KNIGHT THERAPEUTICS INC.

Management's Discussion and Analysis

For the quarter ended March 31, 2017

The following is Management's Discussion and Analysis of the financial condition and operating results of Knight Therapeutics Inc. ("Knight" or the "Company") for the three months ended March 31, 2017. This document should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto for the three months ended March 31, 2017 and should also be read in conjunction with the audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our annual report for the year ended December 31, 2016. Knight's unaudited interim condensed consolidated financial statements as at and for the three months ended March 31, 2017 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". All amounts herein are expressed in thousands of Canadian dollars (unless otherwise indicated) except for share and per share amounts. All other currencies are in thousands.

This discussion and analysis was prepared by management from information available as at May 10, 2017. Further information about Knight Therapeutics Inc., including the Annual Information Form, available online on SEDAR at www.sedar.com.

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Cautionary note regarding forward-looking statements

This Management's Discussion and Analysis may contain certain "forward-looking statements" and certain "forward-looking information" as defined under applicable Canadian securities laws. Forward-looking statements and information can generally be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue", "plans" or similar terminology. Forward-looking statements and information are subject to various known and unknown risks and uncertainties, many of which are beyond the ability of the Company to control or predict, that may cause the Company's actual results, performance or achievements to be materially different from those expressed or implied thereby, and are developed based on assumptions about such risks, uncertainties and other factors set out herein. 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, 2016. The Company undertakes no obligation to update forward-looking information except as required by applicable law. Such forward-looking information represents management's best judgment based on information currently available. No forward-looking statement can be guaranteed and actual future results may vary materially. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information.

(In thousands, except for share and per share amounts)

GLOSSARY OF ABBREVIATIONS

Calendar	
Abbreviation	**Description**
Q1-17	First quarter of 2017
Q4-16	Fourth quarter of 2016
Q3-16	Third quarter of 2016
Q2-16	Second quarter of 2016
Q1-16	First quarter of 2016
Q4-15	Fourth quarter of 2015
Q3-15	Third quarter of 2015
Q2-15	Second quarter of 2015

Company	
Abbreviation	**Description**
3D	3D Signatures Inc.
60P	60^{o} Pharmaceuticals LLC
Advaxis	Advaxis Pharmaceuticals Inc.
Akorn	Akorn Inc.
Alimera	Alimera Sciences Inc.
Antibe	Antibe Therapeutics Inc.
Apicore	Apicore Inc. and Apigen Investments Ltd.
AstraZeneca	AstraZeneca AB
Braeburn	Braeburn Pharmaceuticals Inc.
Crescita	Crescita Therapeutics Inc.
Ember	Ember Therapeutics Inc.
EMPA	EMPA Healthcare LLC
Intega	INTEGA Skin Sciences Inc.
Knight or the Company	Knight Therapeutics Inc.
Medimetriks	Medimetriks Pharmaceuticals Inc.
Medison	Medison Biotech (1995) Ltd.
NEMO II	New Emerging Medical Opportunities Fund II Ltd.
NEMO III	New Emerging Medical Opportunities Fund III Ltd.
NeurAxon	NeurAxon Pharma Inc.
Orphan	Orphan Canada Inc.
Paladin	Paladin Labs (Barbados) Inc. (an affiliate of Endo International plc)
PBB	Pro Bono Bio PLC
Pediapharm	Pediapharm Inc.
Profound	Profound Medical Inc.
Profounda	Profounda Inc.
Sectoral	Sectoral Asset Management Inc.
SIFI	Società Industria Farmaceutica Italiana S.p.A.
Synergy	Synergy CHC Corp.

Financial	
Abbreviation	**Description**
AFS	Available for sale
CAD or C$	Canadian Dollar
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DC&P	Disclosure Controls and Procedures
EPS	Earnings per share to common shareholders
EUR	Euro
FMV	Fair market value
ICFR	Internal control over financial reporting
IFRS	International Financial Reporting Standards
ILS	New Israeli Shekels
USD or US$	U.S. Dollar

Territory	
Abbreviation	**Description**
CAN	Canada
CAR	Select countries in the Caribbean
ISR	Israel
QUE	Quebec
ROM	Romania
RUS	Russia
U.S.	United States of America
ZAF	Sub-Saharan Africa

Other	
Abbreviation	**Description**
Interim financial statements	Unaudited interim condensed consolidated financial statements
NDS	New Drug Submission
OIC	Opioid-induced constipation
PMPRB	Patented Medicine Prices Review Board
Rx	Prescription pharmaceutical product

OVERVIEW

Section 1 – About Knight Therapeutics Inc.

- Specialty pharmaceutical company, headquartered in Montreal, Canada, and listed on Toronto Stock Exchange under the ticker symbol "GUD".
- Principal business activity is developing, acquiring, in-licensing, out-licensing, marketing and distributing innovative pharmaceutical products, consumer health products and medical devices in Canada and select international markets.
- Finances other life sciences companies in Canada and internationally with the goal of securing product distribution rights for Canada and select international markets, earning interest income and strengthening relationships in the life sciences industry.
- Invests in life sciences venture capital funds whereby 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.
- Develops innovative pharmaceuticals including those to treat neglected tropical diseases and rare pediatric diseases.

Section 2 – Q1-17 Highlights

Financial Results

- Revenues reached $1,750, an increase of $682 or 64% over the same period in prior year.
- Net income was $6,047, an increase of $5,570 or 1,168% over the same period in prior year.

Corporate Development

- Accepted the resignation of Ed Schutter and appointed Dr. Sarit Assouline on the Board of Directors.

Products

- Submitted ILUVIEN®, indicated for the treatment of diabetic macular edema, for regulatory approval by Health Canada.
- Received Notice of Deficiency Withdrawal from Health Canada with respect to regulatory submission of ATryn®.
- Announced the commercialization of Movantik® in Canada.

Strategic Lending

- Received $8,137 [US$6,158] on repayment of the Apicore loan.
- Received $17,450 [US$13,125] on repayment of the PBB loan.

Strategic Investments

- Dividends of $2,525 [ILS7,068] declared by strategic partner Medison.

(In thousands, except for share and per share amounts)

FINANCIAL RESULTS

Section 3 – Results of Operations

	Q1-17	Q1-16	Change $[1]	Change %[2]
Revenues	**1,750**	1,068	682	64%
Cost of goods sold	**288**	246	(42)	17%
Gross margin	**1,462**	822	640	78%
Expenses				
Selling and marketing	**363**	—	(363)	N/A
General and administrative	**2,468**	2,193	(275)	13%
Research and development	**416**	283	(133)	47%
	(1,785)	(1,654)	(131)	8%
Depreciation of property and equipment	**—**	8	8	N/A
Amortization of intangible assets	**326**	41	(285)	695%
Interest income	**(5,860)**	(4,816)	1,044	22%
Other income	**(308)**	(1,099)	(791)	72%
Net gain on financial assets	**(3,375)**	(1,729)	1,646	95%
Share of net income of associate	**(319)**	(854)	(535)	63%
Foreign exchange loss	**243**	3,770	3,527	94%
Income before income taxes	**7,508**	3,025	4,483	148%
Income tax expense				
Current	**480**	2,541	2,061	81%
Deferred	**981**	7	(974)	13,914%
Net income	**6,047**	477	5,570	1,168%
Attributable to shareholders of the Company				
Basic EPS	**0.04**	0.005	0.035	700%
Diluted EPS	**0.04**	0.005	0.035	700%

[1] *A positive variance represents a positive impact to net income and a negative variance represents a negative impact to net income*
[2] *Percentage change is presented in absolute values*

(In thousands, except for share and per share amounts)

	Q1-17 vs Q1-16
Revenues	The increase is mainly attributable to: • Full recognition of Impavido® revenues post termination of the distribution and sale agreement with Paladin and the U.S. commercial launch both in March 2016. • Recognition of Movantik® revenues as of December 15th, 2016, upon in-license from AstraZeneca.
Cost of goods sold	• Increase related to the growth in revenues.
Selling and marketing	• Increase related to the commercialization of Movantik®.
General and administrative	• Increase explained by growth in the number of employees.
Research and development expenses	• Increase due to growth of the Company's scientific affairs department.
Interest income	• Derived primarily from interest earned on loans, cash and cash equivalents, marketable securities and accretion on loans receivable. Total interest income of $5,860 includes accretion of $1,078 (2016: $1,105) ***Interest Income (excluding accretion)*** • Interest income (excluding accretion) for Q1-17 at $4,782, increase of 29% or $1,071 compared to prior year driven an overall higher average loan outstanding balance and an increase in the average cash, cash equivalents and marketable securities balances due to proceeds from equity raises in June and December 2016.
Other income[1]	• Decrease is primarily driven by certain non-recurring fees earned from a strategic partner in Q1-16.
Net gain on financial assets[2]	• Increase is primarily explained by the recognition of derivatives. Refer to Section 8 – Strategic Investments for additional information.
Share of income of associate	• Decrease is directly related to Medison's performance during the quarter offset by the amortization of fair value adjustments.
Foreign exchange loss	• Explained by losses on certain U.S. dollar denominated financial assets as Canadian dollar strengthened.
Income tax expense	• Decrease due to lower activity in Q1-17.

[1] *Other income includes income earned for advisory and other services gains from early loan repayments and income from strategic lending deals*

[2] *Net gain on financial assets includes unrealized gains and losses on revaluation of derivatives and realized gains and losses on equities, derivatives and distributions from funds*

(In thousands, except for share and per share amounts)

FINANCIAL CONDITION

Section 4 – Balance Sheet

	March 31, 2017	December 31, 2016	Change $	Change %[1]
ASSETS				
Current				
Cash and cash equivalents	**519,522**	514,942	4,580	1%
Marketable securities	**244,256**	221,108	23,148	10%
Trade and other receivables	**7,977**	6,440	1,537	24%
Inventories	**689**	790	(101)	13%
Other current financial assets	**41,635**	51,789	(10,154)	20%
Income taxes receivable	**4,786**	4,683	103	2%
Total current assets	**818,865**	799,752	19,113	2%
Property and equipment	**37**	32	5	16%
Intangible assets	**13,787**	14,153	(366)	3%
Other financial assets	**78,076**	90,643	(12,567)	14%
Investment in associate	**77,907**	80,113	(2,206)	3%
Deferred income tax assets	**5,621**	6,077	(456)	8%
Total assets	**994,293**	990,770	3,523	0%
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	**2,933**	3,207	(274)	9%
Income taxes payable	**6,007**	5,659	348	6%
Other balances payable	**532**	537	(5)	1%
Deferred other income	**263**	355	(92)	26%
Total current liabilities	**9,735**	9,758	(23)	0%
Deferred other income	**363**	417	(54)	13%
Other balances payable	**900**	877	23	3%
Total liabilities	**10,998**	11,052	(54)	0%
Shareholders' equity				
Share capital	**761,003**	760,447	556	0%
Warrants	**785**	785	—	—
Contributed surplus	**10,120**	9,469	651	7%
Accumulated other comprehensive income	**26,754**	30,431	(3,677)	12%
Retained earnings	**184,633**	178,586	6,047	4%
Total shareholders' equity	**983,295**	979,718	3,577	0%
Total liabilities and shareholders' equity	**994,293**	990,770	3,523	0%

[1] *Percentage change is presented in absolute values*

(In thousands, except for share and per share amounts)

	March 31, 2017 vs December 31, 2016
Cash and cash equivalents and marketable securities	• Refer to Section 5 – Liquidity and Capital Resources for further information.
Trade and other receivables	• Increase due to timing of collection of trade accounts receivable, growth in interest receivable and a net receivable from Medison. Refer to note 6 in the interim financial statements for additional information.
Inventories	• No significant variance.
Other financial assets (current and long term)	• Decrease of $22,721 driven by: **Funds:** increase of $1,761 due to capital calls of $4,141 offset by distributions and mark-to-market adjustments of $2,380. For further information on Knight's strategic investments, refer to Section 8. **Loans and Debentures:** decrease of $27,488 mainly due to early repayment of the Apicore and PBB loans. For further information on Knight's strategic lending, refer to Section 7. **Equities, Warrants and Derivatives:** increase of $3,006 driven by strategic investments in publicly traded equities and recognition of derivatives. Refer to note 8 in the interim financial statements for further information.
Intangible assets	• Decrease due to amortization of intangible assets.
Investment in associate	• Decrease due to dividends declared by Medison offset by Knight's share of net income for the period. • Refer to Section 9 for further information.
Accounts payable and accrued liabilities	• Decrease due to timing of payables.
Share capital	• Refer to note 11 in the interim financial statements for information.
Contributed surplus	• Increase related to share-based compensation expense offset by exercise of stock options. • Refer to the statement of changes in shareholders' equity in the interim financial statements for further information.
Accumulated other comprehensive income	• Refer to the statement of changes in shareholders' equity in the interim financial statements for further information.
Retained earnings	• Refer to the statement of changes in shareholders' equity in the interim financial statements for further information.

Section 5 – Liquidity and Capital Resources

The Company's Investment Policy governs the investment activities relating to cash resources. An Investment Committee composed of representatives from management and the Board of Directors monitors compliance with said policy. The Company invests in strategic investments in the form of equity funds, debt funds, equity or 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. At present, the Company is actively pursuing acquisitions that may require the use of substantial capital resources. There are no present agreements or commitments with respect to such acquisitions.

The table below sets forth a summary of cash flow activity and should be read in conjunction with our consolidated statements of cash flows.

All figures are reflected in thousands of Canadian dollars.

	Three months ended March 31,	
	2017	2016
Net cash generated by operating activities	**4,236**	4,535
Net cash generated by (used in) investing activities	**156**	(35,605)
Net cash generated by financing activities	**388**	28
Increase (decrease) in cash and cash equivalents during the period	**4,780**	(31,042)
Net foreign exchange difference	**(200)**	(1,654)
Cash and cash equivalents, beginning of period	**514,942**	237,481
Cash and cash equivalents, end of period	**519,522**	204,785
Marketable securities, end of period	**244,256**	221,450
Cash, cash equivalents, and marketable securities, end of period	**763,778**	426,235

The company's cash, cash equivalents and marketable securities increased by $337,543 or 79% to $763,778 as at March 31, 2017 from $426,235 as at March 31, 2016.

Cash flows generated by operating activities for the three-month period ended March 31, 2017 were $4,236 compared to cash generated in operating activities of $4,535 for the comparative period last year. Cash flows for operating activities for the three-month periods ended March 31 primarily relate to cash generated through revenues and interest received, offset by operating expenses including salaries, research and development expenses, professional fees, and office expenses. Cash flows provided by operating activities exclude revenues and expenses not affecting cash, such as unrealized and realized gains on financial assets, accretion of interest, share based compensation expense, depreciation and amortization and net changes in non-cash balances relating to operations.

Cash flows generated by investing activities were $156 for the three-month period ended March 31, 2017 due to proceeds from repayments of loan receivables of $28,058, offset by net investments of marketable securities of $23,805, net purchase of equities of $2,110 and net investments in life sciences funds of $1,987. For the same period in 2016, cash flows used in investing activities were $35,605 due to issuance of loans receivable net of principal repayments of $33,833, investments in life science funds of $5,833 and purchases of intangibles of $2,924, offset by net proceeds from investments in marketable securities of $4,827 and net disposals of equities of $2,158.

Cash flows generated by financing activities of $388 for the three-month ended March 31, 2017 (2016: $28) were due to the participation of employees and directors in the Company's share purchase and option plans.

PRODUCT ACQUISITION STRATEGY

Section 6 – Products

Knight pursues opportunities to acquire or in-license innovative pharmaceutical products, consumer health products and medical devices in Canada and select international markets. Knight's wholly owned subsidiary in Barbados develops innovative pharmaceuticals including those used to treat neglected tropical diseases and rare pediatric diseases. Knight expects to expand its product portfolio within existing therapeutic fields in Canada and internationally, and intends to leverage its expertise in specialty sales and marketing, product acquisition and in-licensing to gain a competitive advantage in delivering pharmaceutical products to the marketplace, thereby decreasing scientific risks, long development timelines and high development costs. The following table summarizes certain products from Knight's product portfolio.

Prescription Pharmaceutical Products

Product	Indication	Licensor	Status in Territory	Territory Rights
Pain				
Movantik®	OIC	AstraZeneca	Marketed in CAN and under regulatory review in ISR	CAN, ISR
Probuphine™	Opioid addiction	Braeburn	Pre-Registration[1]	CAN
NeurAxon family	Acute migraine, pain and neurological disorders	N/A	Pre-Clinical – Phase 3	CAN, ISR, RUS, ZAF
Antibe family	Chronic pain and inflammation	Antibe	Pre-clinical – Phase 2	CAN, ISR, RUS, ZAF
Ophthalmic				
AzaSite™	Bacterial conjunctivitis	Akorn	Approved	CAN
Iluvien®	Diabetic macular edema	Alimera	NDS in review	CAN
Netildex™	Ocular inflammation	SIFI	Pre-Registration[1]	CAN
Other				
Impavido®	Leishmaniasis	N/A	Marketed	Global
ATryn®	Prevention of thromboembolic events	LFB S.A.	Pre-Registration[2]	CAN
60P family	Tropical diseases	60P	Phase 1 – Phase 3	CAN, ISR, RUS
Advaxis family	HPV-associated cancers and others	Advaxis	Phase 1 – Phase 2	CAN

[1] Not yet submitted for approval to Health Canada or other relevant health regulatory entity
[2] Knight received a Notice of Deficiency Withdrawal from Health Canada in March 2017

Consumer Health Products

Product	Indication	Licensor	Status in Territory	Territory Rights
Neuragen®	Pain associated with diabetic and peripheral neuropathy	N/A	Marketed[2]	Global (Ex. U.S)
Flat Tummy Tea™	Herbal detox tea	Synergy	Marketed	CAN, ISR, ROM, RUS, ZAF
FOCUSfactor™	Dietary supplement	Synergy	Marketed[2]	CAN, ISR, ROM, RUS, ZAF
FLEXISEQ™	Pain and joint stiffness associated with osteoarthritis	PBB	Not Yet Marketed	QUE, ISR
Hand MD™	Line of anti-aging hand skincare products	Synergy	Not Yet Marketed	CAN, ISR, ROM, RUS, ZAF
Crescita family	Dermo-cosmetic line of products	Crescita	Not Yet Marketed	ISR, ROM, RUS, ZAF, CAR

Medical Devices

Product	Indication	Licensor	Status in Territory	Territory Rights
TULSA-PRO®	Prostate ablation	Profound	Pre-Registration[1]	CAN
3D family	Diagnostic and prognostic tools to improve treatment outcomes	3D	In Development	CAN, CAR, ISR, RUS, ZAF

[1] Not yet submitted for approval to Health Canada or other relevant health regulatory entity
[2] Approved and marketed in Canada only

Q1-17 Highlights

ILUVIEN® – Regulatory Approval

On July 21, 2015, Knight entered into an agreement with Alimera pursuant to which Knight acquired the exclusive Canadian distribution rights to ILUVIEN®, a sustained release intravitreal implant for the treatment of diabetic macular edema. On February 22, 2017, ILUVIEN® was accepted for review by Health Canada.

ATryn® – Notice of Deficiency

In September 2014, Knight received the rights to commercialize ATryn® in Canada through its acquisition of Orphan's assets. On August 6, 2015, Knight's NDS was accepted for review by Health Canada for ATryn® for the prevention of peri-operative and peri-partum thromboembolic events in hereditary antithrombin deficient patients. During the quarter ended March 31, 2017, Knight received a Notice of Deficiency Withdrawal from Health Canada with respect to regulatory submission of ATryn®.

(In thousands, except for share and per share amounts)

Movantik® – Canadian Commercialization

In December 2016, Knight entered into an agreement with AstraZeneca for the rights to Movantik® in Canada and Israel. Movantik® is the first once-daily oral peripherally-acting mu-opioid receptor antagonist approved in Canada for the treatment of OIC in adult patients with non-cancer pain who have had an inadequate response to laxative(s) and was launched by AstraZeneca in October 2015. Movantik® is currently under regulatory review in Israel and, when approved, will be marketed under the name Moventig®. According to the Canadian Family Physician Practice Guideline, it is estimated that at least 26% of chronic opioid users suffer from OIC. According to IMS data, Movantik® sales in Canada were $168 for the three-month period ended March 31, 2017. Under the terms of the exclusive license agreement, Knight is responsible for all commercial, regulatory and certain supply chain activities for Movantik® in Canada and Israel. On March 13, 2017, Knight announced the commercial relaunch of Movantik® in Canada.

Section 7 – Strategic Lending

Knight finances other life sciences companies in all geographic markets with the goal of earning interest income, strengthening relationships in the life sciences industry and securing product distribution rights for Canada and select international markets. Typically, loans have low double digit interest rates and may come with additional consideration to the Company. Loans often come with product rights or product options for Canada and select international markets. These loans strengthen Knight's ties within the life sciences industry and, in doing so, help to secure product rights for Knight either on a direct or indirect basis. As of the date hereof, Knight has eight secured loans outstanding to life sciences companies as outlined in the table below. To date, the strategic lending portfolio has led to the acquisition or in-licensing of Knight's consumer health products (as described in Section 6), the Antibe family, the 60P family and TULSA-PRO®.

	Nominal loan balance as at March 31, 2017	
Entity	**In Source Currency**	**In Canadian Dollars[1]**
Medimetriks	US$22,750	$30,255
Synergy	US$5,000	$6,650
Crescita	C$6,841	$6,841
Profound	C$4,000	$4,000
60P	US$2,842	$3,780
Pediapharm[2]	C$1,250	$1,250
Ember	US$500	$665
Antibe	C$546	$546
Total		**$53,987**

[1] Converted at the Bank of Canada closing exchange rates on March 31, 2017
[2] Pediapharm debenture is held indirectly through the Bloom Burton Healthcare Lending Trust

The following table summarizes the activities of the strategic lending portfolio during Q1-17.

	Carrying value beginning of quarter[1]	Additions	Accretion[2]	Loan repayments	Other[3]	Carrying value end of quarter	Current other financial assets	Non-current other financial assets
Q1-17	**75,731**	**140**	**1,078**	**(28,058)**	**(648)**	**48,243**	**8,158**	**40,085**

[1] Refer to the 2016 audited annual consolidated financial statements for additional information on the balance
[2] Accretion of interest income based on the effective interest rate method
[3] Net changes related to foreign currency revaluations

(In thousands, except for share and per share amounts)

Q1-17 Highlights

Apicore

On January 6, 2017, Apicore repaid the remaining principal on its loan of $8,137 [US$6,158] and all remaining accrued interest as at the date thereof.

PBB

On March 28, 2017, Knight assigned its PBB loan. The principal balance of $17,450 [US$13,125] and all remaining accrued interest as at the date thereof was repaid.

Section 8 – Strategic Investments

Fund Investments

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. Knight has committed to invest with the following capital fund managers for approximately $125,153 as at March 31, 2017. To date, the investments in venture capital funds have led to the Canadian in-license of Iluvien® from Alimera and a portfolio of products from Advaxis.

The fair value of the AFS funds held by Knight, as at March 31, 2017, is $36,337.

	Fund Commitment	
Entity	**In Source Currency**	**In Canadian Dollars[1]**
Domain Associates LLC	US$25,000	$29,063
Teralys Capital	C$30,000	$30,000
Forbion Capital Partners	€19,500	$27,550
Sectoral Asset Management[2]	US$13,000	$13,919
Sanderling Ventures LLC	US$10,000	$11,625
HarbourVest Partners LLC	C$10,000	$10,000
TVM Capital GmbH	US$1,600	$1,996
Genesys Capital Management (Fund III) Inc.	C$1,000	$1,000
Total		**$125,153**

[1] *Converted at the Bank of Canada noon exchange rates as of the commitment dates. Using the March 31, 2017 closing rate total fund commitment would be $134,753*

[2] *Knight received a full return of capital from its US$13,000 investment in Sectoral's NEMO II and subsequently committed to reinvest US$10,000 into Sectoral's NEMO III*

In addition to the above equity funds, Knight has invested an aggregate of $1,500 in debt funds with Bloom Burton Healthcare Lending Trust I and II, managed by Stratigis Capital Advisors Inc.

(In thousands, except for share and per share amounts)

The following table summarizes the activities of the strategic fund investments during Q1-17.

	Carrying value beginning of quarter[1]	Additions	Distributions	Realized gain	Other[2]	Carrying value end of quarter	Current other financial assets	Non-current other financial assets
Q1-17	**34,576**	**4,141**	**(2,154)**	**652**	**(878)**	**36,337**	**—**	**36,337**

[1] Refer to the 2016 audited annual consolidated financial statements for additional information on the balance
[2] Net changes due to revaluation to fair market value, foreign currency revaluations, and realized gains reclassified from other comprehensive income to consolidated statement of income upon distribution or disposal

During the quarter ended March 31, 2017, the Company recorded a gain of $652 (2016: $0) related to the realized gain on distributions received in the statement of income as net gain on financial assets. Furthermore, the Company recorded a net decrease of $878 (2016: $834) in other comprehensive income due to foreign currency revaluation and mark-to-market adjustments.

Other investments

For details regarding the movement in AFS equities or derivatives held by Knight throughout the quarter, refer to note 8 "Other Financial Assets" of the interim financial statements.

Section 9 – Rest of World Strategy

Knight's international strategy is focused on identifying potential products and companies that fit within its existing business model, but that are located in select areas such as Israel, Australia, Latin America, Romania, Russia, Sub-Saharan Africa, the Caribbean and other countries excluding the U.S. and Western Europe. Knight intends to continue its growth by becoming an international specialty pharmaceutical company and believes that these countries provide potentially significant growth and value opportunities.

Investment in Medison

On September 9, 2015, Knight acquired a 28.3% ownership interest in Medison, a privately-owned specialty pharmaceutical company based in Israel. The consideration given for the equity interest in Medison amounted to $82,001, which includes the fair value of 10,330,884 common shares of Knight issued to Medison and its controlling shareholder and a contingent consideration of $1,100. In addition, the Company incurred $217 of transaction costs which were capitalized with the investment. On June 16, 2016, the Company issued 250,000 common shares at a price of $8.29 per share for $2,073 and reduced the amount of contingent consideration recorded in contributed surplus upon the initial investment in Medison by $943. Consequently, the Company recorded an increase of $1,130 in the investment in associate. There is no further contingent consideration payable to Medison.

The interest in Medison is accounted for using the equity method of accounting. The investment was originally recorded at cost and subsequently adjusted to include the Company's share of Medison's net income and any dividends issued to the Company. The net income is 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 their tax impact.

(In thousands, except for share and per share amounts)

This selected information is derived from our financial statements.

	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15[1]
Carrying value of investment	**77,907**	80,113	80,075	81,393	79,458	81,027	82,096
Amortization of FMV adjustments	**(1,503)**	(1,749)	(1,207)	(1,208)	(1,006)	(1,260)	(333)
Share of net income, net of FMV adjustment	**319**	38	1,096	805	854	946	95
Dividends	**2,525**[2]	—	2,414	—	2,423	2,015	—

[1]From September 9, 2015 to September 30, 2015
[2] Declared and approved by Medison's board of directors in February 2017 (paid in April 2017)

RISK MANAGEMENT

Section 10

10.1 Currency Risk

Knight holds a significant portion of its net financial assets in US$, EUR and ILS which results in financial risk due to fluctuations in the value of the currencies relative to the CAD. Assuming that all other variables remain constant, a 5% change in the Canadian dollar against the US$, EUR and ILS would have resulted in a change in the statement of income and comprehensive income of $11,433, $448 and $431, respectively.

10.2 Equity Price Risk

Equity price risk arises from changes in market prices of the AFS investments. The carrying values of investments subject to equity price risk are $71,468 as at March 31, 2017 (December 31, 2016: $66,701). The Company monitors its equity investments for impairment on a periodic basis and at least every reporting period. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amounts realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company's Board of Directors regularly reviews and approves equity investment decisions.

10.3 Interest Rate Risk

The Company is subject to interest rate risk on its cash, cash equivalents and marketable securities. Details regarding maturity dates and effective interest rates are described in notes 4 and 5 of the interim financial statements. The Company does not believe that the results of operations or cash flows would be materially affected to any significant degree by a sudden change in market interest rates relative to interest rates on the investments, owing to the relatively short-term nature of the marketable securities and currently low market yields.

10.4 Liquidity Risk

The majority of the Company's financial liabilities are short term in nature. The Company generates sufficient cash from operating activities to fund its operations and fulfil its obligations as they become due. The Company has sufficient funds available through its cash, cash equivalents and marketable securities, should its cash requirements exceed cash generated from operations to cover all financial liability obligations. As at March 31, 2017, there were no restrictions on the flow of these funds nor have any of these funds been committed in any way, except as set out in note 15 of the interim financial statements.

10.5 Credit Risk

The Company considers its maximum credit risk to be $93,732 (December 31, 2016: $117,209) which is the total of the following assets: trade and accounts receivable, interest receivable, loans receivable, investment in funds and derivatives. The marketable securities and cash equivalent balances are subject to minimal risk of changes in value. They are invested within two large Canadian financial institutions, two Canadian credit unions guaranteed by provincial governments, two foreign affiliates of large Canadian financial institutions and one Israeli financial institution, comprised of, twelve guaranteed investment certificate investments and five term deposits.

(In thousands, except for share and per share amounts)

The Company is exposed to credit risk from its customers and continually monitors its customers' credit. It establishes the provision for doubtful accounts based upon the credit risk applicable to each customer. The credit risk on loans and interest receivable is due to the risk of insolvency or operational failure of the partners in the strategic lending transaction. The Company also has a credit risk on its investment in funds and derivatives which are held through venture funds or issued by a counterparty.

10.6 Risk Factors

For a detailed discussion of additional risk factors, please refer to the Company's Annual Information Form for the year ended December 31, 2016 on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Section 11 – Selected Quarterly Financial Information

This selected information is derived from our financial statements.

	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15
Revenues	**1,750**	1,845	1,892	1,135	1,068	343	114	333
Net income	**6,047**	7,939	5,698	4,446	477	5,554	6,277	8,520
EPS								
Basic	**0.04**	0.06	0.04	0.04	0.005	0.05	0.07	0.09
Diluted	**0.04**	0.06	0.04	0.04	0.005	0.05	0.07	0.09
Cash, cash equivalents and marketable securities	**763,778**	736,050	645,054	638,423	426,235	471,207	445,889	436,997
Total assets	**994,293**	990,770	877,904	867,999	638,336	648,988	627,821	530,136
Total liabilities	**10,998**	11,052	8,305	6,034	5,663	6,926	2,372	3,797

Section 12 – Outstanding Share Data

The table below summarizes the share data:

As at	**May 10, 2017**
Common Shares	142,759,326
Stock Options	3,519,981
Warrants	406,126

Section 13 – Use of Proceeds from Financing

To date, Knight has raised net proceeds of approximately $685,000 from five public offerings. 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 in the life sciences sector, and (iii) the remainder for general corporate purposes.

As at March 31, 2017 Knight had deployed or invested or committed to deploy or invest over $300,000 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.

Section 14 – Payment of Dividends

The Company has not paid dividends on its common shares since inception and does not anticipate declaring dividends in the foreseeable future. Knight's current policy is to retain earnings to finance the acquisition and development of new products and to reinvest in the growth of the Company. Any future determination to pay dividends is at the discretion of the Company's Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements and other such factors as the Board of Directors of the Company deems relevant.

Section 15 – Product Pricing Regulation on Certain Patented Drug Products

Certain patented drug products within the Company's portfolio of products are subject to product pricing regulation by the PMPRB. The PMPRB's objective is to ensure that prices of patented products in Canada are not excessive. For new patented products, the price in Canada is limited to either the cost of existing drugs sold in Canada or the median of prices for the same drug sold in other specified industrial countries. For existing patented products prices cannot increase by more than the Consumer Price Index. The PMPRB monitors compliance through a review of the average transaction price of each patented drug product as reported by the Company over a recurring six-month reporting period.

Section 16 – Financial Instruments

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, debt funds, equity or 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.

Knight has not entered into any currency or other hedging instrument contracts during the period ended March 31, 2017. Refer to note 8 of the interim financial statements for the quarter ended March 31, 2017 for additional information.

Section 17 – Off-balance Sheet Arrangements

The Company's off-balance sheet arrangements consist of contractual obligations and agreements for development, sales, marketing and distribution rights to innovative drug products. The effect of terminating these arrangements under normal operating circumstances consists of an effective transition of the remaining responsibilities and obligations to the licensor under agreed upon time frames and conditions. Please refer to note 15 of the interim financial statements for the quarter ended March 31, 2017 for additional information. Other than these contractual obligations and commitments, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, changes in revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to investors.

Section 18 – Commitments

Knight has financial commitments with respect to operating leases, a real property, equity and loans, contributions of additional capital to our AFS investments in funds, purchase commitment and revenue and milestone commitments related to product distribution, license and supply agreements which are reported in note 15 of our interim financial statements for the quarter ended March 31, 2017.

Section 19 – Related Party Transactions

Pharmascience Inc., a company related to the Company's CEO provided administrative services to the Company for the quarter ended March 31, 2017. Furthermore, during the quarter ended March 31, 2017, the Company entered into an agreement with its associate resulting in the recognition of a derivative of $1,282 [US$964], with an equivalent gain recorded in the statement of income as gain on financial assets.

Section 20 – 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, consumer health products and medical devices in Canada and select international markets.

Section 21 – Significant Accounting Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts or revenues and expenses during the reporting period. Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. Actual results could differ materially from those estimates.

Our significant accounting estimates and assumptions are reported in note 3 of our 2016 audited annual consolidated financial statements.

Section 22 – Recent Accounting Pronouncements

IFRS 9 – Financial Instruments

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 is currently assessing the impact of this standard on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, to specify how and when to recognize revenue as well as requiring the provision of more informative and relevant disclosures. The standard supersedes IAS 18 – Revenue, IAS 11 – Construction Contracts, and other revenue related Interpretations.

The standard will be effective on January 1, 2018 for the Company, with earlier application permitted. The Company is currently assessing the potential impact of this standard on its consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16"), which replaces IAS 17 – Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. The standard will be effective on January 1, 2019 and the company is currently assessing the potential impact of this standard on its consolidated financial statements.

Section 23 – Disclosure Controls and Procedures

The Company is committed to providing timely, accurate and balanced disclosure of all material information about the Company and to providing fair and equal access to such information. Management is responsible for establishing and maintaining its DC&P to ensure that information used internally and disclosed externally is complete and reliable. Due to the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the Company have been detected. Management continues to evolve and enhance its system of controls and procedures.

Section 24 – Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate 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.

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.

No significant changes were made to our ongoing ICFR during the first quarter of 2017 that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

KNIGHT THERAPEUTICS INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017

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 sheets as at March 31, 2017, the interim condensed consolidated statements of income and comprehensive income, the interim condensed consolidated statement of changes in shareholders' equity and the interim condensed consolidated statement of cash flows for the three-month period ended March 31, 2017, 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.

Jonathan Ross Goodman
Chief Executive Officer

Montreal, Canada
May 10, 2017

Jeffrey Kadanoff
Chief Financial Officer

Montreal, Canada
May 10, 2017

INTERIM CONSOLIDATED BALANCE SHEETS

[Unaudited] [In thousands of Canadian dollars]

As at	*Notes*	**March 31, 2017**	December 31, 2016
ASSETS			
Current			
Cash and cash equivalents	*4*	**519,522**	514,942
Marketable securities	*5*	**244,256**	221,108
Trade and other receivables	*6*	**7,977**	6,440
Inventories		**689**	790
Other current financial assets	*8, 9*	**41,635**	51,789
Income taxes receivable		**4,786**	4,683
Total current assets		**818,865**	799,752
Property and equipment		**37**	32
Intangible assets	*7*	**13,787**	14,153
Other financial assets	*8, 9*	**78,076**	90,643
Investment in associate	*10*	**77,907**	80,113
Deferred income tax assets		**5,621**	6,077
Total assets		**994,293**	990,770
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		**2,933**	3,207
Income taxes payable		**6,007**	5,659
Other balances payable		**532**	537
Deferred other income		**263**	355
Total current liabilities		**9,735**	9,758
Deferred other income		**363**	417
Other balances payable		**900**	877
Total liabilities		**10,998**	11,052
Shareholders' equity			
Share capital	*11 [i]*	**761,003**	760,447
Warrants		**785**	785
Contributed surplus		**10,120**	9,469
Accumulated other comprehensive income	*12*	**26,754**	30,431
Retained earnings		**184,633**	178,586
Total shareholders' equity		**983,295**	979,718
Total liabilities and shareholders' equity		**994,293**	990,770

Commitments *[note 15]*

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF INCOME

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

	Notes	Three months ended March 31, 2017	2016
Revenues		**1,750**	1,068
Cost of goods sold		**288**	246
Gross margin		**1,462**	822
Expenses			
Selling and marketing		**363**	—
General and administrative		**2,468**	2,193
Research and development		**416**	283
		(1,785)	(1,654)
Depreciation of property and equipment		**—**	8
Amortization of intangible assets	*7*	**326**	41
Interest income		**(5,860)**	(4,816)
Other income		**(308)**	(1,099)
Net gain on financial assets		**(3,375)**	(1,729)
Share of net income of associate	*10*	**(319)**	(854)
Foreign exchange loss		**243**	3,770
Income before income taxes		**7,508**	3,025
Income tax expense			
Current		**480**	2,541
Deferred		**981**	7
Net income for the period		**6,047**	477
Attributable to shareholders of the Company			
Basic earnings per share	*13*	**0.04**	0.005
Diluted earnings per share	*13*	**0.04**	0.005
Weighted average number of common shares outstanding			
Basic	*13*	**142,720,536**	103,475,043
Diluted	*13*	**143,626,773**	103,688,167

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[Unaudited] [In thousands of Canadian dollars]

	Three months ended March 31,	
	2017	2016
Net income for the period	**6,047**	477
Realized gain reclassified to statement of income net of tax of $64 (2016: net of tax of $64)	**(973)**	(410)
Other comprehensive income (loss) to be reclassified to statement of income in subsequent periods:		
Unrealized (loss) gain on available-for-sale financial instruments net of tax of $434 (2016: net of tax of $72)	**(1,046)**	421
Unrealized loss on translation of foreign operations	**(1,658)**	(10,978)
Other comprehensive (loss) for the period	**(3,677)**	(10,967)
Total comprehensive income (loss) for the period	**2,370**	(10,490)

See accompanying notes

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

[Unaudited] [In thousands of Canadian dollars]

	Notes	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity
Balance as at January 1, 2016		439,148	161	6,772	35,955	160,026	642,062
Net income for the three-month period		—	—	—	—	477	477
Realized gain reclassified to statement of income		—	—	—	(410)	—	(410)
Unrealized gain on available for sale financial instruments		—	—	—	421	—	421
Unrealized loss on translation of foreign operations		—	—	—	(10,978)	—	(10,978)
Comprehensive (loss) income		—	—	—	(10,967)	477	(10,490)
Share-based compensation expense	*11 [ii]*	—	—	1,073	—	—	1,073
Issuance under share purchase plan		28	—	—	—	—	28
Balance as at March 31, 2016		439,176	161	7,845	24,988	160,503	632,673
Balance as at January 1, 2017		**760,447**	**785**	**9,469**	**30,431**	**178,586**	**979,718**
Net income for the three-month period		—	—	—	—	6,047	**6,047**
Realized gain reclassified to statement of income		—	—	—	(973)	—	**(973)**
Unrealized loss on available for sale financial instruments		—	—	—	(1,046)	—	**(1,046)**
Unrealized loss on translation of foreign operations		—	—	—	(1,658)	—	**(1,658)**
Comprehensive (loss) income		—	—	—	(3,677)	6,047	**2,370**
Share-based compensation expense	*11 [ii]*	—	—	846	—	—	**846**
Issuance under share option plan	*11 [i]*	513	—	(195)	—	—	**318**
Issuance under share purchase plan	*11 [i]*	43	—	—	—	—	**43**
Balance as at March 31, 2017		**761,003**	**785**	**10,120**	**26,754**	**184,633**	**983,295**

See accompanying notes

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

[Unaudited] [In thousands of Canadian dollars]

		Three months ended March 31,	
	Notes	**2017**	2016
OPERATING ACTIVITIES			
Net income for the period		**6,047**	477
Adjustments reconciling net income to operating cash flows:			
Deferred tax		**981**	7
Share-based compensation expense	*11 [ii]*	**846**	1,073
Depreciation and amortization	*7*	**326**	49
Accretion of interest	*8 [i]*	**(1,078)**	(1,105)
Realized gain on financial assets		**(976)**	(656)
Unrealized gain on financial assets		**(2,399)**	(1,073)
Foreign exchange loss		**204**	3,760
Share of net income from associate	*10*	**(319)**	(854)
Dividends from associate		**—**	2,423
Other adjustments		**(301)**	(142)
		3,331	3,959
Changes in non-cash working capital related to operations	*16*	**905**	576
Cash inflow from operating activities		**4,236**	4,535
INVESTING ACTIVITIES			
Purchase of marketable securities		**(44,291)**	(147,399)
Purchase of intangibles		**—**	(2,924)
Issuance of loans receivable		**—**	(34,851)
Purchase of equities		**(2,819)**	(3,461)
Investment in funds		**(4,141)**	(5,833)
Proceeds from marketable securities		**20,486**	152,226
Proceeds from repayments of loans receivable		**28,058**	1,018
Proceeds from disposal of equities		**709**	5,619
Proceeds from distribution of funds		**2,154**	—
Cash inflow (outflow) from investing activities		**156**	(35,605)
FINANCING ACTIVITIES			
Share option plan		**345**	—
Share purchase plan		**43**	28
Cash inflow from financing activities		**388**	28
Increase (decrease) in cash during the period		**4,780**	(31,042)
Cash and cash equivalents, beginning of the period		**514,942**	237,481
Net foreign exchange difference		**(200)**	(1,654)
Cash and cash equivalents, end of the period		**519,522**	204,785
Supplemental cash flow information:			
Interest received		**4,018**	3,773
Income taxes paid		**286**	2,334
Cash and cash equivalents		**519,522**	204,785
Marketable securities		**244,256**	221,450
		763,778	426,235

See accompanying notes

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

GLOSSARY OF ABBREVIATIONS

Abbreviation	Company
3D	3D Signatures Inc.
60P	60° Pharmaceuticals LLC
Antibe	Antibe Therapeutics Inc.
Apicore	Apicore Inc. and Apigen Investments Limited
Crescita	Crescita Therapeutics Inc.
Intega	INTEGA Skin Sciences Inc.
Knight or the Company	Knight Therapeutics Inc.
Medimetriks	Medimetriks Pharmaceuticals Inc.
Medison	Medison Biotech (1995) Ltd.
Otsuka	Otsuka Pharmaceutical Co. Ltd
PBB	Pro Bono Bio PLC
Pediapharm	Pediapharm Inc.
Synergy	Synergy CHC Corp.

Abbreviation	Calendar
Q1-17	First quarter of 2017

1. NATURE OF OPERATIONS

Description of business

The Company was incorporated on November 1, 2013 under the *Canada Business Corporations Act.* 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, consumer health products and medical devices in Canada and select international markets. The Company is located at 3400 de Maisonneuve Boulevard West, Suite 1055, Montreal, Quebec, H3Z 3B8. Knight is listed 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 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, 2016. These interim condensed consolidated financial statements have been prepared in accordance with International Financial Accounting Standard 34 “Interim Financial Reporting”. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed.

The preparation of the Company’s interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 3 of the Company’s annual audited consolidated financial statements for the year ended December 31, 2016. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2016.

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

These unaudited interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on May 10, 2017.

3. RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 9 – Financial Instruments

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 is currently assessing the impact of this standard and amendments on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, to specify how and when to recognize revenue as well as requiring the provision of more informative and relevant disclosures. The standard supersedes IAS 18 – Revenue, IAS 11 – Construction Contracts, and other revenue related interpretations. The standard will be effective on January 1, 2018 for the Company, with earlier application permitted. The Company is currently assessing the potential impact of this standard on its consolidated financial statements.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16"), which replaces IAS 17 – Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. The standard will be effective on January 1, 2019. The Company is currently assessing the potential impact of this standard on its consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

As at	**March 31, 2017** **$**	December 31, 2016 $
Cash in bank	**519,522**	490,435
Term deposit of US$18,252 earning interest at 0.80% and maturing January 2017	—	24,507
	519,522	514,942

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

5. MARKETABLE SECURITIES

As at	March 31, 2017 $	December 31, 2016 $
Guaranteed investment certificates earning interest rates ranging from 0.95% to 1.90% and maturing from April 2017 to February 2019 (December 31, 2016: earned interest ranging from 0.95% to 1.90% and maturing from January 2017 to April 2018)	**110,581**	110,890
Term deposits of US$85,735 earning interest rates ranging from 1.00% to 1.70% and maturing from May 2017 to December 2017 (December 31, 2016: US$67,470 earned interest ranging from 1.29% to 1.70% and maturing from May 2017 to December 2017)	**114,019**	90,592
Guaranteed investment certificates of US$9,607 earning interest rates ranging from 1.34% to 1.51% and maturing from May 2017 to November 2017	**12,777**	12,900
Term deposit of ILS18,750 earning interest at 0.08% and maturing November 2017 (December 31, 2016: ILS19,250)	**6,879**	6,726
	244,256	221,108

6. TRADE AND OTHER RECEIVABLES

As at	March 31, 2017 $	December 31, 2016 $
Trade and accounts receivable	**1,663**	2,606
Interest receivable	**3,871**	3,107
Net receivable from associate[1]	**919**	—
Commodity taxes receivable	**351**	102
Prepaid expenses and other receivable	**1,173**	625
	7,977	6,440

[1]*Receivable from associate includes dividends declared and approved offset by a payable upon sale of certain investments*

7. INTANGIBLE ASSETS

	$
Cost as at January 1, 2017	**14,754**
Foreign exchange translation	**(46)**
Cost as at March 31, 2017	**14,708**
Accumulated amortization as at January 1, 2017	**601**
Amortization charge	**326**
Foreign exchange translation	**(6)**
Accumulated amortization as at March 31, 2017	**921**
Net book value as at March 31, 2017	**13,787**

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

8. OTHER FINANCIAL ASSETS

The Company's Investment Policy governs the investment activities relating to cash resources. An Investment Committee composed of representatives from management and the Board of Directors monitors compliance with said policy. The Company invests in strategic investments in the form of equity funds, debt funds, equity or 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.

	Carrying amount	
	March 31, 2017	December 31, 2016
	$	$
Other Financial assets		
Loans and other receivables *[i]*	**48,243**	75,731
Available-for-sale equity investments *[ii]*	**31,513**	30,936
Available-for-sale fund investments *[iii]*	**36,337**	34,576
Derivatives *[iv]*	**3,618**	1,189
Total	**119,711**	142,432

[i] Loans and other receivables

The following table summarizes the movement in loans and receivables during the quarter ended March 31, 2017.

As at,	Carrying value beginning of quarter [1]	Additions	Accretion[2]	Loan repayments	Other[3]	Carrying value end of quarter	Current other financial assets	Non-current other financial assets
	$	$	$	$	$	$	$	$
Q1-17	**75,731**	**140**	**1,078**	**(28,058)**	**(648)**	**48,243**	**8,158**	**40,085**

[1] Refer to the 2016 audited annual consolidated financial statements for additional information on the balance
[2] Accretion of interest income based on the effective interest rate method
[3] Net changes related to foreign currency revaluations

During the quarter ended March 31, 2017, the Company recorded accretion of $1,078 (2016: $1,105) in the statement of income as interest income and a foreign exchange loss of $648 (2016: $3,928) in the statement of income.

Q1-17

Apicore

On January 6, 2017, Apicore repaid the remaining principal of its loan of $8,137 [US$6,158] and all remaining accrued interest as at the date thereof.

PBB

On March 28, 2017, Knight assigned its PBB loan. The principal balance of $17,450 [US$13,125] and all remaining accrued interest as at the date thereof were repaid.

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

[ii] Available-for-sale equity investments

The following table summarizes the movement in available-for-sale equity investments during the quarter ended March 31, 2017.

As at,	Carrying value beginning of quarter [1]	Additions [2]	Disposals [3]	Realized gain [4]	Other [5]	Carrying value end of quarter	Current other financial assets	Non-current other financial assets
	$	$	$	$	$	$	$	$
Q1-17	**30,936**	**2,865**	**(709)**	**324**	**(1,903)**	**31,513**	**30,413**	**1,100**

[1] Refer to the 2016 audited annual consolidated financial statements for additional information on the balance
[2] Equities purchased or received as consideration with the strategic lending transactions
[3] Cash received upon disposal of equities during the year
[4] Realized gain on the disposals of equities
[5] Net changes due to revaluation of equities to fair value, foreign currency translation, realized gains or losses reclassified from other comprehensive income to consolidated statement of income upon disposal and other adjustments

During the quarter ended March 31, 2017, the Company recorded a realized a gain of $324 (2016: $669) in the statement of income as net gain on financial assets. In addition, the Company recorded an unrealized loss of $1,903 (2016: unrealized gain of $854) related to changes due to revaluation of equities to fair value, foreign currency translation, and realized gains or losses reclassified from other comprehensive income to consolidated statement of income upon disposal in the statement of comprehensive income.

[iii] Available-for-sale fund investments

The following table summarizes the movement in available-for-sale fund investments during the quarter ended March 31, 2017.

As at,	Carrying value beginning of quarter [1]	Additions	Distributions	Realized gain	Other [2]	Carrying value end of quarter	Current other financial assets	Non-current other financial assets
	$	$	$	$	$	$	$	$
Q1-17	**34,576**	**4,141**	**(2,154)**	**652**	**(878)**	**36,337**	**—**	**36,337**

[1] Refer to the 2016 audited annual consolidated financial statements for additional information on the balance
[2] Net changes due to revaluation to fair market value, foreign currency revaluations, and realized gains reclassified from other comprehensive income to consolidated statement of income upon distribution or disposal

During the quarter ended March 31, 2017, the Company recorded a gain of $652 (2016: $0) related to the realized gain on distributions received in the statement of income as net gain on financial assets. Furthermore, the Company recorded a net decrease of $878 (2016: $834) in other comprehensive income due to foreign currency revaluation and mark-to-market adjustments.

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

[iv] Derivatives

The following table summarizes the movement in derivatives during the quarter ended March 31, 2017.

As at,	Carrying value beginning of quarter[1]	Additions	Disposals	Realized gain	Other[2]	Carrying value end of quarter	Current other financial assets	Non-current other financial assets
	$	$	$	$	$	$	$	$
Q1-17	**1,189**	**2,459**	**—**	**—**	**(30)**	**3,618**	**3,064**	**554**

[1] Refer to the 2016 audited annual consolidated financial statements for additional information on the balance
[2] Changes due to revaluation to fair market value and foreign currency revaluations on derivatives held throughout the year

During the quarter ended March 31, 2017, the Company recorded an unrealized loss of $30 (2016: $783) related to revaluation to fair value and foreign currency translation in the statement of income as net gain on financial assets.

Medimetriks

On February 17, 2016, Knight issued a secured loan of up to $27,368 [US$20,000] to Medimetriks, a private company, to support its acquisition of the exclusive U.S. development and commercialization rights for OPA-15406 from Otsuka. On December 23, 2016, Knight amended its initial loan and issued an additional $4,061 [US$3,000] ("Second Loan") to Medimetriks.

As consideration for the Second Loan, Knight received a derivative in the form of an equity kicker for an additional 2.7% equity stake of Medimetriks ("Additional Common Shares"). The Additional Common Shares may be issued to Knight should Medimetriks fail to meet certain conditions by May 31, 2017. Management has assessed that there is a high probability that Knight will receive the Additional Common Shares. Therefore, as at March 31, 2017, the derivative was recognized as a financial asset at a fair value of $1,165 [US$876] with a corresponding gain recorded in the statement of income as gain on financial assets. The value of the derivative was calculated based on the combination of the fair value of the Additional Common Shares and the probability of the conditions occurring. The fair value per common share of Medimetriks as at March 31, 2017, is $4.34 [US$3.26] derived using the income approach valuation technique.

Other

During the quarter ended March 31, 2017, the Company entered into an agreement with its associate resulting in the recognition of a derivative of $1,282 [US$964], with an equivalent gain recorded in the statement of income as gain on financial assets. The fair value of the derivative was determined based on the market price of its underlying variable.

The remaining derivatives held by Knight were revalued as at March 31, 2017, using the Black-Scholes model based on the following inputs and assumptions.

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

Crescita

Inputs	March 31, 2017	December 31, 2016	September 1, 2016[1]
Number of warrants	293,153	293,153	293,153
Value per common share	$1.09	$1.18	$1.66
Exercise price	$2.44	$2.44	$2.44

Assumptions			
Risk-free interest rate	1.12%	1.11%	0.76%
Expected remaining term	4.5 years	4.7 years	5 years
Expected volatility	55%	50%	50%

[1] Transaction date

3D

Inputs	March 31, 2017	December 31, 2016	December 16, 2016[1]
Number of warrants	240,000	240,000	240,000
Value per common share	$0.70	$0.91	$0.83
Exercise price	$0.92	$0.92	$0.92

Assumptions			
Risk-free interest rate	0.75%	0.74%	0.63%
Expected remaining term	1.7 years	1 year	1 year
Expected volatility	80%	80%	80%

[1] Transaction date

Pediapharm

Inputs	March 31, 2017	December 31, 2015	March 30, 2015[1]
Number of warrants	757,500	757,500	757,500
Value per common share	$0.28	$0.27	$0.23
Exercise price	$0.33	$0.33	$0.33

Assumptions			
Risk-free interest rate	0.75%	0.79%	0.64%
Expected remaining term	2 years	2.2 years	4 years
Expected volatility	72%	72%	100%

[1] Transaction date

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

Antibe

Inputs	March 31, 2017	December 31, 2015	November 13, 2015[1]
Number of warrants	1,000,000	1,000,000	1,000,000
Value per common share	$0.20	$0.17	$0.17
Exercise price	$0.31	$0.31	$0.31

Assumptions			
Risk-free interest rate	0.75%	0.74%	0.69%
Expected remaining term	1.6 years	1.9 years	3 years
Expected volatility	121%	120%	180%

[1] *Transaction date*

9. MEASURMENT OF FINANCIAL ASSETS

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Levels	Description	Type of financial instruments normally classified as such
Level 1	Quoted (unadjusted) prices in active markets for identical assets or liabilities.	• Investments in equities[1]
Level 2	Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.	• Cash equivalents • Marketable securities • Investments in equities[2]
Level 3	Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.	• Investments in equities[3] • Investments in funds • Loans and receivables[4] • Derivatives

[1] *Publicly-traded equities in active markets*
[2] *Publicly-traded equities in inactive markets*
[3] *Privately-held equities*
[4] *Initially measured at fair value and subsequently measured at amortized cost using the effective interest method*

Fair value hierarchy

As at	March 31, 2017	Level 1	Level 2	Level 3
	$	$	$	$
Recurring fair value measurements				
Marketable securities	244,256	—	244,256	—
Available-for-sale equity investments	31,513	21,148	8,140	2,225
Available-for-sale fund investments	36,337	—	—	36,337
Derivatives	3,618	—	—	3,618
Total	**315,724**	**21,148**	**252,396**	**42,180**

There were no transfers between levels of the fair value hierarchy for the period ended March 31, 2017.

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

10. INVESTMENT IN ASSOCIATE

On September 9, 2015, Knight acquired a 28.3% ownership interest in Medison, a privately-owned specialty pharmaceutical company based in Israel. The consideration given for the equity interest in Medison amounted to $82,001, which includes the fair value of 10,330,884 common shares of Knight issued to Medison and its controlling shareholder and a contingent consideration of $1,100. In addition, the Company incurred $217 of transaction costs which were capitalized with the investment.

On June 16, 2016, the Company issued 250,000 common shares at a price of $8.29 per share for $2,073 and reduced the amount of contingent consideration recorded in contributed surplus upon the initial investment in Medison by $943. Consequently, the Company recorded an increase of $1,130 in the investment in associate. There is no further contingent consideration payable to Medison.

The interest in Medison is accounted for using the equity method of accounting. The investment was originally recorded at cost and subsequently adjusted to include the Company's share of Medison's net income and any dividends issued to the Company. The net income is 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 their tax impact.

As at	**March 31, 2017** **$**
Carrying value, beginning of the period	**80,113**
Share of net income for the period before adjustments	1,822
Amortization of fair value adjustments	(1,503)
Share of net income for the period	**319**
Dividends *[i]*	**(2,525)**
Carrying value, end of the period	**77,907**

[i] On February 27, 2017 dividends of $2,525 [ILS7,068] were declared and approved by Medison's board of directors.

11. SHAREHOLDERS' EQUITY

[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 as at January 1, 2017	**142,713,489**	**760,447**
Issuance under share option plan	41,667	513
Issuance under share purchase plan	4,170	43
Balance at March 31, 2017	**142,759,326**	**761,003**

[ii] Share option plan

The Company has an equity-settled Share Option Plan in place for employees, directors, officers and consultants of the Company. A new Share Option Plan ('the Plan") was approved by the Board of Directors and the shareholders on May 9, 2017. All options issued under the legacy plan roll into the Plan. The aggregate maximum number of stock options outstanding under the Plan at any given time shall not exceed 10% of the outstanding shares of the Company as of the grant date. The option period may be up to ten years from the date the option is granted. The Board of Directors or its designated committee may determine when an option will become exercisable and may determine that the option will be exercisable immediately upon the date of grant, in instalments or pursuant to a vesting schedule. If no specific determination is made, the stock options vest in equal tranches of 25% per annum on each anniversary date. Stock options that have been exercised, expired, cancelled, forfeited or terminated become available for re-issuance under the Plan. Generally, the stock options have a seven-year or ten-year term and vest over a one-year period for directors and a three or four-year period for employees.

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

The Company recorded compensation expense of $846 (2016: $1,073) for the three-month period ended March 31, 2017 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 $4.06 (2016: $3.86) under the Black-Scholes option pricing model using the following assumptions:

	Three months ended March 31,	
	2017	2016
Weighted average risk-free interest rate	**1.45%**	1.47%
Dividend yield	**Nil**	Nil
Weighted average volatility factor [i]	**53.3%**	56.2%
Annualized forfeiture rate	**2.6%**	3.6%
Weighted average expected life	**7.3 years**	7 years

[i] Volatility was determined using the historical share price of the Company and comparable companies.

	Three months ended March 31,			
	2017		2016	
	Number of share options #	**Weighted average exercise price** $	Number of share options #	Weighted average exercise price $
Balance beginning of the period	**3,147,111**	**7.14**	2,815,483	6.89
Options granted	**419,352**	**10.10**	40,380	7.60
Options exercised	**(41,667)**	**8.27**	—	—
Options expired/forfeited	**(4,815)**	**8.45**	(5,000)	5.65
Balance at end of the period	**3,519,981**	**7.48**	2,850,863	6.90
Options exercisable at end of period	**1,749,773**	**6.79**	856,646	6.71

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

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

As at	**March 31, 2017** **$**	December 31, 2016 $
Net realized gains reclassified to statement of income, net of tax of $1,656 ($1,592 as at December 31, 2016)	**(11,219)**	(10,246)
Net unrealized gains in available-for-sale investments, net of tax of $1,445 ($1,879 as at December 31, 2016)	**13,951**	14,997
Unrealized gain on translation of foreign operations	**24,022**	25,680
	26,754	30,431

13. 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 months ended March 31,	
	2017 **$**	2016 $
Net income	**6,047**	477
Weighted average of shares outstanding	**142,720,536**	103,475,043
Basic earnings per share	**$0.04**	$0.005

Diluted

Diluted earnings per share has been calculated after adjusting the weighted average number of shares 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.

	Three months ended March 31,	
	2017 **$**	2016 $
Net income	**6,047**	477
Weighted average shares outstanding	**142,720,536**	103,475,043
Adjustment for compensation warrants and share options	**806,237**	213,124
Weighted average shares outstanding (diluted)	**143,526,773**	103,688,167
Diluted earnings per share	**$0.04**	$0.005

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

14. 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, consumer health products and medical devices in Canada and select international markets.

15. COMMITMENTS

In the normal course of business, the Company secures development, sales, marketing and distribution rights to innovative drug products requiring royalties or product payments considered normal operating commitments and as such not included herein. The Company has entered into various agreements which include contractual obligations extending beyond the current year. These obligations are classified into five major categories: operating lease, fund commitments, revenue, milestone and purchase commitments, equity and loan commitments and other commitments. The commitments of the Company as at March 31, 2017 are as follows:

[i] Operating Lease

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

	$
2017	101
2018	186
2019	175
2020	175
2021	175
Thereafter	117
	929

[ii] Fund commitments

As at March 31, 2017, under the terms of Company's agreements with life sciences venture capital funds, $98,677 (2016: $122,266), including $40,568 [US$30,505] and $18,749 [€13,156], may be called over the life of the funds (based on the closing foreign exchange rates).

[iii] Revenue, milestone and purchase 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 $37,058 including $25,667 [US$19,300] and $641 [€450] upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to $1,052 [€738] of inventory for a pharmaceutical product during the five year period after its commercial launch.

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

[iv] Equity and loan commitments

Subject to a loan agreement with one of its borrowers, Knight has committed up to a maximum of $3,325 [US$2,500] to participate in the initial public offering of the borrower. In addition, Knight committed to invest up to $2,660 [US$2,000] towards the purchase of common shares of Synergy if it meets certain fundraising targets in 2017.

Subject to a loan agreement with one of its borrowers, Knight has committed to loan up to an additional $3,269 [US$2,458] should the borrower meet certain conditions.

[v] Other commitments

As at March 31, 2017 the Company is committed to pay $114 [US$86] within the year towards a real property.

16. STATEMENT OF CASH FLOWS

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

As at	**Three months ended March 31,**	
	2017	2016
	$	$
Decrease (increase) in		
Trade and other receivables	987	11
Inventories	101	121
Other financial assets	(154)	(199)
Income taxes receivable	(103)	34
Increase (decrease) in		
Accounts payable and accrued liabilities	(274)	423
Income taxes payable	348	186
	905	576

17. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative amounts in the condensed interim consolidated statements of cash flows have been reclassified to conform to the presentation adopted in the current period.

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