $7.25 per share.

On September 9, 2015, the Company issued an option for 910,000 shares of the Company to the controlling shareholder of Medison in which a maximum of 500,000 shares may be exercised upon meeting certain financial targets over the next two years.

There were 170,000 options exercised as at November 10, 2015.

There were no options expired/forfeited as at November 10, 2015.

Disclosure controls and procedures and internal control over financial reporting

The Company's management is responsible for the existence of appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

The Company has a formal corporate disclosure policy for the purposes of communicating the Company's approach to disclosure among the members of the Board of Directors, senior management and employees.

The Company has evaluated the effectiveness of its designed disclosure controls and procedures ("DC&P"). Based on the evaluation of its DC&P, management has concluded that they are effective as of September 30, 2015 to provide reasonable assurance that material information relating to the Company is made known to management and that information required to be disclosed in the Company's annual and interim filings and other reports are reported within the timeliness specified by securities legislation.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"). The Company has designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS. The Company did not make any material changes in the ICFR during the quarter ended September 30, 2015.

All control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of the controls or procedures. As a result, there is no certainty that our DC&P or ICFR will prevent all errors or all fraud.

Interim condensed consolidated financial statements

Knight Therapeutics Inc.

[unaudited]

For the three and nine-month periods ended September 30, 2015

NOTICE TO READER OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of Knight Therapeutics Inc. ("Knight" or the "Company") and the accompanying interim condensed consolidated balance sheet as at September 30, 2015, the interim condensed consolidated statements of income and comprehensive income for the three and nine-month periods ended September 30, 2015, and the interim condensed consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the nine-month period ended September 30, 2015, are the responsibility of the Company's management. These interim condensed consolidated financial statements have not been audited or reviewed on behalf of the shareholders by the independent external auditors, Ernst & Young LLP.

The interim condensed consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards. Management has determined such amounts on a reasonable basis in order to ensure that the interim condensed consolidated financial statements are presented fairly in all material respects. The Company's accounting procedures and related systems of internal controls are designed to provide a reasonable assurance that its assets are safeguarded and its financial records are reliable. Readers are cautioned that these interim condensed consolidated financial statements may not be appropriate for their purposes.

(signed) Jonathan Ross Goodman
Jonathan Ross Goodman
President and Chief Executive Officer

Montreal, Canada
November 10, 2015

(signed) Jeffrey Kadanoff
Jeffrey Kadanoff
Chief Financial Officer

Montreal, Canada
November 10, 2015

Knight Therapeutics Inc.

INTERIM CONSOLIDATED BALANCE SHEETS

As at
[In thousands of Canadian dollars]
[Unaudited]

	September 30, 2015 $	December 31, 2014 $
ASSETS		
Current		
Cash and cash equivalents	**246,606**	283,445
Marketable securities	**199,283**	133,412
Accounts receivable	**1,641**	740
Investment tax credits receivable *[note 3]*	**200**	—
Inventory	**1,588**	602
Other current financial assets *[note 4]*	**9,333**	10,090
Other current assets	**433**	284
Total current assets	**459,084**	428,573
Property and equipment	**25**	48
Intangible assets *[note 3]*	**3,316**	846
Other financial assets *[note 4]*	**80,756**	57,147
Investment in associate *[note 5]*	**82,096**	—
Deferred income tax assets	**2,544**	—
Total assets	**627,821**	486,614
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**801**	2,090
Income taxes payable	**1,041**	4,493
Deferred revenue	**530**	1,040
Total current liabilities	**2,372**	7,623
Shareholders' equity		
Share capital *[note 6]*	**438,960**	341,065
Warrants	**161**	—
Contributed surplus	**6,159**	2,100
Accumulated other comprehensive income *[note 7]*	**25,697**	9,967
Retained earnings	**154,472**	125,859
Total shareholders' equity	**625,449**	478,991
Total liabilities and shareholders' equity	**627,821**	486,614

Commitments *[note 10]*

Subsequent event *[note 12]*

See accompanying notes

Knight Therapeutics Inc.

INTERIM CONSOLIDATED STATEMENTS OF INCOME

[In thousands of Canadian dollars, except for share and per share amounts]
[Unaudited]

	Three-month period ended		Nine-month period ended	
	September 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
	$	$	**$**	$
Revenue	**114**	7	**694**	255
Cost of goods sold	**18**	—	**376**	—
Gross margin	**96**	7	**318**	255
Expenses				
General and administrative	**2,123**	1,227	**7,247**	1,998
Research and development	**1,819**	687	**2,453**	814
	(3,846)	(1,907)	**(9,382)**	(2,557)
Depreciation of property and equipment	**7**	7	**22**	14
Amortization of intangible assets	**22**	19	**64**	44
Interest expense	—	—	—	23
Interest income	**(4,297)**	(1,135)	**(11,858)**	(2,054)
Other income	**(376)**	(329)	**(1,343)**	(434)
Net gain on financial assets	**(1,965)**	—	**(15,989)**	—
Purchase gain on business combination *[note 3]*	—	—	**(550)**	—
Gain on settlement of loan receivable *[note 3]*	—	—	**(358)**	—
Share of net income of associate *[note 5]*	**(95)**	—	**(95)**	—
Foreign exchange gain	**(3,658)**	(976)	**(7,476)**	(977)
Income before income taxes	**6,516**	507	**28,201**	827
Income tax expense (recovery)	**143**	(1)	**(911)**	4
Deferred income tax expense (recovery)	**96**	(54)	**499**	(54)
Net income for the period	**6,277**	562	**28,613**	877
Basic earnings per share *[note 8]*	**0.07**	0.007	**0.31**	0.018
Diluted earnings per share *[note 8]*	**0.07**	0.007	**0.30**	0.018
Weighted average number of common shares outstanding				
Basic	**95,570,089**	77,781,587	**93,744,281**	49,898,141
Diluted	**95,737,299**	77,869,627	**93,961,953**	49,963,080

See accompanying notes

Knight Therapeutics Inc.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of Canadian dollars]
[Unaudited]

	Three-month period ended		Nine-month period ended	
	September 30, 2015 $	September 30, 2014 $	**September 30, 2015** $	September 30, 2014 $
Net income for the period	**6,277**	562	**28,613**	877
Realized gain reclassified to statement of income (net of tax of $109 and $1,368 for the three and nine-month periods ended September 30, 2015)	**(755)**	—	**(8,805)**	—
Other comprehensive income to be reclassified to income or loss in subsequent periods:				
Unrealized gain on available-for-sale financial instruments (net of tax of $70 and $482 for the three and nine-month periods ended September 30, 2015, respectively and $27 and $293 for the three and nine-month periods ended September 30, 2014)	**125**	175	**3,125**	1,886
Unrealized gain on translating financial statements of foreign operations	**10,557**	—	**21,410**	—
Other comprehensive income for the period	**9,927**	175	**15,730**	1,886
Comprehensive income for the period	**16,204**	737	**44,343**	2,763

See accompanying notes

Knight Therapeutics Inc.

[In thousands of Canadian dollars]
[Unaudited]

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital $	Warrants $	Contributed surplus $	Accumulated other comprehensive income $	Retained earnings $	Total shareholders' equity $
Balance on Incorporation and as at January 1, 2014	—	—	—	—	—	—
Net income and comprehensive income for the period	—	—	—	1,886	877	2,763
Stock based compensation expense	—	—	1,010	—	—	1,010
Issuance of common shares as part of Business Separation Agreement	11,909	—	—	—	—	11,909
Issuance of warrants, net of costs and including deferred tax	—	244,559	492	—	—	245,051
Deemed exercise of Special Warrants into common shares	244,559	(244,559)	—	—	—	—
Share purchase loans	(450)	—	—	—	—	(450)
Issuance of shares for acquisition of product rights	294	—	—	—	—	294
Balance as at September 30, 2014	**256,312**	**—**	**1,502**	**1,886**	**877**	**260,577**

	Share capital $	Warrants $	Contributed surplus $	Accumulated other comprehensive income $	Retained earnings $	Total shareholders' equity $
Balance as at January 1, 2015	**341,065**	**—**	**2,100**	**9,967**	**125,859**	**478,991**
Net income for the period	—	—	—	—	28,613	28,613
Realized gain reclassified to statement of income, net of tax of $1,368	—	—	—	(8,805)	—	(8,805)
Change in fair value of available-for-sale financial instruments, net of tax of $482	—	—	—	3,125	—	3,125
Unrealized gain on translating financial statements of foreign operations	—	—	—	21,410	—	21,410
Share-based compensation expense	—	—	3,808	—	—	3,808
Issuance of shares upon financing, net of costs and includes deferred tax of $2,200	14,573	—	—	—	—	14,573
Issuance of shares and options upon investment of associate *[note 5]*	80,684	—	1,100	—	—	81,784
Issuance of shares due to share-based payment	165	—	—	—	—	165
Issuance of shares upon exercise of stock options	1,487	—	(554)	—	—	933
Issuance of warrants	—	161	—	—	—	161
Exercise of compensation warrants	930	—	(295)	—	—	635
Issuance of shares under share purchase plan	56	—	—	—	—	56
Balance as at September 30, 2015	**438,960**	**161**	**6,159**	**25,697**	**154,472**	**625,449**

Share Capital *[note 6]*
See accompanying notes

Knight Therapeutics Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]
[Unaudited]

	Nine-month period ended	
	September 30, 2015	September 30, 2014
	$	$
OPERATING ACTIVITIES		
Net income	**28,613**	877
Adjustments reconciling net income to operating cash flows:		
Deferred income tax (recovery)	**499**	(54)
Share-based compensation	**3,808**	1,010
Acquisition of product rights	—	294
Depreciation of property and equipment	**22**	14
Amortization of intangible assets	**64**	44
Other income	—	(290)
Accretion of interest	**(3,373)**	—
Gain on disposal of other financial assets	**(15,376)**	—
Gain on settlement of loan receivable *[note 3]*	**(358)**	—
Purchase gain on business combination *[note 3]*	**(550)**	—
Share of net income of associate *[note 5]*	**(95)**	
Unrealized gain on derivative	**(615)**	—
Unrealized foreign exchange gain	**(7,426)**	(988)
Changes in non-cash working capital related to operations *[note 11]*	**(7,400)**	(316)
Deferred revenue	**(510)**	—
Cash inflow (outflow) from operating activities	**(2,697)**	591
INVESTING ACTIVITIES		
Purchase of marketable securities	**(460,369)**	—
Proceeds from disposal of marketable securities	**411,944**	—
Purchase of other current financial assets	**(2,356)**	—
Proceeds from disposal of other financial assets	**31,265**	—
Investment in funds	**(9,032)**	(11,202)
Issuance of loans and debentures receivable	**(31,929)**	(7,791)
Proceeds from repayments on loans receivable	**11,111**	—
Purchase of property and equipment	—	(70)
Consideration paid on business combination *[note 3]*	**(1,750)**	—
Investment in associate *[note 5]*	**(212)**	—
Cash outflow from investing activities	**(51,328)**	(19,063)
FINANCING ACTIVITIES		
Net impact of Business Separation Agreement	**—**	1,000
Net proceeds from warrants issuance	**—**	245,145
Proceeds from exercise of Over-Allotment Option	**12,424**	—
Proceeds from exercise of compensation warrants	**635**	—
Costs related to prior period share financing	**(207)**	—
Share option plan	**934**	—
Share purchase plan	**55**	—
Share purchase loans	—	(450)
Loan from related party	—	2,500
Repayment of loan from related party	—	(2,500)
Cash inflow from financing activities	**13,841**	245,695
Increase (decrease) in cash during the period	**(40,184)**	227,223
Cash, beginning of period	**283,445**	**—**
Net foreign exchange difference	3,345	—
Cash, end of period	**246,606**	227,223

See accompanying notes

The following amount is classified within operating activities:		
Interest received	**7,518**	1,572
Interest paid	**—**	23

Knight Therapeutics Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars except for share and per share amounts]
[All other currencies are in thousands]
[Unaudited]

1. NATURE OF OPERATIONS

Description of business

The Company is a specialty pharmaceutical company and its principal business activity is developing, acquiring, in-licensing, out-licensing, marketing and distributing innovative pharmaceutical products in Canada and select international markets. Knight finances other life science companies in Canada and internationally with the goal of earning interest income, strengthening relationships in the industry, and securing product rights for Canada and select international markets. Additionally, Knight invests in life sciences venture capital funds in which the Company earns a return similar to other limited partners in the fund and receives preferential access to innovative healthcare products from around the world for Canada and select international markets. The Company is located at 376 Victoria Avenue, Suite 220, Westmount, Quebec, H3Z 1C3. Knight trades on Toronto Stock Exchange under the ticker symbol "GUD".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board. In addition, the interim condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in note 2, "Summary of significant accounting policies", of the Company's consolidated financial statements for the year ended December 31, 2014. The accounting policies were consistently applied to all periods.

These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2014.

The Company's interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2015 were authorized for issue by the Board of Directors on November 10, 2015.

3. SIGNIFICANT TRANSACTIONS

NeurAxon Acquisition

On January 1, 2015, the Company entered into a purchase agreement with NeurAxon Inc. ("NeurAxon") whereby the Company acquired all of the issued and outstanding common shares of NeurAxon for $1,750 in cash. NeurAxon is a clinical stage research company focused on the development of innovative selective inhibitors of nitric oxide synthase as novel therapies for migraine and other conditions ("NeurAxon Products"). Knight continues to fund the development of NeurAxon Products.

The acquisition was accounted for using the acquisition method of accounting and as at January 1, 2015, the assets and liabilities acquired and the results of operations are included in these interim condensed consolidated financial statements. The preliminary allocation of the purchase price is as follows:

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars except for share and per share amounts]
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	$
Current investment tax credits receivable	200
Intangible assets	2,100
Deferred tax asset	565
Deferred tax liability	(565)
Total net assets acquired	**2,300**
Consideration paid	(1,750)
Purchase gain on acquisition	**550**

The amounts recognized during the nine-month period ended September 30, 2015 are based on preliminary results and the Company intends to finalize its purchase price allocation by the end of 2015.

The Company incurred acquisition related costs of $75 which were expensed as general and administrative expenses in the consolidated statement of income. In addition, the Company incurred severance and other payments of $245 that were also recorded as general and administrative expenses at the date of acquisition.

As part of the acquisition, the Company acquired deferred tax assets of $20,529 on total tax attributes of $74,231 which were not recognized in these interim condensed consolidated financial statements. Given that the operations of the Company only started in 2014, there is uncertainty as to whether sufficient income will be generated in the future to recover these deferred tax assets. The Company has recognized a deferred tax asset of $565 to the extent of the deferred tax liability recorded as part of the purchase price allocation.

Origin Settlement of Loan Receivable

On June 24, 2015, Knight acquired the assets related to Neuragen® pursuant to an order of The Supreme Court of Nova Scotia following a default by Origin BioMed Inc. ("Origin") under its secured loan agreement with Knight. The net assets acquired to settle the loan receivable of $925 were assigned a fair value of $1,820. In connection with the acquisition, Knight issued 185,000 warrants on June 30, 2015 to several Origin stakeholders which are exercisable, in some instances subject to the achievement of certain prescribed financial benchmarks, for a period of ten years at an exercise price of $10 per share. The warrants were assigned a value of $161 using the Black Scholes option pricing model. Knight recognized a gain on settlement of loan receivable of $434, net of $300 of related expenses. On June 26, 2015, Knight entered into a sale agreement with Synergy CHC Corp. (formerly Synergy Strips Corp.) ("Synergy") related to the U.S. rights to Neuragen®. Under the terms of the agreement, Knight will receive minimum aggregate consideration of $1,478 [US$1,200] payable as follows: (i) $312 [US$250] upon closing, (ii) $312 [US$250] by June 30, 2016, (iii) $874 [US$700] payable in quarterly installments equal to the greater of $15 [US$12.5] or 5% of U.S. net sales, plus (iv) 2% of U.S. net sales of Neuragen® for 60 months thereafter. Knight retains the Canadian and other ex-U.S. global rights to Neuragen®. Knight recognized a loss of $76 on the sale of the U.S. rights of Neuragen and other assets.

4. OTHER FINANCIAL ASSETS

On January 22, 2015, the Company entered into a secured debt agreement with Synergy, whereby it issued a secured loan of $7,423 [US$6,000] which bears interest at 15.0% per annum and is fully secured against the assets of Synergy. The loan, which matures on January 20, 2017, may be extended for up to an additional two years should Synergy meet certain revenue and profitability milestones, and the interest rate could decrease to 13.0% if Synergy meets certain equity-fundraising targets. The loan is classified under "Loans and receivables" and is categorized in Level 3 of the fair value hierarchy. As part of the transaction, Knight was issued 4,595,187 common shares of Synergy and 10-year warrants entitling the Company to purchase up to 3,584,759 additional common shares of Synergy at $0.45 [US$0.34] per share. The loan was recorded at a relative fair value of $5,938 [US$4,800] upon initial measurement and subsequently accounted for at amortized cost using an effective interest rate of 23.4%. The common shares, categorized in Level 3 of the fair value hierarchy, were assigned a relative fair value of $855 [US$689] using a fair value of $0.31 [US$0.25] per share adjusted by an illiquidity factor. The warrants, classified as "derivatives", were assigned a relative fair value of $633 [US$510] using the Black Scholes model based on the fair value per share of $0.31 [US$0.25] adjusted by an illiquidity factor and were categorized in Level 3 of the fair value hierarchy. These warrants are revalued at each reporting period. The resulting change in fair value, if any, is recorded in the consolidated statement of income.

On March 30, 2015, the Company purchased $1,250 of convertible debentures ("Debentures") of Pediapharm Inc. ("Pediapharm"), as part of a $5,550 offering, which bear interest at a rate of 12.0% per annum, mature on March 30, 2019 and are fully secured against the assets of Pediapharm on a pari passu basis with the other lenders. At Knight's option, the Debentures may be converted at any time into common shares of Pediapharm at a price of $0.45 per common share ("Conversion Option"). In addition, Knight was issued 757,500 share purchase warrants to acquire 757,500 common shares of Pediapharm at an exercise price of $0.33 per Common share for a period of four years until March 30, 2019 ("Share Purchase Warrants"). The Debentures, Conversion Option and Share Purchase Warrants were initially recognized at their relative fair value on a pro rata basis. The Conversion Option and Share Purchase Warrants were assigned a value of $45 and $97, respectively. Based on the computed Black Scholes values and stated interest rate, the effective interest rate of the Debentures is 16.1%. Categorized in Level 3 of the fair value hierarchy, the Conversion Options and Share Purchase Warrants are classified as "derivatives" and are revalued at each reporting period. The resulting change in fair value, if any, is recorded in the consolidated statement of income. The Debentures, also categorized in Level 3 of the fair value hierarchy, were classified under "Loans and receivables", accounted for at their relative fair value of $1,108 upon initial measurement and subsequently accounted for at amortized cost using the effective interest method.

On June 4, 2015, the Company entered into a secured debt agreement with Profound Medical Inc. ("Profound"), whereby it issued a secured loan of $4,000 bearing interest at 15.0% per annum for an initial four-year term. The loan terms include a two year payment holiday during which no interest or principal repayment is required. The loan may be extended by up to four successive additional 12-month periods should Profound meet certain revenue thresholds. The loan is classified under "Loans and receivables" and is categorized in Level 3 of the fair value hierarchy. As part of the transaction, Knight was issued 1,717,450 common shares in Profound. In addition, Knight is to receive a royalty equal to 0.5% of net sales by Profound until maturity of the loan. The loan was recorded at a relative fair value of $2,800 upon initial measurement and subsequently accounted for at amortized cost using an effective interest rate of 31.4%. The common shares were assigned a relative fair value of $1,200 using a fair value of $1.50 per share adjusted by an illiquidity factor. The common shares are categorized in Level 3 of the fair value hierarchy.

On June 5, 2015 the Company received a distribution of $17,016 [US$13,624] related to its investment in Sectoral Asset Management Inc.'s ("Sectoral") New Emerging Medical Opportunities Fund II, Ltd. ("NEMO II") as part of a partial distribution of the fund. The Company had invested $13,359 [US$12,267] as at that date. On August 24, 2015, the Company received a further distribution of $2,033 [US$1,539] related to its investment in NEMO II. The Company recognized a gain of $6,979 as a result of the distributions.

On June 26, 2015, the Company entered into a secured debt agreement with Pro Bono Bio PLC ("Pro Bono Bio"), whereby it issued a secured loan of $18,539 [US$15,000] bearing interest at 12.0% per annum that will mature on June 25, 2018. The loan is fully secured against the assets of Pro Bono Bio and its affiliates. The interest rate may decrease to 10% if Pro Bono Bio meets certain equity-fundraising targets. Contingent on Pro Bono Bio meeting certain equity-fundraising targets, Knight will receive a fee, payable in cash or shares at the option of Pro Bono Bio, ranging from $2,669 [US$2,000] to $3,670 [US$2,750], as well as a warrant to acquire 750 common shares of Pro Bono Bio at an exercise price of $4,004 [US$3,000] per share. The loan is classified under "Loans and receivables" and is categorized in Level 3 of the fair value hierarchy. The loan was recorded at a fair value of $18,199 [US$14,725] upon initial measurement and subsequently accounted for at amortized cost using an effective interest rate of 13.3%.

On June 26, 2015, the Company entered into a secured debt agreement with Extenway Solutions Inc. ("Extenway") whereby it issued a secured loan of $800 bearing interest at 15.0% per annum that will mature on June 25, 2021. The loan is secured against 900 bedside terminals to be installed in Quebec and Ontario hospitals. The interest rate may decrease to 13.5% if Extenway meets certain equity-fundraising targets. The loan is classified under "Loans and receivables" and is categorized in Level 3 of the fair value hierarchy.

On July 9, 2015, Knight invested in the Bloom Burton Healthcare Lending Trust ("the Trust") managed by Stratigis Capital Advisors Inc. by subscribing for $500 of Trust units.

On August 5, 2015, Knight issued a secured loan of $1,318 [US$1,000] to Ember Therapeutics Inc. ("Ember") which bears interest at 12.5% per annum for a one year term, plus other consideration. Knight may provide additional future equity commitments to Ember of up to $6,673 [US$5,000]. Knight also entered into an exclusive distribution agreement with Ember to commercialize its Bone Morphogenetic Protein-7 pipeline, including targeted therapies for osteoarthritis and kidney fibrosis, in Canada, Israel, Russia and sub-Saharan Africa. On August 14, 2015, Knight assigned $654 [US$500] of the principal amount of the loan to the Bloom Burton Healthcare Lending Trust.

On August 26, 2015, in connection with a licensing agreement entered into with Advaxis, Inc. ("Advaxis"), Knight purchased 359,454 shares at $18.50 [US$13.91] per share, which represented a 7% premium to the price of Advaxis's share price of $17.29 [US$13.00] at market close on August 25, 2015. The shares were subsequently sold during the quarter and the Company realized a gain of $186 [US$139] over the purchase price.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars except for share and per share amounts]
[All other currencies are in thousands]
[Unaudited]

5. INVESTMENT IN AN ASSOCIATE

	September 30, 2015 $	December 31, 2014 $
Carrying values, beginning of period	**—**	—
Additions in the period	**82,001**	—
Share of net income for the period before adjustments	**428**	—
Amortization of fair value adjustments	**(333)**	—
Share of net income for the period	**95**	
Carrying values, end of period	**82,096**	**—**

On September 9, 2015, Knight acquired a 28.3% ownership interest in Medison Biotech (1995) Ltd. ("Medison"), a privately-owned specialty pharmaceutical company based in Israel. The consideration given for the equity interest in Medison amounts to $82,001, which includes the fair value of 10,330,884 common shares of Knight issued to Medison and its controlling shareholder, representing approximately a 10% equity interest in Knight plus contingent consideration. An additional 660,000 Knight shares may be issued if Medison meets certain financial targets over the next two years. The fair value of the contingent consideration was estimated to be $1,100 and was included as part of the cost of the investment, with an offsetting amount recorded in equity. In addition, the Company incurred $217 of transaction costs which were capitalized with the investment.

The equity interest acquired in Medison represents an investment subject to significant influence which is accounted for using the equity method from the date of acquisition, September 9, 2015. The investment was initially recorded at cost and adjustments were made to include the Company's share of Medison's net income. The Company's share of net income was adjusted to reflect the amortization of the fair value adjustments related to the Company's share of the net identifiable assets of Medison acquired and the tax impact on the distributable earnings.

The total cost was allocated, on a preliminary basis, to the Company's share of net identifiable assets acquired including intangible assets on the basis of their fair values using the purchase method of accounting, with the resulting difference accounted for as goodwill relating to the associate and included in the carrying amount of the investment.

The amounts recognized during the three and nine-month periods ended September 30, 2015 are based on preliminary results and the Company intends to finalize its allocation by the end of 2015.

The Company is presenting select financial information derived from Medison's unaudited interim consolidated financial statements in New Israeli Shekels (ILS) using Israeli GAAP converted into IFRS in CAD for information purposes:

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars except for share and per share amounts]
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Medison's statement of income data	For the period from September 9, 2015 to September 30, 2015 $
Revenue	**10,628**
Net income for the period	**1,513**

Medison's balance sheet data	As at September 30, 2015 $
Current assets	118,800
Non-current assets	56,685
Total assets	**175,485**
Current liabilities	96,524
Non-current liabilities	4,863
Total liabilities	**101,387**

6. SHARE CAPITAL

[i] Share Capital

The authorized share capital of the Company is comprised of an unlimited number of common shares and an unlimited number of first preferred shares which may be issued from time to time in one or more series without par value. The issued and outstanding share capital of Knight is as follows:

	Number of common shares	**$**
Balance on January 1, 2015	**90,818,595**	**341,065**
Issued upon exercise of Over-Allotment Option, net of costs and includes deferred tax of $2,200 [ii]	**1,932,420**	**14,573**
Issued upon exercise of share options	**170,000**	**1,487**
Issued upon investment in associate [iv]	**10,330,884**	**80,684**
Issued due to share-based payments	**21,634**	**165**
Issued upon exercise of compensation warrants	**169,360**	**930**
Issued pursuant to share purchase plan	**7,232**	**56**
Balance as at September 30, 2015	**103,450,125**	**438,960**

[ii] Shares issued in exercise of Over-Allotment Option

On January 14, 2015, the underwriters acquired 1,932,420 additional common shares of the Company (the "Additional Shares") at a price of $6.75 per Additional Share pursuant to the exercise in full of the Over-Allotment Option granted to them in connection with the Share Offering of common shares of the Company that was completed on December 22, 2014 as described in note 14 of the Company's annual consolidated financial statements for the year ended December 31, 2014. Following the exercise in full of the Over-

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Allotment Option which resulted in additional gross proceeds of $13,044, the total gross proceeds of the Share Offering were $100,003.

[iii] Share Option Plan

The Company recorded share-based compensation expense of $3,808 during the nine-month period ended September 30, 2015, with a corresponding credit to contributed surplus, related to the issuance of stock options. The Company determined the weighted average fair value of the options to be $3.86 under the Black Scholes option pricing model using the following assumptions:

	Period ended September 30, 2015
Weighted average risk-free interest rate	**1.58%**
Dividend yield	**Nil**
Weighted average volatility factor	**58.22%**
Annualized forfeiture rate	**3.3%**
Weighted average expected life	**7 years**

Volatility was determined using the historical share price of the Company and comparable companies. The options have a seven-year term and vest over a one to three-year period.

	Period ended September 30, 2015	
	Number of share options \#	Weighted average exercise price $
Balance beginning of period	**1,644,720**	**5.62**
Options granted	**722,718**	**8.69**
Options exercised	**(170,000)**	**5.49**
Options expired/forfeited	**—**	**—**
Balance at end of the period	**2,197,438**	**6.64**
Options exercisable at end of period	**562,407**	**5.56**

[iv] Issued upon investment in associate

As further described in note 5 above, the Company issued 10,330,884 common shares to Medison and its controlling shareholder in exchange for a 28.3% ownership interest in Medison. The fair value of the shares issued was $7.81 per share, or $80,684 in aggregate.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars except for share and per share amounts]
[All other currencies are in thousands]
[Unaudited]

7. ACCUMULATED OTHER COMPREHENSIVE INCOME

	September 30, 2015 $	December 31, 2014 $
Realized gain reclassified to statement of income net of tax of $1,368	**(8,805)**	—
Net unrealized gains in available for sale investments, net of tax of $1,583 ($1,101 as at December 31, 2014)	**9,893**	6,768
Unrealized gain on translating financial statements of foreign operations	**24,609**	3,199
Accumulated other comprehensive income	**25,697**	9,967

8. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period.

	Three-month period ended		**Nine-month period ended**	
	September 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Net income	**$6,277**	$562	**$28,613**	$877
Weighted average number of shares outstanding	**95,570,089**	77,781,587	**93,744,281**	49,898,141
Basic earnings per share	**$0.07**	$0.007	**$0.31**	$0.018

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding used in the basic calculation to assume the conversion of all potentially dilutive shares. A potentially dilutive share for the Company consists of share options where the exercise price is below the average market price of the Company's shares during the period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars except for share and per share amounts]
[All other currencies are in thousands]
[Unaudited]

	Three-month period ended		Nine-month period ended	
	September 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Net income	**$6,277**	$562	**$28,613**	$877
Weighted average number of shares outstanding	**95,570,089**	77,781,587	**93,744,281**	49,898,141
Adjustment for compensation warrants and share options	**167,210**	88,040	**217,672**	64,939
Weighted average number of shares outstanding (diluted)	**95,737,299**	77,869,627	**93,961,953**	49,963,080
Diluted earnings per share	**$0.07**	$0.007	**$0.30**	$0.018

9. SEGMENT REPORTING

The Company has one reportable segment, and its principal business activity is focused on developing, acquiring, in-licensing, out-licensing, marketing and distributing innovative pharmaceutical products in Canada and select international markets.

10. COMMITMENTS

[i] Operating lease

The Company is committed under an operating lease for the lease of its premises. Future minimum annual payments are as follows:

	$
2015	15
2016	15
	30

[ii] Fund Commitments

As at September 30, 2015, under the terms of Company's agreements with eight life sciences venture capital funds, $115,150 may be called over the life of the funds based on the closing foreign exchange rates.

The fund commitments entered into by the Company during the nine-month period ended September 30, 2015 are as follows:

On April 2, 2015, Knight entered into an agreement with HarbourVest Partners LLC, whereby the Company committed to invest $10,000 into HarbourVest Canada Growth Fund L.P.

On June 30, 2015, Knight entered into an agreement with Sectoral, whereby the Company committed to invest $12,474 [US$10,000] into New Emerging Medical Opportunities Fund III, L.P. ("NEMO

III"). Knight's commitment to invest in NEMO III followed the partial distribution from Sectoral's NEMO II on June 5, 2015 as described in note 4.

On June 30, 2015, Knight, through one of its wholly-owned subsidiaries, entered into an agreement with TVM Capital Life Science, whereby the Company committed to invest $1,996 [US$1,600] into TVM Life Science Venture VII.

[iii] CRH Commitment

In accordance with the Company's secured loan agreement with CRH Medical Corporation as described in note 11 [i] in the Company's annual consolidated financial statements for the year ended December 31, 2014, the Company receives an Annual Fee of $1,169 [US$876] whereby the Company is committed to provide funds of up to $19,617 [US$14,700], subject to the terms and conditions of the agreement, to support CRH in funding certain earn-out payment obligations.

[iv] Revenue and Milestone Commitments

Under certain agreements, Knight may have to pay additional consideration should the Company achieve certain sales volumes or if certain milestones are met, such as regulatory approval in Canada. The Company may have to pay up to $16,681 [US$12,500] upon achieving certain sales volumes, and up to $2,851, including US$1,500, upon achieving regulatory or other milestones related to specific products.

[v] Equity Commitment

Subject to a loan agreement with one its borrowers, Knight has committed up to a maximum of $6,673 [US$5,000] to participate in the initial public offering of equity interests of the borrower.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars except for share and per share amounts]
[All other currencies are in thousands]
[Unaudited]

11. STATEMENT OF CASH FLOWS

Effect on cash flows of changes in working capital and other non-cash balances are as follows:

	For the nine-month period ended	
	September 30, 2015	September 30, 2014
	$	$
Increase in:		
Accounts receivable	**(900)**	(528)
Investment tax credits receivable	**(200)**	—
Inventory	**(986)**	—
Other current assets	**(149)**	(239)
Other financial assets	**(424)**	—
Increase (decrease) in:		
Accounts payable and accrued liabilities	**(1,289)**	419
Deferred revenue	**—**	32
Income taxes payable	**(3,452)**	—
	(7,400)	(316)

12. SUBSEQUENT EVENT

On November 2, 2015, through one of its wholly-owned subsidiaries, Knight announced that a dividend in the amount of ILS 5,660 [CA$1,900] was approved by the Board of Directors of Medison related to the Company's 28.3% equity interest in Medison. This dividend attributed to Knight represents 28.3% of a semi-annual payment to Medison's shareholders.