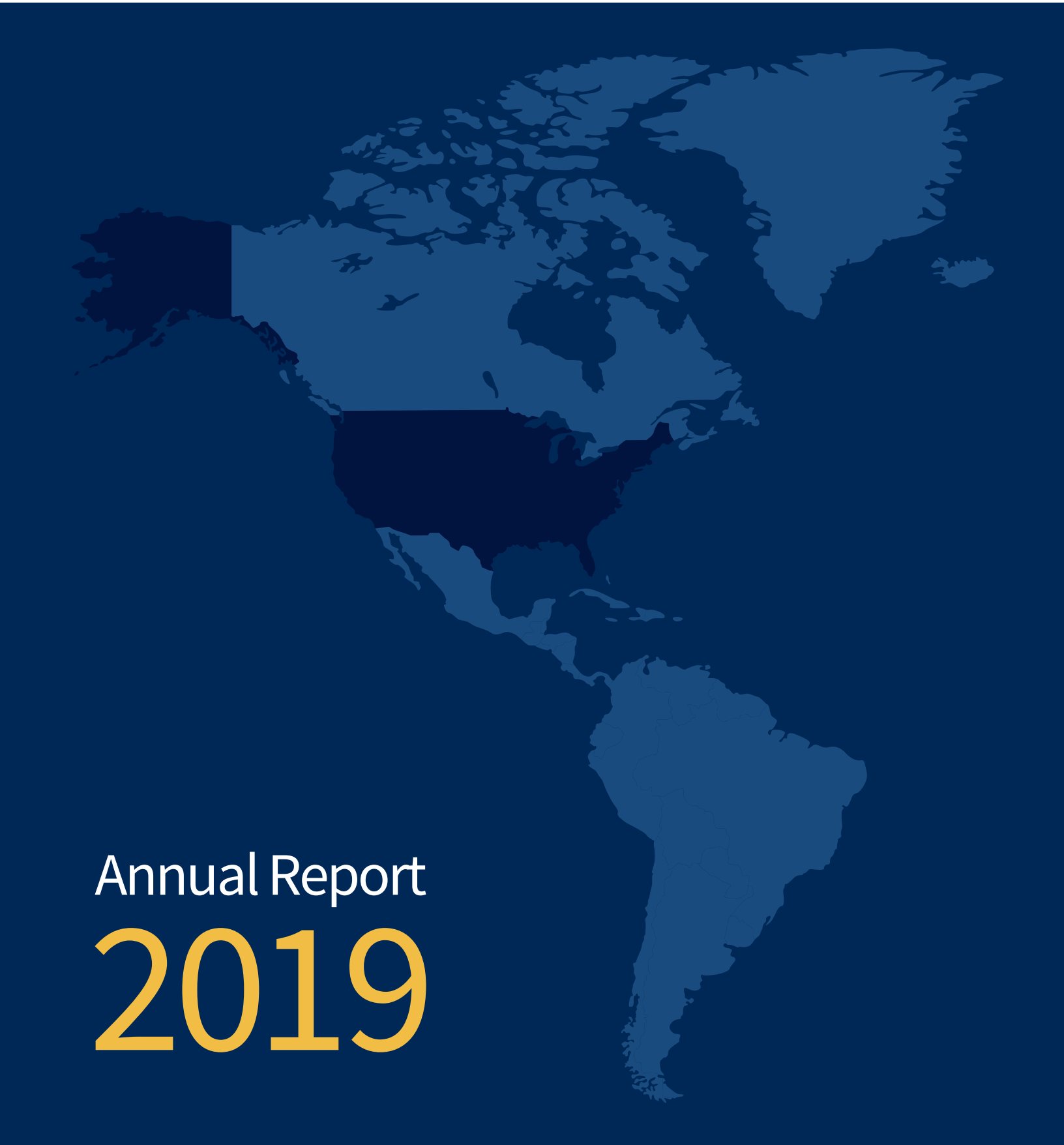
Knight

Knight Therapeutics Inc.



Annual Report 2019

Table of Contents

Message to our Shareholders

We are pleased to report that 2019 marked a transformative year for Knight as we furthered our mission to become a Rest of World specialty pharmaceutical company. For the last several years we have been patiently seeking an attractive pan-Latin American specialty pharmaceutical company acquisition opportunity. In 2019, our patience was finally rewarded with the purchase of a controlling interest in Grupo Biotoscana. Knight now has 700 employees located in 10 Latin American markets doing exactly what Knight does – making a difference in the health of patients through our innovative pharmaceutical products.

Building our Rest of World Strategy

Knight is now the premiere pan-American (ex-US) specialty pharmaceutical company. With our strong and proven regional infrastructure across ten countries in Latin America, Knight is best positioned to become the partner of choice for pharmaceutical and biotech companies looking for a commercialization partner. Every new innovative pharmaceutical that is in-licensed leverages our robust Latin American platform for the mutual benefit of patients and our shareholders.

Advancing our Portfolio of Innovative Products

During the year, we continued to work on expanding our pipeline with the in-licensing of Nerlynx® from Puma Biotechnology, Inc. Trelstar® from DebioPharm and rigosertib from Onconova Therapeutics, Inc.

In addition, we submitted Ibsrela®, Bijuva® and ImvexxyTM to Health Canada and received approval for Netildex® and Nerlynx®. We also reached agreement with the pan-Canadian Pharmaceutical Alliance paving the way for the public reimbursement of Probuphine®.

Contributing to our Community

Community service is an integral part of Knight's DNA. In 2019, we participated in the Ride to Conquer Cancer from Montreal to Quebec City for the sixth year in a row, and over the years our Knights have raised almost $300,000 to support cancer research. We are also proud to report we achieved 100% of our objectives in our Centraide campaign for the third consecutive year.

Looking Ahead

As we embark onto 2020, we are all facing an unprecedented situation with the COVID-19 pandemic. We are committed to ensuring the safety of our employees and the uninterrupted supply of our medicines. We are actively working with our partners to minimize business interruption and to ensure uninterrupted product supply.

While we carefully navigate these uncharted waters, we remain focused on completing our acquisition of 100% of Grupo Biotoscana and further deploying our strong balance sheet to build a business that we can all be proud of.

(signed) Jonathan Ross Goodman

Jonathan Ross Goodman *B.A., LL.B, MBA*
Chief Executive Officer

(signed) Samira Sakhia

Samira Sakhia *MBA*
President and Chief Financial Officer

Management's Discussion and Analysis for the year ended December 31, 2019

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

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 year ended December 31, 2019. This document should be read in conjunction with the audited annual consolidated financial statements and notes thereto for the year ended December 31, 2019. Knight's audited annual consolidated financial statements as at December 31, 2019 have been prepared in accordance with International Financial Reporting Standards. 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 March 30, 2020. Further information about Knight Therapeutics Inc., including the Annual Information Form, is available online on SEDAR at www.sedar.com.

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 latest Annual Information Form found on SEDAR at www.sedar.com. 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.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

TABLE OF CONTENTS

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

GLOSSARY OF ABBREVIATIONS

Abbreviation	Calendar
Q4-19	Fourth quarter of 2019
Q3-19	Third quarter of 2019
Q2-19	Second quarter of 2019
Q1-19	First quarter of 2019
Q4-18	Fourth quarter of 2018
Q3-18	Third quarter of 2018
Q2-18	Second quarter of 2018
Q1-18	First quarter of 2018

Abbreviation	Company
60P	60^{o} Pharmaceuticals LLC
Advaxis	Advaxis Pharmaceuticals Inc.
Akorn	Akorn Inc.
Alimera	Alimera Sciences Inc.
Antibe	Antibe Therapeutics Inc.
Ardelyx	Ardelyx, Inc.
AstraZeneca	AstraZeneca AB
Biopas	Pharma Consulting Group
BMS	Bristol-Myers Squibb
Braeburn	Braeburn Pharmaceuticals Inc.
Crescita	Crescita Therapeutics Inc.
GBT	Biotoscana Investments S.A.
Jaguar	Jaguar Health Inc.
Karo	Karo Pharma AB
Knight or the Company	Knight Therapeutics Inc.
Medimetriks	Medimetriks Pharmaceuticals Inc.
Medison	Medison Biotech (1995) Ltd.
Moksha8	Moksha8, Inc.
NEMO II	New Emerging Medical Opportunities Fund II Ltd.
NEMO III	New Emerging Medical Opportunities Fund III Ltd.
NeurAxon	NeurAxon Pharma Inc.
PBB	Pro Bono Bio PLC
Profound	Profound Medical Inc.
Puma	Puma Biotechnology, Inc.
Sectoral	Sectoral Asset Management Inc.
SIFI	Società Industria Farmaceutica Italiana S.p.A.
Synergy	Synergy CHC Corp.
Titan	Titan Pharmaceuticals, Inc.
Triumvira	Triumvira Immunologics Inc.
TXMD	TherapeuticsMD, Inc.

Abbreviation	Financial
Annual Financial Statements	Audited annual consolidated financial statements
ARS	Argentine Peso
BOB	Bolivian Boliviano
BRL	Brazilian Real

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

Abbreviation	Financial (continued)
C$ or $	Canadian Dollar
CDI	Certificados de Depositos Interfinancieros (Brazil interbank lending rate)
CHF	Swiss Franc
CLP	Chilean Peso
COP	Colombian Peso
DC&P	Disclosure Controls and Procedures
EPS	Earnings per share to common shareholders
EUR	Euro
FMV	Fair market value
FVTPL	Fair value through profit or loss
ICFR	Internal control over financial reporting
IFRS	International Financial Reporting Standards
ILS	New Israeli Shekels
MXN	Mexican Peso
PEN	Peruvian Sol
PYG	Paraguayan Guarani
Selic	Monetary policy interest rate used by the Central Bank of Brazil
US$/USD	U.S. Dollar
UYU	Uruguayan Peso

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

Abbreviation	Other
AIDS	Acquired immune deficiency syndrome
ART	Antiretroviral Therapy
B3	B3 S.A. – Brasil, Bolsa, Balcão
CADTH	Canadian Agency For Drugs And Technologies In Health
CEO	Chief executive officer
GX	Generic
HIV	Human immunodeficiency virus infection
IBS-C	Irritable Bowel Syndrome with Constipation
IQVIA	IQVIA Incorporated, a leading pharmaceutical market research organization
MTO	Mandatory tender offer
NCIB	Normal Course Issuer Bid
NDA	New Drug Application
NDS	New Drug Submission
NIHB	Non-Insured Health Benefits for First Nations and Inuit Program
NON	Notice of Non-Compliance
OIC	Opioid-induced constipation
pERC	Pan-Canadian Oncology Drug Review Expert Review Committee
PMPRB	Patented Medicine Prices Review Board
PRV	Priority Review Voucher

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

OVERVIEW

Section 1 – About Knight Therapeutics Inc.

Knight Therapeutics Inc. is a specialty pharmaceutical company, headquartered in Montreal, Canada, and listed on the Toronto Stock Exchange under the ticker symbol "GUD". On November 29, 2019, the Company acquired a controlling stake in GBT, a specialty pharmaceutical company operating across 10 countries in Latin America. The activities performed by the Company are as follows:

- Principal business activity is developing, acquiring, in-licensing, out-licensing, marketing and distributing pharmaceutical products, consumer health products and medical devices in Canada, Latin America and select international markets.
- Finances other life sciences companies with the goal of strengthening relationships in the life science industry and securing product distribution rights for Canada and select international markets.
- Invested in life sciences venture capital funds whereby the Company may receive preferential access to innovative healthcare products for Canada and select international markets.
- Develops innovative pharmaceutical products including those to treat neglected tropical and rare pediatric diseases.

Section 2 – 2019 Highlights

Financial Results

- Revenues were $47,461, an increase of $34,961 or 280% over prior year.
- Interest income generated of $23,542 an increase of $2,608 or 12% over prior year.
- Net income was $18,033 compared to net income of $24,079 in prior year.
- Adjusted operating income[1] of $26,406, an increase of $9,023 or 52% over prior year.

Corporate Development

- Received a notice of reassessment from QRA of $18,242 related to the sale of the PRV.
- Shareholders elected James C. Gale, Jonathan Ross Goodman, Samira Sakhia, Robert N. Lande, Sylvie Tendler, Nancy Harrison, Michael J. Tremblay and Kevin Cameron as Directors at the Annual and Special Shareholder Meeting held on May 7, 2019.
- Launched a NCIB in July 2019 and purchased 7,249,249 common shares for an aggregate cost of $54,838.
- Entered into a definitive settlement and purchase agreement with Medison pursuant to which Knight agreed to sell its 28.3% ownership for a cash consideration of $77,000. In addition, both parties agreed to release each other from all claims and withdraw all legal proceedings initiated by both parties. The transaction was closed on March 16, 2020.
- Acquired 51.2% of GBT, a company operating in LATAM for $189,024 [BRL 595,662]. Following the close of the agreement, Knight initiated the process to launch a mandatory tender offer to acquire the remaining 48.8% from public shareholders.

Products

- Entered into a licensing agreement with Puma to commercialize NERLYNX® in Canada and received regulatory approval from Health Canada for NERLYNX® for the treatment of HER2-positive breast cancer.
- Entered into an agreement with Karo for the distribution of Burinex® in Canada.
- Submitted Ibsrela™ for regulatory approval for the treatment of IBS-C to Health Canada.
- Reached an agreement with the pan-Canadian Pharmaceutical Alliance regarding Probuphine® and to date have obtained reimbursement through public insurance plans administered by Alberta, Saskatchewan, New Brunswick, Manitoba, Quebec, Newfoundland, Nova Scotia, Veterans Affairs Canada, and the NIHB.
- Received regulatory approval from Health Canada for Netildex® for the treatment of inflammatory ocular conditions of the anterior segment of the eye.

[1]Adjusted operating income is not a defined term under IFRS, refer to Section 4 for additional details.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

Products (continued)

- Submitted Imvexxy™ for regulatory approval for the treatment of postmenopausal symptoms of vulvar and vaginal atrophy due to estrogen deficiency to Health Canada.
- Submitted Bijuva™ for regulatory approval for the treatment of moderate to severe vasomotor symptoms associated with menopause to Health Canada.
- Partnered with Debiopharm to commercialize Trelstar®, approved for the treatment of advanced prostate cancer, in Canada. Knight expects to take over commercial activities in Canada in early 2020.

Strategic Lending

- Entered into a strategic financing agreement with Moksha8, a specialty pharmaceutical company operating in Brazil and Mexico, for a loan of up to $32,470 [US$25,000].
- Entered into a $6,585 [US$5,000] secured loan with Triumvira for the development of its novelty T cell therapies and obtained the exclusive rights to commercialize Triumvira's future products in select countries.
- Received $1,005 [US$750] for the full repayment of the strategic loan issued to Medimetriks.
- Received $3,639 for the full repayment of the strategic loan issued to Crescita.

Strategic Investments

- Received dividends $4,159 [ILS 11,308] from Medison.
- Disposed of 899,200 common shares of Crescita for total proceeds of $916.
- Disposed of 185,200 common shares of Profound for total proceeds of $2,413.
- Received distributions of $18,090 from strategic fund investments and realized a gain of $8,920.

Subsequent to year-end

- Purchased an additional 2,169,278 common shares for an aggregate cost of $13,310 through the NCIB.
- Ensuring supply of medicines and safety of our employees during the COVID-19 pandemic.

Section 3 – GBT Transaction

GBT is a specialty pharmaceutical company headquartered in Montevideo, Uruguay, operating in 10 countries in Latin America. GBT markets and sells licensed innovative products and engages in development, manufacturing and marketing of specialty pharmaceutical branded generic products. GBT's business model focuses on therapeutic areas covering infectious diseases, oncology and onco-hematology, and certain other specialty therapeutics.

On November 29, 2019 the Company acquired a controlling stake of 51.2% in GBT ("GBT Transaction"), from a controlling shareholder group that included Advent International and Essex Woodlands, among others. The purchase price per share paid by the Company at closing was $3.48 [BRL 10.96], for an aggregate purchase price of $189,024 [BRL 595,662], which was funded entirely from the Company's cash on hand. An amount equivalent to 20% of the Purchase Price was deposited in escrow to secure the sellers' indemnification obligations under the purchase agreement for the GBT Transaction. The escrow amount will be released equally over a period of three years from closing, net of claims in accordance with the terms and conditions of the Share Purchase Agreement.

The remaining 48.8% ownership of GBT is publicly-held and traded on B3, Brazil's main stock exchange, through BDRs. Following the close of the GBT Transaction, Knight initiated the process of launching a mandatory public tender offer to acquire the BDRs from public shareholders (the "Unified Tender Offer") on similar terms as the GBT Transaction plus interest at the Selic rate calculated from November 29, 2019 until the settlement date. Alternatively, the public shareholders' may opt to be paid in cash on the settlement date an amount of BRL10.15 per BDR plus interest at the Selic rate calculated from November 29, 2019. On December 20, 2019, the Company submitted to B3 an authorization request to carry out the Unified Tender Offer, which is expected to take 4 to 8 months from launch to completion.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

The consideration for the acquisition and preliminary measurement of assets acquired and liabilities assumed, as well as goodwill, in accordance with IFRS 3 Business Combinations, is estimated as follows:

Purchase Consideration	**189,024**
Recognized amounts of identifiable net assets	
Current Assets	
Cash and cash equivalents	16,718
Trade and other receivables	73,879
Inventories	73,763
Income tax receivable	7,079
Other current assets	2,267
Non-Current Assets	
Trade and other receivables	4,601
Property, plant and equipment	22,211
Right of use assets	5,487
Intangible assets	157,855
Deferred income tax assets	816
Other non-current assets	6,303
Current Liabilities	
Accounts payable and accrued liabilities	(70,839)
Bank loans	(56,382)
Lease Liabilities	(1,418)
Income taxes payable	(3,633)
Other current liabilities	(1,368)
Non-Current Liabilities	
Bank loans	(7,322)
Lease Liabilities	(4,069)
Deferred income tax liabilities	(25,605)
Other non-current liabilities	(544)
Net identifiable assets acquired	**199,799**
Less: non-controlling interest	(97,275)
Add: goodwill on acquisition	86,500
Net assets acquired	**189,024**

Provisional accounting

Due to the timing of the acquisition and the complexity associated with the valuation process, the measurement of the intangible assets, property, plant and equipment and assets-held-for-sale acquired, including deferred taxes, is subject to adjustment.

Management will finalize the accounting for the acquisition no later than one year from the acquisition date and, as required under IFRS 3, will reflect these adjustments retrospectively. There may be differences between these provisional estimates and the final acquisition accounting, and these differences may be material.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

Liability for mandatory tender offer

On December 20, 2019, Knight Therapeutics Inc. submitted to B3, the authorization request to carry-out a Unified Tender Offer for the acquisition of the remaining 48.2% of GBT. The offer will be at similar terms as the GBT Transaction plus interest at the Selic rate calculated from November 29, 2019 until the settlement date. Alternatively, the public shareholders' may opt to be paid in cash on the settlement date an amount of BRL10.15 per BDR plus interest at the Selic rate calculated from November 29, 2019.

As a result, Knight has a contractual obligation to the minority shareholders of GBT. On November 29, 2019, the company recorded the initial liability at $178,266 [BRL 567,145] and an offset to equity which represents the net present value of the cash disbursement if all BDRs holders choose the same offer made to the controlling shareholders. For the one-month period ending december 31, 2019, Knight recorded an additional $644 [BRL 2,010] to the mandatory tender offer liability with an offset to interest expense. As at December 31, 2019, the mandatory tender offer was at $184,023 [BRL569,155] and the Company recorded a foreign exchange loss of $5,113 upon its revaluation to the Canadian Dollar.

As at March 30, 2020, the Company has purchased BRL 510,791 at an average rate of 3.12 BRL per CAD through foreign exchange contracts. Those contracts will be exercised upon the launch of the Unified Tender Offer.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

FINANCIAL RESULTS

Section 4 – Results of Operations

	YTD-19				Change	
	Knight[1]	GBT[1,2]	Total	YTD-18	$[3]	%[4]
Revenues	13,540	33,921	**47,461**	12,500	34,961	280%
Cost of goods sold	1,871	18,672	**20,543**	2,221	(18,322)	825%
Gross margin	11,669	15,249	**26,918**	10,279	16,639	162%
Gross margin (%)	*86%*	*45%*	***57%***	*82%*	*25%*	*30%*
Expenses						
Selling and marketing	4,923	2,866	**7,789**	3,588	(4,201)	117%
General and administrative	21,687	2,773	**24,460**	8,638	(15,822)	183%
Research and development	3,135	778	**3,913**	1,991	(1,922)	97%
Amortization of intangible assets	1,698	1,715	**3,413**	1,845	(1,568)	85%
Impairment of intangible assets	4,226	—	**4,226**	—	(4,226)	N/A
	(24,000)	7,117	**(16,883)**	(5,783)	(11,100)	192%
Interest income on financial instruments measured at amortized cost	(18,780)	—	**(18,780)**	(16,114)	2,666	17%
Other interest income	(4,762)	—	**(4,762)**	(4,820)	(58)	1%
Interest expense	644	370	**1,014**	—	(1,014)	N/A
Other income	(2,081)	(114)	**(2,195)**	(1,979)	216	11%
Net gain on financial assets measured at fair value through profit or loss	(20,714)	—	**(20,714)**	(7,632)	13,082	171%
Share of net income of associate	(906)	—	**(906)**	(555)	351	63%
Foreign exchange loss (gain)	8,060	(1,558)	**6,502**	(4,147)	(10,649)	N/A
Loss on hyperinflation	—	176	**176**	—	(176)	N/A
Income before income taxes	14,539	8,243	**22,782**	29,464	(6,682)	23%
Income tax expense						
Current	3,364	472	**3,836**	3,535	(301)	9%
Deferred	349	564	**913**	1,850	937	51%
Net income for the period	10,826	7,207	**18,033**	24,079	(6,046)	25%
Attributable to:						
Shareholders of the Company	10,826	3,691	**14,517**	24,079	(9,562)	40%
Non-controlling interests	—	3,516	**3,516**	—	3,516	N/A
Attributable to shareholders of the Company						
Basic net earnings per share	0.078	0.026	**0.104**	0.169	(0.065)	38%
Diluted net earnings per share	0.078	0.026	**0.104**	0.168	(0.064)	38%
Adjusted operating income[5]	17,343	9,063	**26,406**	17,383	9,023	52%

[1] *Refer to operating segment disclosure in Section 23 for definition of "Knight" and "GBT"*
[2] *Includes fair value adjustments recorded on the business combination*
[3] *A positive variance represents a positive impact to net income and a negative variance represents a negative impact to net income*
[4] *Percentage change is presented in absolute values*
[5] *Adjusted operating income is a non-IFRS measures, refer to section "Adjusted operating income" for additional details*

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

	Q4-19				Change	
	KNIGHT[1]	GBT[1,2]	TOTAL	Q4-18	$[3]	%[4]
Revenues	3,350	33,921	**37,271**	3,888	33,383	859%
Cost of goods sold	200	18,672	**18,872**	497	(18,375)	3,697%
Gross margin	3,150	15,249	**18,399**	3,391	15,008	443%
Gross margin (%)	*94%*	*45%*	***49%***	*87%*	*38%*	*44%*
Expenses						
Selling and marketing	1,582	2,866	**4,448**	907	(3,541)	390%
General and administrative	9,348	2,773	**12,121**	2,653	(9,468)	357%
Research and development	633	778	**1,411**	492	(919)	187%
Amortization of intangible assets	425	1,715	**2,140**	478	(1,662)	348%
Impairment of intangible assets	4,226	—	**4,226**	—	(4,226)	N/A
	(13,064)	7,117	**(5,947)**	(1,139)	(4,808)	422%
Interest income on financial instruments measured at amortized cost	(4,129)	—	**(4,129)**	(4,960)	(831)	17%
Other interest income	(1,305)	—	**(1,305)**	(984)	321	33%
Interest expense	644	370	**1,014**	—	(1,014)	N/A
Other income	(132)	(114)	**(246)**	(206)	40	19%
Net (gain) loss on financial assets measured at fair value through profit or loss	(1,065)	—	**(1,065)**	6,717	7,782	N/A
Share of net income of associate	(458)	—	**(458)**	(114)	344	302%
Foreign exchange loss (gain)	4,745	(1,558)	**3,187**	(2,716)	(5,903)	N/A
Loss on hyperinflation	—	176	**176**	—	(176)	N/A
(Loss) income before income taxes	(11,364)	8,243	**(3,121)**	1,124	(4,245)	N/A
Income tax expense (recovery)						
Current	196	472	**668**	92	(576)	626%
Deferred	(1,200)	564	**(636)**	811	1,447	N/A
Net (loss) income for the period	(10,360)	7,207	**(3,153)**	221	(3,374)	N/A
Attributable to:						
Shareholders of the Company	(10,360)	3,691	**(6,669)**	221	(6,890)	N/A
Non-controlling interests	—	3,516	**3,516**	—	3,516	N/A
Attributable to shareholders of the Company						
Basic net (loss) earnings per share	(0.076)	0.027	**(0.049)**	0.002	(0.051)	N/A
Diluted net (loss) earnings per share	(0.076)	0.027	**(0.049)**	0.002	(0.051)	N/A
Adjusted operating income[5]	2,588	9,063	**11,651**	5,607	6,044	108%

[1] *Refer to operating segment disclosure in Section 23 for definition of "Knight" and "GBT"*
[2] *Includes fair value adjustments recorded on the business combination*
[3] *A positive variance represents a positive impact to net income and a negative variance represents a negative impact to net income*
[4] *Percentage change is presented in absolute values*
[5] *Adjusted operating income is a non-IFRS measures, refer to section "Adjusted operating income" for additional details*

Management's Discussion and Analysis for the year ended December 31, 2019

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

Revenues	***YTD-19 vs YTD-18*** For the year ended December 31, 2019 revenues increased by $34,961, or 280%, explained by the following: • For the full year ended 2019, GBT reported total revenues of $250,498 [BRL743,097] of which Knight has consolidated the month of December 2019. The average 2019 monthly of revenues was at $20,875 [BRL 61,925] compared to $33,921 [BRL 105,935] for the month of December 2019. The revenues for December 2019 is exceptionally higher than the average monthly revenues due to timing of certain product shipments. Knight does not expect similar magnitude of monthly revenues to continue in the future. • Increase in Knight's revenues of $1,040, or 8% is mainly attributable to timing of sales of Impavido®, growth in Movantik® sales, and launch of Probuphine®. ***Q4-19 vs Q4-18*** For the quarter ended December 31, 2019 revenues increased by $33,383, or 859%, explained by the following: • The consolidation of GBT's financial results accounted for $33,921 of incremental revenues for Q4-19, partially offset by; • Decrease in Knight's revenues of $538, or 14%, mainly attributable to timing of sales of Impavido® partially offset by growth in Movantik® sales and the launch of Probuphine®.
Gross margin	***YTD-19 vs YTD-18*** For the year ended December 31, 2019 gross margin decreased from 82% to 57% explained by the following: • Overall decrease in gross margin (%) attributable to the consolidation of GBT's results which have a lower gross margin than Knight. • The increase in Knight's gross margin (%) is attributable to a change in product mix. ***Q4-19 vs Q4-18*** For the quarter ended December 31, 2019 gross margin decreased 87% to 49% explained by the following: • Overall decrease in gross margin (%) attributable to the consolidation of GBT's results which have a lower gross income margin than Knight. • The increase in Knight's gross margin (%) is attributable to a change in product mix.
Selling and marketing	***YTD-19 vs YTD-18*** For the year ended December 31, 2019 selling and marketing expenses increased by $4,201, or 117%, explained by the following: • The consolidation of GBT's financial results accounted for $2,866 of incremental selling and marketing expenses for 2019. • Increase in Knight's selling and marketing expenses of $1,335, or 37%, due to commercial activities including preparation for launch of new products. ***Q4-19 vs Q4-18*** For the quarter ended December 31, 2019 selling and marketing expenses increased by $3,541, or 390%, explained by the following: • The consolidation of GBT's financial results accounted for $2,866 of incremental selling and marketing expenses for Q4-19. • Increase in Knight's selling and marketing expenses of $675, or 74%, due to commercial activities including preparation for launch of new products.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

General and administrative	***YTD-19 vs YTD-18*** For the year ended December 31, 2019 general and administrative expenses increased by $15,822, or 183%, explained by the following: • The consolidation of GBT's financial results accounted for $2,773 of incremental general and administrative expenses for 2019. • Increase in Knight's general and administrative expenses of $13,049, or 151%, mainly due to: ○ Expenses of $3,756 on legal, consulting and advisory fees to Knight's shareholder & communication advisor, financial advisor and lawyers related to the activist campaign, public proxy battle and related litigations between the Company and dissident shareholder Meir Jakobsohn, Medison's CEO. ○ Expenses of $8,019 on legal, consulting and advisory fees related to the acquisition of GBT (refer to Section 3 for further details). Knight expects to incur additional significant expenses related to the MTO in 2020. ***Q4-19 vs Q4-18*** For the quarter ended December 31, 2019 general and administrative expenses increased by $9,468, or 357%, explained by the following: • The consolidation of GBT's financial results accounted for $2,773 of incremental general and administrative expenses for 2019. • Increase in Knight's general and administrative expenses of $6,695, or 252%, mainly due to expenses of $5,542 on legal, consulting and advisory fees related to the acquisition of GBT (refer to Section 3 for further details). Knight expects to incur additional significant expenses related to the MTO in 2020.
Research and development expenses	***YTD-19 vs YTD-18*** For the year ended December 31, 2019 research and development expenses increased by $1,922, or 97%, explained by the following: • The consolidation of GBT's financial results accounted for $778 of incremental research and development expenses for 2019. • Increase in Knight's research and development expense of $1,144, or 57%, mainly due to the submissions of Ibsrela™, Imvexxy™ and Bijuva™ for regulatory approval to Health Canada. ***Q4-19 vs Q4-18*** For the quarter ended December 31, 2019 research and development expenses increased by $919, or 187%, explained by the following: • The consolidation of GBT's financial results accounted for $778 of incremental research and development expenses for Q4-19. • Increase in Knight's research and development expense of $141, or 29%, mainly due to the submissions of Bijuva™ for regulatory approval to Health Canada.
Amortization	***YTD-19 vs YTD-18*** For the year ended December 31, 2019 amortization of intangible assets increased by $1,568 or 85%, explained by the following: • The amortization of the definite-life intangible assets acquired in the acquisition of GBT represents $1,715. For further details on the purchase price accounting refer to Section 3. • No significant variance in Knight's amortization.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

Amortization (continued)	***Q4-19 vs Q4-18*** For the quarter ended December 31, 2019 amortization of intangible assets increased by $1,662, or 348%, explained by the following: • The amortization of the definite-life intangible assets acquired in the acquisition of GBT represents $1,715. For further details on the purchase price accounting refer to Section 3. • No significant variance in Knight's amortization.
Impairment of intangible assets	***YTD-19 vs YTD-18 and Q4-19 vs Q4-18*** • Due to change in commercial expectations of certain intangible asset. • Refer to note 13 in the Annual Financial Statements for further information.
Interest income	• Includes "Interest income on financial instruments measured at amortized cost" and "Other interest income". • Primarily from interest earned on loans, cash and cash equivalents, marketable securities and accretion on loans receivable. ***YTD-19 vs YTD-18*** • Interest income for YTD-19 was $23,542 an increase of 12% or $2,608 compared to the same period in prior year due to a higher average loan balance and an increase in interest rates, offset by a decrease in the average cash and marketable securities balance. ***Q4-19 vs Q4-18*** Interest income for Q4-19 was $5,434, a decrease of 9% or $510 compared to the same period in prior year due to a decrease in the average cash and marketable securities balances offset by a higher average loan balance and an increase in interest rates.
Interest Expense	***YTD-19 vs YTD-18 and Q4-19 vs Q4-18*** • The consolidation of GBT's financial results accounted for $370 of incremental interest expense for Q4-19 and 2019. GBT's interest expense mainly relates to interest on its bank loans. Refer to Section 7 for further information on the debt. • Knight's portion of interest expense of $644 relates to interest accretion on the MTO liability. Refer to Section 3 for further details.
Other income[1]	***YTD-19 vs YTD-18*** • Amount in YTD-19 driven by fees earned on strategic loan deals and a settlement fee earned through a strategic fund investment. • Amount in YTD-18 driven by the early repayment fees on the Medimetriks and Profound loans. ***Q4-19 vs Q4-18*** • No significant other income earned in Q4-19 or Q4-18.
Net loss (gain) on financial assets measured at fair value through profit or loss	• As a result of the revaluation of financial assets measured at FVTPL. ***YTD-19 vs YTD-18*** • Net gain mainly attributed to the unrealized gains on revaluation of the strategic fund investments and the realized gains on distributions received from the strategic fund investments, offset by changes in fair values of strategic loans, equities and derivatives. ***Q4-19 vs Q4-18*** • Net gain mainly attributed to unrealized gains on revaluation of the strategic fund investments and the realized gains on distributions received from the strategic fund investments, offset by changes in fair values of strategic loans and derivatives. Refer to note 15 in the Annual Financial Statements for further information.

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

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

Share of net income of associate	• Refer to Section 11 for further explanation on the disposal of the investment in Medison.
Foreign exchange loss (gain)	***YTD-19 vs YTD-18*** • The consolidation of GBT's financial results accounted for a foreign exchange gain of $1,558 due to overall relative gains on certain net assets denominated in foreign currencies. • Knight's foreign exchange loss of $8,060 is largely due to the revaluation of the MTO liability on which a loss of $5,113 was recorded. The remaining amount is due to relative losses on certain U.S. and EUR dollar denominated financial assets as Canadian dollar strengthened. ***Q4-19 vs Q4-18*** • The consolidation of GBT's financial results accounted for a foreign exchange gain of $1,558 due to overall relative gains on certain net assets denominated in foreign currencies. • Knight's foreign exchange loss of $4,745 is largely due to the revaluation of the MTO liability on which a loss of $5,113 was recorded. The loss is partially offset by relative gains on certain EUR dollar denominated financial assets.
Loss on hyperinflation	• Relates to loss on net monetary position (monetary assets less monetary liabilities) under hyperinflation accounting. • Refer to note 2.3 in the Annual Financial Statements for further details on hyperinflation accounting.
Income tax expense (recovery)	***YTD-19 vs YTD-18*** Reduction of deferred income tax expense due to realized gains on strategic fund investments.

Non-IFRS measure: Adjusted operating income

The Company discloses non-IFRS measures that do not have standardized meanings prescribed by IFRS. The Company believes that shareholders, investment analysts and other readers find such measures helpful in understanding the Company's financial performance and in interpreting the effect of the GBT Transaction on the Company. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and may not have been calculated in the same way as similarly named financial measures presented by other companies.

The Company defines "Adjusted operating income" as operating (loss) income adjusted to exclude amortization and impairment of intangible assets, depreciation, acquisition costs, non-recurring expenses incurred but to include interest income earned net of interest expenses and costs related to leases. In addition, the Adjusted operating income does not reflect the portion of GBT's Adjusted Earnings attributable to the non-controlling interests.

Explanation of adjustments

Acquisition costs	Acquisition costs relate to expenses of $5,542 for the quarter and $8,019 for the twelve-month period on legal, consulting and advisory fees related to the acquisition of GBT (refer to Section 3 for further details).
Other non-recurring expenses	Other non-recurring expenses relate to expenses incurred by the Company that are not due to, and are not expected to occur in, the ordinary course of business. During 2019, the Company recorded an expense of $3,756 (YTD-18: $300) related to the activist campaign, public proxy battle and related litigations between Knight and dissident shareholder Meir Jakobsohn, Medison's CEO.
Interest income	Includes "Interest income on financial instruments measured at amortized cost" and "Other interest income". Primarily from interest earned on loans, cash and cash equivalents, marketable securities and accretion on loans receivable.
Interest expense on bank loans	Includes GBT's interest expense mainly related to interest on its bank loans and excludes Knight's interest accretion.

Management's Discussion and Analysis for the year ended December 31, 2019

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

For the three-month and twelve-month periods ended December 31, 2019, the Company calculated adjusted operating income as follows:

	Q4-19				YTD-19			
	KNIGHT[1]	**GBT[1,2]**	**TOTAL**	Q4-18	**KNIGHT[1]**	**GBT[1,2]**	**TOTAL**	YTD-18
Operating (loss) income	(13,064)	7,117	**(5,947)**	(1,139)	(24,000)	7,117	**(16,883)**	(5,783)
Adjustments to operating (loss) income:								
Amortization of intangible assets	425	1,715	**2,140**	478	1,698	1,715	**3,413**	1,845
Impairment of intangible assets	4,226	—	**4,226**	—	4,226	—	**4,226**	—
Depreciation of property, plant and equipment	100	452	**552**	24	405	452	**857**	87
Acquisition costs	5,542	—	**5,542**	—	8,019	—	**8,019**	—
Other non-recurring expenses	—	410	**410**	300	3,756	410	**4,166**	300
Lease costs (IFRS 16 adjustment)	(75)	(261)	**(336)**	—	(303)	(261)	**(564)**	—
Interest income	5,434	—	**5,434**	5,944	23,542	—	**23,542**	20,934
Interest expense on bank loans	—	(370)	**(370)**	—	—	(370)	**(370)**	—
Adjusted operating income	**2,588**	**9,063**	**11,651**	**5,607**	**17,343**	**9,063**	**26,406**	**17,383**

[1] Refer to operating segment disclosure in Section 23 for definition of "Knight" and "GBT"

[2] Not adjusted for the non-controlling interest of 48.8%

Adjusted operating income variances

For the three-month period ended December 31, 2019, adjusted operating income was $11,651, an increase of $6,044 or 108% compared to the same period last year. The consolidation of GBT's financial results accounted for $9,063 of the increase, offset by an increase in Knight's selling and marketing activities due to product launches and an increase in certain administrative expenses. For the twelve-month period, adjusted operating income was $26,406, an increase of $9,023 or 52%, mainly due to the consolidation of GBT's financial results.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

FINANCIAL CONDITION

Section 5 – Balance Sheets

	12-31-19				Change	
	KNIGHT[1]	GBT[1,2]	Total	12-31-18	$	%[3]
ASSETS						
Current						
Cash and cash equivalents	158,813	15,455	**174,268**	244,785	(70,517)	29%
Marketable securities	235,045	—	**235,045**	445,003	(209,958)	47%
Trade and other receivables	15,479	87,988	**103,467**	11,618	91,849	791%
Inventories	504	70,366	**70,870**	1,136	69,734	6,139%
Prepaids and deposits	1,186	2,120	**3,306**	138	3,168	2,296%
Other current financial assets	26,303	—	**26,303**	14,030	12,273	87%
Income taxes receivable	738	7,527	**8,265**	821	7,444	907%
Total current assets	**438,068**	**183,456**	**621,524**	717,531	(96,007)	13%
Marketable securities	126,869	—	**126,869**	97,274	29,595	30%
Trade and other receivables	—	4,715	**4,715**	—	4,715	N/A
Prepaids and deposits	—	4,652	**4,652**	—	4,652	N/A
Right-of-use Asset	897	5,512	**6,409**	—	6,409	N/A
Property, plant and equipment	124	22,515	**22,639**	794	21,845	2,751%
Investment Property	—	1,740	**1,740**	—	1,740	N/A
Intangible assets	13,521	159,851	**173,372**	17,475	155,897	892%
Goodwill	—	88,262	**88,262**	—	88,262	N/A
Other financial assets	132,848	—	**132,848**	113,314	19,534	17%
Investment in associate	—	—	**—**	79,145	(79,145)	N/A
Deferred income tax assets	2,823	1,168	**3,991**	2,959	1,032	35%
Other receivable	41,582	—	**41,582**	23,340	18,242	78%
	318,664	**288,415**	**607,079**	334,301	272,778	82%
Assets held for sale	74,601	2,099	**76,700**	—	76,700	N/A
Investment in GBT[4]	188,635	(188,635)	**—**	—	—	N/A
Total assets	**1,019,968**	**285,335**	**1,305,303**	1,051,832	235,471	24%

[1] *Refer to operating segment disclosure in Section 23 for definition of "Knight" and "GBT"*
[2] *Includes fair value adjustments recorded on the business combination*
[3] *Percentage change is presented in absolute values*
[4] *Investment in GBT has been allocated to the net assets identified on the acquisition date*

Management's Discussion and Analysis for the year ended December 31, 2019

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

	12-31-19				Change	
	KNIGHT[1]	GBT[1,2]	Total	12-31-18	$	%[3]
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current						
Accounts payable and accrued liabilities	14,424	79,982	**94,406**	6,100	88.306	1,448%
Lease liabilities	300	1,488	**1,788**	—	1,788	N/A
Other liabilities	301	1,449	**1,750**	—	1,750	N/A
Mandatory tender offer liability	184,023	—	**184,023**	—	184,023	N/A
Bank loans	—	50,557	**50,557**	—	50,557	N/A
Income taxes payable	12,752	2,695	**15,447**	10,705	4,742	44%
Other balances payable	2,833	—	**2,833**	197	2,636	1,338%
Deferred other income	—	—	**—**	183	(183)	N/A
Total current liabilities	**214,633**	**136,171**	**350,804**	17,185	333,619	1,941%
Lease liabilities	625	4,187	**4,812**	—	4,812	N/A
Bank loan	—	5,022	**5,022**	—	5,022	N/A
Other balances payable	1,431	268	**1,699**	4,615	(2,916)	63%
Deferred income tax liabilities	—	27,860	**27,860**	—	27,860	N/A
Total liabilities	**216,689**	**173,508**	**390,197**	21,800	368,397	1,690%
Shareholders' equity						
Share capital	723,832	—	**723,832**	761,844	(38,012)	5%
Warrants	785	—	**785**	785	—	0%
Contributed surplus	16,463	—	**16,463**	14,326	2,137	15%
Accumulated other comprehensive income	13,643	3,762	**17,405**	20,955	(3,550)	17%
Retained earnings	48,556	3,690	**52,246**	232,122	(179,876)	77%
Attributable to shareholders of the Company	**803,279**	**7,452**	**810,731**	1,030,032	(219,301)	21%
Non-controlling interests	—	104,375	**104,375**	—	104,375	N/A
Total equity	**803,279**	**111,827**	**915,106**	1,030,032	(114,926)	11%
Total liabilities and shareholders' equity	**1,019,968**	**285,335**	**1,305,303**	1,051,832	253,471	24%

[1] *Refer to operating segment disclosure in Section 23 for definition of "Knight" and "GBT"*

[2] *Includes fair value adjustments recorded on the business combination*

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

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

	12-31-19 vs 12-31-18
Cash and cash equivalents and marketable securities (current and long term)	Refer to Section 7 – Liquidity and Capital Resources for further information.
Trade and other receivables (current and long term)	For the year ended December 31, 2019 trade and other receivables increased by $96,564, or 831%, explained by the following: • The consolidation of GBT's financial position accounted for $92,703 of the trade and other receivables balance. • Increase in Knight's trade and other receivables balance of $3,861, or 33%, mainly due to timing of collection of payments. • Refer to note 9 in the Annual Financial Statements for further details.
Inventories	For the year ended December 31, 2019 inventories increased by $69,734, or 6,139%, explained mainly by the consolidation of GBT's financial position which accounted for $70,366 of the inventories balance.
Prepaids and deposits (current and long term)	For the year ended December 31, 2019 prepaids and deposits increased by $7,820, or 5,667%, explained by the following: • The consolidation of GBT's financial position accounted for $6,772 of the prepaid and deposits. • Increase in Knight's prepaid and deposits balance of $1,048, or 759%, mainly due to a deposit of $1,000 made related to an agreement.
Other financial assets (current and long term)	For the year ended December 31, 2019 other financial assets increased by $31,807, or 25%, explained by the following: **Loans and other receivables:** increase of $2,896 mainly attributable to additional loans issued of $23,905 driven by the Moksha8 and Triumvira deals, partially offset by loan repayments of $11,174 and changes in fair value and foreign exchange revaluation of $9,835. Refer to Section 9 for further information on Knight's strategic lending portfolio. **Equity investments, Warrants and Derivatives:** increase of $1,904 driven by additional warrants obtained during the year and the revaluation of equities, warrants and derivatives. Refer to note 15 in the Annual Financial Statements for further information. **Funds:** increase of $27,007 due to capital calls of $20,175 and mark-to-market adjustments of $32,230 offset by distributions received of $18,090, distributions receivable of $2,456 and foreign exchange losses of $4,852. Refer to Section 10 for further information on Knight's strategic investments.
Income tax receivable	• Mainly relates to income tax deposits.
Right-of-use assets	For the year ended December 31, 2019 right-of-use assets increased by $6,409 explained by the following: • The consolidation of GBT's financial position accounted for $5,512 of the ROU asset balance. • Increase in Knight's ROU asset balance of $897 due to adoption of IFRS 16 on January 1, 2019. • Refer to Section 25 for further details.
Property, Plant and Equipment	For the year ended December 31, 2019 property, plant and equipment increased by $21,845, or 2,751%, mainly explained by the consolidation of GBT's financial position which accounted for an increase of $22,515.

Management's Discussion and Analysis for the year ended December 31, 2019

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

12-31-19 vs 12-31-18

Investment property	For the year ended December 31, 2019 investment property increased by $1,740 explained by the consolidation of GBT's financial position.
Intangible assets	For the year ended December 31, 2019 intangible assets increased by $155,897, or 892%, explained by the following: • The definite-life intangible assets acquired in the acquisition of GBT represents $159,851 of the intangible assets balance. • Decrease in Knight's intangible asset balance of $3,954 mainly due to amortization expense, a write-off of certain milestones previously recorded and an impairment of on certain intangible assets to the recoverable amount as a result of a change in commercial expectations. The decrease is partially offset by additions related to an upfront payment and certain milestones payable under product license agreements.
Goodwill	• Goodwill recorded in 2019 relates to the GBT Transaction. • Refer to Section 3 for further details
Deferred income tax asset	• Increase due to the GBT Transaction.
Other receivable	• Increase due to deposit of $18,242 made to the QRA related to a notice of reassessment. Refer to Section 6 for further information.
Assets held for sale & Investment in associate	For the year ended December 31, 2019 assets held for sale increased by $76,700 and investment in associate decreased by $79,145 explained by the following: • The consolidation of GBT's financial position accounted for $2,099 of the assets held for sale balance. • Knight and Medison entered into a definitive settlement and purchase agreement pursuant to which Knight agreed to sell its 28.3% ownership for $77,000. As a result, the balance of investment in associate was reclassified to asset held for sale as of November 21, 2019. Refer to Section 11 for further information.
Accounts payable and accrued liabilities	For the year ended December 31, 2019 accounts payable and accrued liabilities increased by $88,306, or 1,448%, explained by the following: • The consolidation of GBT's financial position accounted for $79,982 of the accounts payable and accrued liabilities balance. • Increase in Knight's accounts payable and accrued liabilities balance of $8,324, or 136%, mainly due to additional expenses incurred due to the GBT Transaction and timing of purchases and payments. Refer to note 20 in the Annual Financial Statements for further details.
Mandatory tender offer liability	• MTO liability relates to the Unified Tender Offer required to acquire the remaining 48.8% of GBT. Refer to Section 3 for further details.
Lease Liabilities (current and long term)	For the year ended December 31, 2019 lease liabilities increased by $6,600 explained by the following: • The consolidation of GBT's financial position accounted for $5,675 of the lease liabilities balance. • Increase in Knight's lease liabilities balance of $925 due to adoption of IFRS 16 on January 1, 2020. • Refer to Section 25 for further details.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

	12-31-19 vs 12-31-18
Bank loans (current and long term)	For the year ended December 31, 2019 bank loans increased by $55,579 explained by the consolidation of GBT's financial position. For further details on the bank loans held by GBT, refer to Section 7.
Income tax payable	• Increase driven by the GBT Transaction.
Other balances payable (current and long term)	• No significant variance.
Deferred other income	• No significant variance.
Deferred income tax liability	• Mainly relates to deferred income taxes on the definite-life intangible assets as a result of the GBT Transaction.
Share capital	• Decrease due to the purchase of Knight's common shares though the NCIB. • Refer to note 21 in the Annual Financial Statements for further information.
Contributed surplus	• Increase related to share-based compensation expense. • Refer to the statement of changes in equity in the Annual Financial Statements for further information.
Accumulated other comprehensive income	• Decrease related to other comprehensive loss attributable to shareholders' of the Company of $3,550 for the year. • Refer to the statement of changes in shareholders' equity in the Annual Financial Statements for further information.
Retained earnings	• Decrease due to Knight's common shares purchased through the NCIB and the MTO liability recognized on the GBT Transaction (refer to Section 3 for more details partially offset by net income attributable to shareholders' of the Company of $14,517 for 2019. • Refer to the statement of changes in shareholders' equity in the Annual Financial Statements for further information.
Non-controlling interests	• Relates to the non-controlling interest acquired as part of the GBT transaction plus the comprehensive income for the one-month period ended December 31, 2019 attributable to the minority shareholders of GBT.

Section 6 – Notices of Reassessment

Knight received notices of reassessment from the CRA and the QRA in July 2018 and January 2019 respectively. The notices relate to the disposition in 2014 of a PRV held by Knight's wholly-owned subsidiary, Knight Therapeutics (Barbados) Inc. A PRV is a transferrable asset that entitles the holder to a priority review for a drug of its choice.

The Company's PRV was granted on March 19, 2014 upon the FDA approval of Impavido® and was disposed of to a third party in November 2014 for gross proceeds of US$125,000. The notices of reassessment provide that Knight is liable to pay an aggregate of $23,340 and $18,242 to the CRA and QRA respectively in additional taxes and interest. Knight has made a deposit for the full amount to the CRA in July 2018 and to the QRA in February 2019.

Knight believes that the reassessments are unfounded and filed a notice of objection with CRA in September 2018 to start the appeals process. Based on the Company's view of the likely outcome of the appeals process, Knight expects to recover the total of $41,582 deposited and has not recorded any tax provision related to the disposal of the PRV in its financial statements. However, there can be no assurance regarding the outcome or when a resolution may be reached.

Although Knight believes its tax provisions are adequate, the final determination of tax audits and any related disputes could be materially different from historical income tax provisions and accruals.

Section 7 – 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

Management's Discussion and Analysis for the year ended December 31, 2019

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

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 and corporate 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.

			Change		YTD		Change	
	Q4-19	Q4-18	**$**	**%**[1]	**2019**	2018	**$**	**%**[1]
Net cash from operating activities	**7,504**	3,253	4,251	131%	**4,596**	(5,739)	10,335	N/A
Net cash from investing activities	**(144,134)**	(64,105)	(80,029)	125%	**(11,860)**	(252,314)	240,454	95%
Net cash from financing activities	**(9,012)**	51	(9,063)	N/A	**(62,795)**	290	(63,085)	N/A
Increase (decrease) in cash and cash equivalents during the period	**(145,642)**	(60,801)	(84,841)	140%	**(70,059)**	(257,763)	187,704	73%
Net foreign exchange difference	**785**	2,364	(1,579)	67%	**(458)**	6,088	(6,546)	N/A
Cash and cash equivalents, beginning of the period	**319,125**	303,222	15,903	5%	**244,785**	496,460	(251,675)	51%
Cash, cash equivalents and restricted cash, end of the period	**174,268**	244,785	(70,517)	29%	**174,268**	244,785	(70,517)	29%
Marketable securities, end of the period	**361,914**	542,277	(180,363)	33%	**361,914**	542,277	(180,363)	33%
Cash, cash equivalents, restricted cash, and marketable securities, end of the period	**536,182**	787,062	(250,880)	32%	**536,182**	787,062	(250,880)	32%
Cash, cash equivalents and restricted cash, net of bank loans	**118,689**	244,785	(126,096)	52%	**118,689**	244,785	(126,096)	52%

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

	Q4-19 vs Q4-18	**2019 vs 2018**
Net cash from operating activities	Primarily relates to cash generated through revenues, dividends from associates and interest received, offset by operating expenses including salaries, research and development expenses, advertising and promotion costs, and other corporate expenses. In addition, Knight deposited $18,242 to the QRA related to the sale of the PRV in 2014. Cash flows from operating activities exclude revenues and expenses not affecting cash, such as unrealized and realized gains or losses on financial assets, share based compensation expense, depreciation and amortization, foreign exchange gains or losses, hyperinflation losses, share of net income and dividends from associate, other income, deferred other income, and net changes in non-cash balances relating to operations.	
Net cash from investing activities	For the three-month period ended December 31, 2019, cash flows were mainly driven by: • The acquisition of GBT, net of cash acquired, of $172,306; • settlement of forward foreign exchange contracts of $3,447; • acquisition of intangibles and property and equipment of $627, offset by; • net proceeds on marketable securities of $18,220; • net proceeds from distributions of funds of $7,172; • net proceeds from repayments of loan receivables of $4,958, and • net proceeds from disposals of equity invesmtments of $2,029.	For the year ended December 31, 2019, cash flows were mainly driven by: • The acquisition of GBT, net of cash acquired, of $172,306; • net issuance of loan receivables of $11,506; • settlement of forward foreign exchange contracts of $3,447; • acquisition of intangibles and property and equipment of $2,948; • net investments in life sciences funds of $2,085, offset by; • net proceeds on marketable securities of $176,866, and • net proceeds from disposals of equity investments of $3,699.
Net cash from financing activities	Cash flows from financing activities were mainly due to the repurchase of common shares through the NCIB, principal repayments and interest payments on bank loans, principal repayments on lease liabilities, proceeds from the repayment of share purchase loans and the participation of employees and directors in the Company's share purchase plan.	

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

Subsequent to the GBT Transaction, the Company has the following indebtedness at December 31, 2019:

	Currency of debt	Interest rate	Maturity	Current	Non-Current
				$	$
Banks					
Citibank	ARS	18.40%	November 2, 2020	2,991	—
Itaú Unibanco	BRL	1.65% (+100% CDI)	December 8, 2023	42,532	—
Banco Santander	BRL	2.00% (+100% CDI)	December 13, 2021	5,034	5,022
Total Bank Loans				**50,557**	**5,022**

The maturity of the bank loan payments are as follows:

	$
Due within 1 year	**50,557**
Due between 1 and 2 years	**5,022**
Due between 2 and 5 years	**—**
Due after 5 years	**—**
Total	**55,579**

Citibank

The loan was issued to a subsidiary of GBT in November 2017 and is guaranteed by a First Demand Corporate Guarantee by GBT. The loan is an off-shore ARS-linked loan with Citibank N.A. (New York) at a fixed rate of 18.40% per annum (21.66% all-in after including withholding tax) and matures on November 2, 2020. The Company has the right to prepay the Citibank Loan in exchange for a prepayment fee.

The bank loan includes customary representations, warranties, and affirmative and restrictive covenants, including covenants to attain and maintain certain financial metrics. One such covenant is the requirement to obtain consent prior to a change of control. A change of control waiver has been obtained from Citibank in relation to the GBT transaction. As at of December 31, 2019, the Company is in compliance with all of the loan covenants.

Itaú Unibanco Brasil

The Itaú Unibanco Brasil loan was issued to a subsidiary of GBT in December 2017 and is guaranteed by a First Demand Corporate Guarantee from GBT as well as a pledge of its receivables. The principal repayment of BRL 16,667 and interest are due on a semi-annual basis. The Company has the right to prepay the Citibank Loan in exchange for a prepayment fee.

The bank loans include customary representations, warranties, and affirmative and restrictive covenants, including covenants to attain and maintain certain financial metrics. One such covenant is the requirement to obtain consent prior to a change of control. Upon the acquisition of GBT by the Company, a change in control waiver was requested from Itaú Unibanco Brasil. As at December 31, 2019 the waiver was not yet obtained and as a result the Itaú loan is presented as a current liability. The Company is in compliance with the other loan covenants. As at March 30, 2020, the Company has not yet received the waiver.

Banco Santander

The Banco Santander loan was issued to a subsidiary of GBT in December 2018 and is guaranteed by a First Demand Corporate Guarantee from GBT. The principal repayment of BRL 7,771 and interest are due on a semi-annual basis. The Company has the right to prepay the Citibank Loan in exchange for a prepayment fee.

The loan includes customary representations, warranties, and affirmative and restrictive covenants, including covenants to attain and maintain certain financial metrics. The bank loans include customary representations, warranties, and affirmative

and restrictive covenants, including covenants to attain and maintain certain financial metrics. As at of December 31, 2019, the Company is in compliance with all of the loan covenants.

PRODUCT ACQUISITION STRATEGY

Section 8 – Products

8.1 Knight Products

Knight pursues opportunities to acquire or in-license 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.

Knight has a pipeline of products in the process of being submitted for regulatory approval, in pre-commercialization and at its early stages of commercialization. Such activities require substantial financial investment therefore it is expected that the Company's selling & marketing and research & development expenses will increase. The following table summarizes certain products from Knight's product portfolio.

Prescription Pharmaceutical Products

Product	Indication/Potential Indication	Licensor	Status in Territory	Territory Rights
Pain/Gastrointestinal				
Movantik®	OIC	AstraZeneca	Marketed in CAN and approved in ISR	CAN, ISR
Probuphine®	Opioid addiction	Titan	Marketed	CAN
Ibsrela™	IBS-C	Ardelyx	Submitted	CAN
Mytesi™	Symptomatic relief of non-infectious diarrhea in adult patients with HIV or AIDS on ART	Jaguar	Pending submission	CAN, ISR
	Other diarrhea disorders		Pre-clinical – Phase 2	
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
Oncology				
NERLYNX®	HER2-positive breast cancer	Puma	Approved	CAN
Advaxis family	HPV-associated cancers and others	Advaxis	Phase 1 – Phase 3	CAN
Triumvira family	Novel T-cell therapies for cancer	Triumvira	Pre-clinical	CAN[1], ISR, MEX, BRA, COL
Trelstar®	Prostate cancer	Debiopharm	Approved	CAN[2]

[1] Excluded TACO1-CD19

[2]Knight has signed the license agreement with Debiopharm which is expected to close in the first half of 2020. Upon the close of the agreement the Canadian commercial right of the product will be transferred to Knight.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

Product	Indication/Potential Indication	Licensor	Status in Territory	Territory Rights
Ophthalmic				
AzaSite™	Bacterial conjunctivitis	Akorn	Approved	CAN
Iluvien®	Diabetic macular edema	Alimera	Approved	CAN
Netildex®	Ocular inflammation	SIFI	Approved	CAN
Women's Health				
Imvexxy™	Moderate-to-severe dyspareunia	TXMD	Submitted	CAN, ISR
Bijuva™	Moderate-to-severe vasomotor symptoms due to menopause	TXMD	Submitted	CAN, ISR
Other				
Impavido®	Leishmaniasis	N/A	Marketed	Global
Burinex®	Edema associated with congestive heart failure, cirrhosis of the liver and renal disease	Karo	Marketed	CAN
Arakoda™	Prevention of malaria	60P	Pending submission	CAN, ISR, RUS, LATAM[1]
60P family	Other tropical diseases	60P	Phase 2	CAN, ISR, RUS, LATAM[1]
Tenapanor	Hyperphosphatemia	Ardelyx	Phase 3	CAN

[1] *Select products only for LATAM*

Consumer Health Products and Medical Devices

Product	Description	Licensor	Status in Territory	Territory Rights
Neuragen®	Pain associated with diabetic and peripheral neuropathy	N/A	Marketed[1]	Global (Ex. U.S)
Synergy Family	Various consumer health products	Synergy	Marketed[2]	CAN, ISR, ROM, RUS, ZAF
FLEXISEQ™	Pain and joint stiffness associated with osteoarthritis	PBB	Not Yet Marketed	QUE, ISR
Crescita family	Dermo-cosmetic line of products	Crescita	Not Yet Marketed	ISR, ROM, RUS, ZAF, CAR
TULSA-PRO®	Prostate ablation	Profound	Pending submission	CAN

[1] *Approved and marketed in Canada and the UAE*
[2] *Select products marketed*

Movantik®

In December 2016, Knight entered into an agreement with AstraZeneca for the rights to Movantik® in Canada and Israel under which Knight is responsible for all commercial, regulatory and certain supply chain activities. Movantik® is the first once-daily oral peripherally-acting mu-opioid receptor antagonist for the treatment of OIC in adult patients with non-cancer pain who have had an inadequate response to laxatives. According to the Canadian Family Physician Practice Guideline, it is estimated that at least 26% of chronic opioid users suffer from OIC. According to IQVIA data, Movantik® sales in Canada were $1,643 for the year ended December 31, 2019 (2018: $1,359).

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

Probuphine®

On February 1, 2016, Knight entered into an exclusive licensing agreement with Braeburn to commercialize Probuphine® in Canada. Probuphine®, indicated for the treatment of opioid drug dependence, is a subdermal implant designed to deliver buprenorphine continuously for six months following a single treatment, promoting patient compliance and retention. Health Canada approved Probuphine® on April 18, 2018 for the management of opioid dependence in patients clinically stabilized on no more than 8 mg of sublingual buprenorphine in combination with counselling and psychosocial support. Probuphine® must be inserted and removed by a healthcare professional who has successfully completed the Probuphine® Education Program.

On October 29, 2018, Knight launched Probuphine® in Canada. Furthermore, the Company reached an agreement with the pan-Canadian Pharmaceutical Alliance and to date has obtained reimbursement of Probuphine® through public insurance plans administered by Alberta, Saskatchewan, New Brunswick, Manitoba, Quebec, Newfoundland, Nova Scotia, Veterans Affairs Canada, and the NIHB.

Tenapanor

On March 16, 2018, Knight entered into an exclusive licensing agreement with Ardelyx to commercialize tenapanor in Canada. Tenapanor is a first-in-class small molecule treatment that has completed Phase 3 development for IBS-C (marketed as Ibsrela™) and is in an ongoing Phase 3 study for hyperphosphatemia. Ardelyx received regulatory approval for Ibsrela™ from the US FDA in September 2019. On June 26, 2019, Ibsrela™ was accepted for review by Health Canada.

Jaguar

On September 24, 2018, Knight entered into a distribution, license and supply agreement with Jaguar that grants Knight the exclusive right to commercialize Mytesi® (crofelemer 125 mg delayed-release tablets) and related products in Canada and Israel and a right of first negotiation to commercialize Mytesi® and related products in specified Latin American countries. Mytesi® is a FDA-approved product in the U.S. indicated for the symptomatic relief of non-infectious diarrhea in adult patients with HIV or AIDS on ART.

Antibe family

On November 13, 2015, Knight entered into an exclusive long-term license and distribution agreement with Antibe to commercialize its anti-inflammatory and pain product pipeline, along with certain future Antibe products, in Canada and select countries. On March 20, 2018, Antibe announced that its lead drug, ATB-346, met its primary endpoint in the Phase 2B gastrointestinal safety study. On January 21, 2019, Antibe announced that it has received approval from Health Canada to initiate the second part of its Phase 2B dose-ranging, efficacy study for its lead drug, ATB-346. The primary objective of the study is to evaluate the efficacy of ATB-346 in reducing osteoarthritis pain over a 14-day treatment period.

Iluvien®

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. Iluvien® was approved by Health Canada on November 26, 2018 for the treatment of diabetic macular edema. In September 2019 CADTH published their final report recommending that Iluvien® should not be reimbursed through the public insurance plans. Knight is working with Alimera to assess the resubmission process.

Netildex®

On August 2, 2016, Knight entered into a license agreement for the exclusive rights in Canada to commercialize Netildex®, a fixed combination of netilmicin and dexamethasone, that is indicated in adult patients (including the elderly) for the treatment of inflammatory ocular conditions of the anterior segment of the eye following cataract surgery where adjunct

topical therapy to reduce the risk of bacterial infection is appropriate. Netildex® was approved by Health Canada on October 23, 2019.

NERLYNX®

On January 9, 2019, Knight entered into an exclusive license agreement with Puma for the exclusive right to commercialize NERLYNX® (neratinib) in Canada. On July 16, 2019, NERLYNX® was approved by Health Canada for the extended adjuvant treatment of adult patients with early stage HER2-overexpressed/amplified breast cancer following adjuvant trastuzumab-based therapy. Furthermore, in July 2019, Puma has submitted a supplemental NDA to the U.S. FDA for neratinib in combination with capecitabine for the treatment of patients with HER2-positive metastatic breast cancer who have failed two or more prior lines of HER2-directed treatments. In December 2019 pERC published their final report recommending that NERLYNX® should not be reimbursed through the public insurance plans. Knight launched NERLYNX® at the end of 2019 and the Company will focus on ensuring access to patients in 2020.

Triumvira family

On February 20, 2019 Knight entered into a secured loan and exclusive license agreement with Triumvira to commercialize its future approved products for Canada, Israel, Mexico, Colombia and for TAC01-CD19 for Israel, Mexico, Brazil and Colombia. Triumvira is developing novel T cell therapies that are safer and more efficacious than current gene therapy cancer treatments, including chimeric antigen receptor (CAR) and engineered T cell receptor (TCR) therapies.

TXMD

On July 31, 2018, Knight entered into an exclusive licensing agreement for the commercial rights of Imvexxy™ and Bijuva™ in Canada and Israel. Imvexxy™ is a TXMD FDA-approved product (estradiol vaginal inserts), for the treatment of moderate-to-severe dyspareunia (vaginal pain associated with sexual activity), a symptom of vulvar and vaginal atrophy (VVA), due to menopause. Bijuva™ was approved by the U.S. FDA on October 18, 2018, is a bio-identical hormone therapy combination of estradiol and progesterone in a single, oral softgel for the treatment of moderate-to-severe vasomotor symptoms due to menopause. On October 30, 2019 and November 26, 2019, Knight announced that Imvexxy™ and Bijuva™, respectively, were accepted for review by Health Canada.

Impavido®

On February 27, 2014, Knight acquired the worldwide rights to Impavido® as part of its business separation agreement with Paladin. Impavido® is an oral drug treatment based on miltefosine for the visceral, cutaneous and mucocutaneous leishmaniasis which is caused by a protozoa parasite from over 20 Leishmania species and is approved for sale in the U.S, Germany and Israel. Impavido® was launched in the U.S in March 2016 by Knight's commercialization partner, Profounda. On August 1, 2018, Knight out-licensed the commercial rights of Impavido® for the territories of Colombia, Peru, Ecuador and Paraguay to Biopas.

Arakoda™

On December 10, 2015, the Company entered into a loan agreement with 60P for the development of tafenoquine for the prevention of malaria in adults. As consideration for the loan, Knight received the commercial rights of the Product for Canada, Israel, Russia and LATAM. The Product was approved by the FDA on August 9, 2018.

Burinex®

On April 26, 2019, the Company entered into a distribution agreement with Karo for Burinex®, a product indicated for the treatment of edema associated with congestive heart failure, cirrhosis of the liver and renal disease including the nephrotic syndrome. Under the agreement Knight will earn a nominal distribution fee on the sales of Burinex®.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

Trelstar®

On January 8, 2020, Knight announced that the Company entered into an agreement with Debiopharm for the Canadian commercial rights of Trelstar®, for the treatment of advanced prostate cancer. Trelstar® is currently approved and sold in Canada. The agreement is expected to close during the first half of 2020 upon which Knight will take over commercial activities and start recognizing related revenues.

8.2 GBT Products

GBT's focus is to market and sell licensed innovative products and engage in development, manufacturing and marketing of specialty pharmaceutical branded generic products. GBT's business model focuses on therapeutic areas covering infectious diseases, oncology and onco-hematology, rare diseases, special treatments and immunology. The following summarizes certain key products from GBT's product portfolio.

AmBisome®

AmBisome® (amphotericin B) is a non-pyrogenic lyophilized sterile intravenous infusion of liposomal amphotericin B. It is indicated for (1) the empirical therapy of presumed fungal infections in febrile, neutropenic patients, (2) for the treatment of cryptococcal meningitis in HIV infected patients, (3) for the treatment of severe deep mycotic infections, endemic and opportunistic systemic mycosis, (4) for the treatment of persistent fever of undetermined origin in neutropenic patients who do not respond to antibiotic therapy after 96 hours which is highly indicative of systemic fungal infection caused by *Candida, Aspergillus* or *Cryptococcus*, and (5) treatment of visceral leishmaniasis in adults and immunocompetent children. AmBisome® is licensed from Gilead and has been part of GBT's Brazilian affiliate's portfolio for over twenty years. GBT is responsible for all commercial activities in Brazil as well as Bolivia, Paraguay and Peru.

Vidaza® and Vidaza® GX

Vidaza® (azacytidine) is indicated for the treatment of patients with Myelodysplastic Syndrome of the subtypes: Refractory anemia (RA) or refractory anemia with ringed sideroblasts (if accompanied by neutropenia or thrombocytopenia or requiring transfusions), refractory anemia with excess blasts, refractory anemia with excess blasts in transformation, and chronic myelomonocytic leukemia.mVidaza® is licensed from Celgene (now BMS), and GBT holds the rights to commercialize the product in Brazil. In addition, GBT also holds the rights to a Vidaza® GX, which was launched in 2019.

Abraxane®/Abraxus®

Abraxane®/Abraxus® (paclitaxel protein-bound particles for injectable suspension) is indicated for the first-line treatment of patients with metastatic pancreatic adenocarcinoma, in combination with gemcitabine. In Mexico, Abraxus® is also used as a monotherapy for the treatment of metastatic breast cancer in adult patients in whom first-line treatment of metastatic disease has failed and for whom standard anthracycline therapy is not indicated. Abraxane®/Abraxus® is licensed from Celgene (now BMS), and GBT holds the rights to commercialize the product in Brazil and Mexico.

Halaven®

Halaven® (eribulin mesylate) is a synthetic derivative of halicondrin B, belonging to the halichondrin class of antineoplastic agents. Halaven® is indicated for (1) the treatment of adult patients with locally advanced or metastatic breast cancer who have progressed after at least one chemotherapeutic regimen for advanced disease. Prior therapy should have included an anthracycline and a taxane in either the adjuvant or metastatic setting unless patients were not suitable for these treatments, and (2) the treatment of patients with unresectable soft tissue sarcoma who have received prior chemotherapeutic regimen for advanced or metastatic disease. Halaven® is licensed from Eisai and GBT holds the rights to commercialize the product in Latin America except Mexico. Eisai holds the rights to commercialize the product in Mexico.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

Lenvima®

Lenvima® (lenvatinib) is indicated for (1) the treatment of adult patients with progressive, locally advanced or metastatic, differentiated (papillary/follicular/Hürthle cell) thyroid carcinoma, refractory to radioactive iodine, (2) the treatment of adult patients with advanced or unresectable hepatocellular carcinoma who have received no prior systemic therapy, (3) the treatment of adult patients with advanced renal cell carcinoma following one prior anti-angiogenic therapy, in combination with everolimus. Lenvima® is licensed from Eisai and GBT holds the rights to commercialize the product in Latin America except Mexico. Eisai holds the rights to commercialize the product in Mexico.

Inovelon®

Inovelon® (rufinamide) is an antiepileptic agent that possesses novel triazole derivative structure and extensive anticonvulsant effects. It is marketed in Europe, the United States and Japan as an adjunctive therapy for Lennox-Gastaut syndrome, one of the most severe and intractable forms of childhood-onset epilepsy. Inovelon® is licensed from Eisai and GBT holds the rights to commercialize the product in Latin America.

Fycompa®

Fycompa® (perampanel) is an antiepileptic agent that is used as an adjunctive therapy in the management of partial-onset seizures, in adult patients with epilepsy who are not satisfactorily controlled with conventional therapy. Fycompa® is licensed from Eisai and GBT holds the rights to commercialize the product in Latin America.

Salofalk®

Salofalk® is indicated for treatment of ulcerative colitis in both acute attacks and relapse prevention as well as for the treatment of acute episodes of Crohn's disease. Salofalk® is licensed from Dr. Falk Pharma and GBT holds the rights to commercialize the product in Colombia, Argentina and Peru.

Gilead Anti-Infective Portfolio

The Gilead HIV portfolio includes Atripla®, Complera®, Genvoya®, Stribild®, Truvada® and Viread®. The Gilead Hepatitis C portfolio includes Epclusa®, Harvoni®, Sovaldi® and Vemlidy®. GBT holds the rights to commercialize these products in different countries across Latin America.

Ladevina®

Ladevina® (lenalidomide) is indicated for (1) the treatment, as a maintenance monotherapy, of patients with newly diagnosed multiple myeloma, who have had an autologous stem cell transplant and, in patients with relapsed or refractory mantle cell lymphoma, (2) the treatment of patients with transfusion-dependent anemia due to low-risk and intermediate-1 myelodysplastic syndromes linked to a 5q deletion cytogenetic abnormality with or without abnormalities, (3) the treatment, in combination therapy, of adult patients with multiple myeloma without prior treatment who are not candidates for a transplant, and (4) the treatment, in combination with Dexamethasone and in second line, of multiple myeloma patients who have received at least one prior therapy and have not responded to treatment. Ladevina® is part of GBT's proprietary branded generic portfolio and is commercialized in Argentina, Chile and Colombia.

Fibridoner®

Fibridoner® (pirfenidone) indicated for the treatment of mild to moderate idiopathic pulmonary fibrosis in adults. Fibridoner® is part of GBT's proprietary branded generic portfolio and is commercialized in Argentina.

Zyvalix®

Zyvalix® (Abiraterone acetate) is indicated in combination with prednisone for the treatment of castration-resistant metastatic prostate carcinoma and castration sensitive high-risk metastatic prostate carcinoma. Zyvalix® is part of GBT's proprietary branded generic portfolio and is commercialized in Argentina, Chile and Colombia.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

Section 9 – Strategic Lending

Knight finances other life sciences companies in all geographic markets with the goal of 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, helped secure product rights for Knight either on a direct or indirect basis. As of the date hereof, Knight has four 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 8), the Antibe family, the 60P family, TULSA-PRO® and the Triumvira family.

	Nominal loan balance as at December 31, 2019	
Entity	**In Source Currency**	**In Canadian Dollars[1]**
Moksha8	US$11,993	$15,577
Synergy	US$5,500	$7,143
60P[2]	US$6,310	$8,195
Triumvira	US$5,000	$6,494
Total		**$37,409**

[1] *Converted at the Bank of Canada closing exchange rates on December 30, 2019*
[2] *Excludes 60P Convertible Debenture received as consideration for loans issued to 60P*

As at December 31, 2019, the nominal loan balance outstanding was $37,409 [US$28,803] (December 31, 2018: $27,935, including $24,296 [US$17,810]). The following table summarizes the movement in loans and other receivables during the year ended December 31.

The following table summarizes the movement in loans and other receivables during the year ended December 31.

	Carrying value as at January 1 $	Additions $	Loan repayments $	Net (loss) gain on FA[1] $	Foreign exchange[2] $	Carrying value end of year $	Current other financial assets $	Non-current other financial assets $
2019								
Amortized Cost	2,964	2,061	(2,700)	—	(144)	2,181	—	2,181
FVTPL	24,711	21,844	(8,474)	(8,672)	(1,019)	28,390	13,439	14,951
Total	**27,675**	**23,905**	**(11,174)**	**(8,672)**	**(1,163)**	**30,571**	**13,439**	**17,132**
2018								
Amortized Cost	2,034	2,659	(1,878)	—	149	2,964	2,728	236
FVTPL	58,330	4,376	(39,863)	(800)	2,668	24,711	4,937	19,774
Total	**60,364**	**7,035**	**(41,741)**	**(800)**	**2,817**	**27,675**	**7,665**	**20,010**

[1] *Net changes related to change in the fair value of loan receivables and recognition of day 1 gains*
[2] *Recorded a loss of $463 in the statement of income in "Foreign exchange loss (gain)" (2018: gain of $1,149) and a loss of $700 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2018: gain of $1,668)*

Moksha8
On October 17, 2018 the Company entered into a strategic relationship with Moksha8, a specialty pharmaceutical company operating in Brazil and Mexico, through the issuance of a $2,599 [US$2,000] promissory note bearing an annual interest of 15%. The promissory note was recorded using the amortized cost method and was repaid in February 2019.

On February 15, 2019, the Company entered into a financing agreement with Moksha8 for up to $170,525 [US$125,000] ("Financing Agreement"), of which $13,134 [US$10,000] was initially issued. The loan disbursed was recorded at a relative fair value of $13,449 [US$10,213] upon initial measurement and subsequently accounted for at FVTPL. The loan bears interest at 15% per annum and matures five years from the issuance date. Furthermore, Knight received warrants representing 5% of the fully diluted shares of Moksha8.

On September 30, 2019, the Company loaned an additional $1,987 [US$1,500] as an advance of a future loan commitment to Moksha8 at an interest rate of 15% per annum. The loan matures in 2021 and was recorded at its nominal value which represents fair value and is subsequently accounted for at amortized cost. As at December 31, 2019, the total nominal loan balance outstanding was $15,577 [US$11,993].

Under the terms of the Financing Agreement, Knight has a remaining loan commitment of $13,637 [US$10,500] which will be disbursed upon Moksha8 meeting pre-defined profitability targets. In addition, the Company may issue an additional $129,880 [US$100,000] at Knight's sole discretion for corporate development and the acquisition of product licenses.

Triumvira

On February 20, 2019, the Company entered into a secured loan agreement with Triumvira for $6,585 [US$5,000] for the development of its novelty T cell therapies ("Triumvira Loan Agreement"). The loan bears interest at 15% per annum and matures on February 20, 2020. The loan was recorded at a relative fair value of $6,264 [US$5,000] upon initial measurement and subsequently accounted for at FVTPL. In addition, Knight received warrants to purchase 3.5% of Triumvira's fully diluted common shares and the exclusive right to commercialize Triumvira's future approved products in Canada, Israel, Mexico, Colombia and for TAC01-CD19 for Israel, Mexico, Brazil and Colombia.

Medimetriks

During 2016, Knight issued $31,290 [US$23,000] to Medimetriks in secured loans to support its acquisition of the exclusive U.S. development and commercialization rights of OPA-15406 from Otsuka. On March 7, 2018, Knight received an early repayment of principal of $25,894 [US$20,000] and interest and fees of $3,569 [US$2,757]. Subsequent to the early repayment and scheduled principal repayments of $2,923 [US$2,250], the outstanding loan balance was $1,005 [US$750]. The remaining loan balance was repaid in full on June 18, 2019.

Crescita

On December 20, 2019, Knight received an early repayment of $3,656 from Crescita, including full repayment of the outstanding principal and interest.

60P

On December 10, 2015, the Company started a strategic loan relationship loan agreement with 60P ("60P Loan") for the development of tafenoquine ("Arakoda™") for the prevention of malaria in adults. The loan bears interest at 15% per annum and matures on December 31, 2020. As consideration for the 60P Loan, Knight received the commercial rights of the Product for Canada, Israel and Russia. As at December 31, 2016, the nominal loan balance outstanding was $3,815 [US$2,842].

During the year ended December 31, 2017, Knight issued an additional $8,051 [US$6,303] to 60P bearing interest at 15% per annum and obtained the right to receive as cash payment a success fee of $753 [US$600]. In addition, on December 18, 2017, 60P submitted an NDA to the U.S. FDA for the Product. As at December 31, 2017, the nominal loan balance was $11,472 [US$9,145].

On February 8, 2018, 60P repaid $5,613 [US$4,460] reducing the nominal loan balance to $5,859 [US$4,685]. On April 24, 2018, Knight amended its loan agreement with 60P and committed to lend up to an additional $2,777 [US$2,100] at an interest rate of 15% ("Additional 60P Loan"), to support the regulatory approval and commercialization of Arakoda™ ("60P Amendment"). As consideration for the 60P Amendment, 60P committed to pay Knight an additional $3,848 [US$3,000] plus annual interest of 9% on April 23, 2023 ("60P Debenture"). Under the terms of the 60P Debenture, Knight has the right to convert the 60P Debenture into common shares of 60P at a pre-determined exercise price at any time prior to the maturity date ("60P Conversion Feature"). Furthermore, 60P and Knight entered into an exclusive license agreement granting Knight the right to commercialize Arakoda™ in Latin America.

As a result of the 60P Amendment, the Company recorded the Additional 60P Loan and a hybrid financial instrument representing the 60P Debenture and the 60P Conversion Feature ("60P Hybrid Instrument") at their respective relative fair values of $1,554 [US$1,139] and $1,312 [US$961]. At the date of the transaction, the fair value of the Additional 60P Loan was $2,321 [US$1,809] determined using the discounted cash flow approach with a discount rate of 20.01%. The fair value of the 60P Hybrid Instrument was $1,958 [US$1,526] determined by the sum of the fair values of the 60P Debenture and 60P Conversion Feature derived respectively using the discounted cash flow approach and the Black-Scholes model.

On December 27, 2019, the Company amended its existing loan agreement with 60P. As part of the amendment, Knight received a principal repayment of $658 [US$500]. As at December 31, 2019, the fair value of the loan was determined to be nil and the nominal loan balance was $8,195 [US$6,310].

Antibe
On November 13, 2015, Knight invested $500 in senior secured convertible debentures offered by Antibe. As consideration for the debenture, the Company received a conversion feature whereby up to the maturity date, the debenture can be converted into common shares of Antibe at $0.22 per share ("Antibe Conversion Option"). On March 27, 2018, Knight exercised its Antibe Conversion Option and was issued 2,489,889 common shares. As a result, Knight derecognized the loan and derivative and recognized an equity investment measured at FVPL of $996.

Profound
On April 30, 2015, the Company entered into a secured debt agreement with Profound, whereby it issued $4,000 bearing interest at 15% per annum and maturing on June 3, 2019. On July 26, 2018, Knight received an early repayment of $3,188 from Profound, including full repayment of the outstanding principal, interest and fees.

Pediapharm
On March 30, 2015, the Company invested $1,250 in convertible debentures of Pediapharm. On December 27, 2018, Knight received an early repayment of $1,305 from Pediapharm, including full repayment of the outstanding principal, interest and fees.

Section 10 – 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 may receive preferential access to innovative healthcare products from around the world for Canada and select international markets. Since inception of the fund strategy, Knight has committed to invest with the following capital fund managers for approximately $126,653 of which $44,116 remains committed as at December 31, 2019. 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. Knight does not expect to invest in additional venture capital funds.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

	Fund Commitments	
Entity	**In Source Currency**	**In Canadian Dollars[1]**
Teralys Capital	C$30,000	$30,000
Domain Associates LLC	US$25,000	$29,063
Forbion Capital Partners	EUR 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
Bloom Burton Healthcare Lending Trust[3]	C$1,500	$1,500
Genesys Capital Management (Fund III) Inc.	C$1,000	$1,000
Total		**$126,653**

[1] Converted at the Bank of Canada noon exchange rates as of the commitment date (using the December 31, 2019 closing rates total fund commitment would be $135,357)
[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
[3] Represents an investment in a debt fund

Since the inception of the strategic fund investments, the Company invested $115,013 and received distributions of $59,322 on which a gain of $21,396 was realized. Furthermore, as at December 31, 2019, the fund investments were recorded at their fair value of $114,061 representing a cumulative unrealized gain of $36,974. The following table summarizes the movement in fund investments during the year ended December 31.

	Carrying value as at January 1 $	Additions[1] $	Distributions[2,3] $	Net gain on FA $	Foreign exchange[4] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2019	**87,054**	**20,175**	**(20,546)**	**32,230**	**(4,852)**	**114,061**	**2,832**	**111,229**
2018	54,968	27,169	(6,769)	6,937	4,749	87,054	—	87,054

[1] Investments in equity or debt funds including US$4,176 and EUR 3,010 (2018: including US$8,568 and EUR 3,772)
[2] Distributions received from funds including US$8,430 and EUR 724 (2018: including US$1,275 and EUR 2,586)
[3] Includes distribution receivable of $2,456 (2018: nil)
[4] Recorded a loss of $1,690 in the statement of income in "Foreign exchange loss (gain)" (2018: gain of $900) and $3,162 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2018: gain of $3,849)

Other investments

Investment in Crescita

During the year ended December 31, 2019, Knight disposed of 899,200 common shares of Crescita at an average price of $1.02 per share for total proceeds of $916. The common shares sold were previously acquired by Knight at an average cost of $0.60 per share. As at December 31, 2019, Knight owned an aggregate of 1,935,489 common shares and 396,000 warrants of Crescita.

Profound

During 2019, Knight sold 185,200 common shares of Profound for total proceeds of $2,413. The common shares sold were previously acquired by Knight at an average cost of $6.55 per share.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

Other

The Company entered into forward contracts and non-deliverable forward contracts ("FX Contracts") to purchase a significant portion of the BRL required to fund the Unified Tender Offer. As a result, a derivative asset of $1,096 was recorded as at December 31, 2019. Refer to note 6 of the Annual Financial Statements for additional details on the GBT Transaction.

For additional details regarding the movement in equities or derivatives held by Knight throughout the quarter, refer to note 15 "Other Financial Assets" of the Annual Financial Statements.

Section 11 – 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 Latin America, Middle East, Israel, Australia, Romania, Russia, Sub-Saharan Africa, and other countries excluding the U.S., Western Europe, Japan and China.

On November 29, 2019, the Company acquired a controlling stake in GBT, a Latin American specialty pharmaceutical company operating in Brazil, Argentina, Colombia, Mexico, Chile, Peru, Ecuador, Uruguay, Paraguay and Bolivia. This transformational acquisition establishes Knight as a premiere pan-American (ex-US) specialty pharmaceutical company. Knight believes Latin America and the other countries where it wants to grow internationally provide potentially significant growth and value opportunities. For further details on the GBT transaction refer to Section 3.

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 $83,131, which includes the fair value of 10,580,884 common shares of Knight issued to Medison and its controlling shareholder.

On November 21, 2019, Knight and Medison entered into a definitive settlement and purchase agreement ("Medison Agreement") pursuant to which Knight agreed to sell its 28.3% ownership for a cash consideration of $77,000. As part of the Medison Agreement, the parties agreed to release each other from all claims and withdraw all legal proceedings initiated by both parties. Finally, Medison, which together with its affiliates own approximately 10,400,000 shares or 7.5% of Knight, agreed to a four-year standstill commitment and will divest its position in Knight during this period.

The transaction closed on March 16, 2020 and Knight received $57,750. The remaining $19,250 is held by a trustee and is expected to be released to Knight upon the issuance of a tax certificate by the Israel Tax Authority.

As at December 31, 2019, the Company's ownership interest in Medison is presented as an asset held for sale. Prior to the reclassification, the investment in Medison was 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.

This selected information is derived from our Annual Financial Statements.

	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18
Carrying value of investment	**—**	73,729	74,623	75,402	79,145	79,031	78,990	77,697
Amortization of FMV adjustments	**(767)**	(1,377)	(1,378)	(1,378)	(1,377)	(1,378)	(1,378)	(1,378)
Share of net income (loss), net of FMV adjustment	**458**	128	(372)	692	114	89	(151)	503
Dividends	**—**	—	—	4,159	—	—	—	—

The Company is presenting select financial information derived from Medison's consolidated financial statements, excluding

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

amortization of fair value adjustments on acquisition in ILS using Israeli GAAP converted into IFRS in CAD for information purposes:

	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18
Revenues	**49,968**	77,735	74,761	75,303	72,650	63,482	64,260	60,259
Net income	**4,329**	5,324	3,558	7,322	5,262	5,189	4,352	6,653

RISK MANAGEMENT

Section 12

12.1 Currency Risk

GBT Transaction

Effective November 29, 2019, upon close of the GBT Transaction, the Company has significant exposure to foreign currencies of emerging markets in Latin America. GBT generates a significant portion of its revenues in BRL, ARS and COP as well as a basket of other Latin American currencies (BOB, MXN, PEN, PYG, UYU and CLO). Such currencies have been historically volatile and could create significant fluctuations on the Company's result when translated to CAD. Furthermore, GBT is exposed to a currency mismatch due to certain pharmaceutical products, active pharmaceutical ingredient and operating costs denominated in currencies of developed markets (CHF, USD, EUR). The currency mismatch exposes GBT to foreign exchange risks which could result in significant fluctuations of the Company's gross margin or net income.

Currency risks in net financial assets

Knight holds a significant portion of its net financial assets in USD, EUR, BRL, ARS, CLP and COP which results in financial risk due to fluctuations in the value of the currencies relative to the Canadian dollar. Assuming all other variables remain constant, a 5% change, would have resulted in a change in the statement of income or other comprehensive income as follows:

For the year ended December 31,	**2019**	2018
	$	$
Foreign Exchange Risk (5% change)		
USD	**5,283**	12,111
EUR	**1,222**	1,117
BRL	**9,410**	—
ARS	**331**	—
COP	**689**	—
CLP	**94**	—

The Company is also exposed to currency risk on the BOB, CHF, MXN, PEN, PYG and UYU . A 5% change in the Company's net exposure to the above-mentioned currencies would have resulted in a change in the statement of income or other comprehensive income of $95.

In connection with the Unified Tender Offer, the Company entered into FX Contracts to mitigate its exposure to foreign currency risks. As at December 31, 2019 the company held foreign exchange forward contracts to sell CAD and buy USD $105,458 at a weighted average rate of 1.32 CAD/USD ("USD Contract"). The Company entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 510,791 at an average rate of 4.10 BRL per USD ("BRL Contract"). Subsequent to year end the Company entered into an additional foreign exchange forward contract to sell CAD and buy USD $18,984 at a rate of 1.3148 CAD per USD ("Additional USD Contract"). As at March 30, 2020, the Company has an obligation to purchase an BRL 510,791 at an average rate of 3.12 BRL per CAD based on the USD Contract, Additional USD Contract and

BRL Contract. Those contracts will be exercised upon the launch of the Unified Tender Offer. A 5% change in the BRL/CAD exchange rate would have resulted in a change in the statement of income of $7,798.

12.2 Equity Price Risk

Equity price risk arises from changes in market prices of the equity and fund investments and derivatives. The carrying values of investments subject to equity price risk are $126,280 as at December 31, 2019 (December 31, 2018: $98,553). 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.

12.3 Interest Rate Risk

The Company is subject to interest rate risk on the interest income generated on its cash, cash equivalents and marketable securities. Details regarding maturity dates and effective interest rates are described in note 8 of the Annual Financial Statement. Assuming that all other variables remain constant, a 1% decline on the interest rate generated on cash, cash equivalents and marketable securities would have resulted in a reduction of interest income of $5,362 over a one-year period.

12.4 Liquidity Risk

The Company generates sufficient cash from operating activities to fulfill 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. Periodically, the Company forecasts their projected cash flows both at the subsidiary and consolidated level. If any issues are identified, the corporate teams work with the local teams to provide liquidity support. The Company negotiates lines of credit with global and regional banks to diversify its options and ensure competitive financing rates.

As at December 31, 2019, 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 notes 7 and 31 of the Annual Financial Statements.

12.5 Credit Risk

The Company considers its maximum credit risk to be $248,812 (December 31, 2018: $126,174) which is the total of the following assets; trade and accounts receivable, interest receivable, loans receivable and investment in funds.

The marketable securities and cash equivalent balances are subject to minimal risk of changes in value and are invested in institutions with a S&P or DBRS credit rating of A or R1(low) or better which are invested in the following:

- three Canadian financial institutions & two foreign affiliates of Canadian financial institutions
- one Canadian corporation
- five Canadian credit unions

The Company is exposed to credit risk from its customers and continually monitors its customers' credit. Individual credit limits are established after an analysis of the client's credit history, credit ratings, and forward-looking information provided by internal and external sources. There is a credit policy in place to ensure that these limits are periodically reviewed and immediately adjusted if needed. Furthermore, the Company establishes the ECL based upon days past due and the likelihood of collection for each customer.

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

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 has assessed that loans measured at FVTPL have S&P credit ratings between CCC+ and CC. 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.

12.6 Risk Factors

For a detailed discussion of additional risk factors, please refer to the Company's latest Annual Information Form on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Section 13 – Selected Annual Financial Information

This selected information is derived from our Annual Financial Statements.

	2019	**2018**	2017
Revenues	**47,461**	**12,500**	8,634
Net income	**18,033**	**24,079**	17,244
Adjusted operating income	**26,406**	**17,383**	19,023[1]
Basic earnings per share	**0.10**	**0.17**	0.12
Diluted earnings per share	**0.10**	**0.17**	0.12
Total assets	**1,305,303**	**1,051,832**	1,005,983
Total non-current liabilities	**39,393**	**4,615**	515

[1]Represents to definition in section 4.

The Company has not paid dividends on its common shares and does not anticipate declaring any dividends in the near future.

Section 14 – Selected Quarterly Financial Information

This selected information is derived from our Annual Financial Statements.

	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18
Revenues	**37,271**	4,030	3,204	2,956	3,888	3,220	2,238	3,154
Net (loss) income	**(3,153)**	(2,959)	18,956	5,189	221	12,930	4,019	6,909
Adjusted operating income	**11,651**	5,562[1]	4,564[1]	4,629[1]	5,607	4,296[1]	3,245[1]	4,235[1]
EPS								
Basic	**(0.049)**	(0.021)	0.133	0.036	0.002	0.091	0.028	0.048
Diluted	**(0.049)**	(0.021)	0.132	0.036	0.002	0.090	0.028	0.048
Cash, cash equivalents and marketable securities	**536,182**	700,092	745,272	748,411	787,062	775,046	806,746	802,425
Total assets	**1,305,303**	1,022,261	1,074,371	1,058,191	1,051,832	1,041,506	1,029,133	1,016,853
Total non-current liabilities	**39,393**	5,812	6,339	5,440	4,615	3,261	1,127	1,171

[1]Refer to definition in section 4. Adjusted operating income includes a positive net adjustment of $2,890 for Q3-19, $1,576 for Q2-19 and $1,539 for Q1-19 related to the GBT transaction, proxy fight and IFRS 16.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

Section 15 – Outstanding Share Data

The table below summarizes the share data:

As at	March 30, 2020	December 31, 2019
Common Shares	135,381,707	135,637,302
Stock Options	4,870,676	4,892,872
Warrants	406,126	406,126

On July 8, 2019, the Company announced that the Toronto Stock Exchange approved its notice of intention to make a NCIB. A copy of the notice to commence the NCIB is available without charge by contacting the Company by email at info@gudknight.com or by phone at 514-484-4483.

Under the terms of the NCIB, Knight may purchase for cancellation up to 12,053,693 common shares of the Company which represented 10% of its public float as at July 2, 2019. The NCIB commenced on July 11, 2019 and will end on the earlier of July 10, 2020 or when the Company completes its maximum purchases under the NCIB.

During the year ended December 31, 2019, the Company has purchased 7,249,249 common shares, for an aggregate cash consideration of $54,838, which was allocated between share capital and retained earnings. As at December 31, 2019, no common shares purchased remain to be cancelled.

As at March 30, 2020, Knight has purchased a total of 9,418,527 common shares for an aggregate cash consideration of $68,148, has 135,381,707 common shares outstanding, and 1,901,666 common shares remain to be cancelled.

Section 16 – 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 December 31, 2019, Knight had deployed and invested or committed to deploy and invest over $700,000 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 17 – 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 18 – Product Pricing Regulation on Certain Patented Drug Products

All patented drug products sold in Canada that form part of Knight's portfolio of products are subject to pricing regulation by the PMPRB, a federal agency tasked with ensuring that prices of patented medicines are not excessive. For new patented

products, the maximum non-excessive price in Canada is limited to a range with a lower bound set by the prices of existing comparable drugs sold in Canada and an upper bound set by the median prices for the same drug sold in a specified set of developed comparator countries. For existing patented products, prices cannot be increased annually by more than a factor based on Statistics Canada's Consumer Price Index. The PMPRB monitors compliance through a review of the average transaction price of each patented drug product as reported by pharmaceutical companies like Knight on a semi-annual basis. The PMPRB may from time to time deem certain of Knight's existing or future patented products to be excessively priced based on the application of its empowering legislation and regulations, including those related to price increases, the comparative assessment of new products and reductions in the highest price in international reference countries. Such determinations by the PMPRB may have a material adverse effect on Knight's financial condition and results of operations or cash flows.

The Canadian federal government has made a commitment to reduce the cost of prescription drug pending in Canada. On December 2, 2017, Health Canada published the following proposed key changes:

- changes in the comparator countries used to determine price ceilings. The changes include removal of the US (which generally has the highest international drug prices) and Switzerland and addition of seven new countries judged to have similar consumer protection-oriented mandates and relative wealth as Canada;
- new, economics-based price regulatory factors to allow the PMPRB to regulate based on the value of a medicine and its impact on the health care system; and,
- changes to certain reporting requirements, including reporting all discounts and rebates provided to third-party payers, such as provincial drug plans.

On August 21, 2019, the federal government published the final regulations governing the PMPRB. The new regulations include eleven countries as comparators and is expected to come into force on July 1, 2020. On November 21, 2019, the PMPRB published a draft set of new guidelines for the implementation of the final regulations. The PMPRB began seeking views of stakeholders and interested members of the public and extended their consultation period in connection with the guidelines through February 14, 2020. The guidelines may change during the final consultation and review process and it will not be enacted until July 1, 2020.

The regulatory changes to the PMPRB may have a significant adverse effect on the price of patented drugs sold by the Corporation in Canada and may limit the Corporation's ability to in-license and launch products in Canada due to more restrictive pricing regulations.

Section 19 – 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.

Section 20 – 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 31 of the Annual Financial Statements for the year ended December 31, 2019 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.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

Section 21 – 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 commitments extending beyond the current year. These commitments are classified into three major categories: Fund commitments, milestones and purchase commitments, and equity and loan commitments. The commitments of the Company as at December 31, 2019 are as follows:

[i] Fund commitments

As at December 31, 2019, under the terms of Company's agreements with life sciences venture capital funds, $44,116 (2018: $61,973), including $11,452 [US$8,817] and $8,826 [EUR 6,052] (2018: $17,714 [US$12,985] and $13,650 [EUR 8,743]), may be called over the life of the funds (based on the closing foreign exchange rates).

As at March 30, 2020, $39,729 remains to be called by life science venture capital funds.

[ii] Milestones 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 or LATAM. The Company may have to pay up to $576,096 including $44,620 [US$34,355], $133,026 [CHF 99,000] and $561 [EUR 385] upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to $2,013 [EUR 738 and US$721], of inventory for pharmaceutical products during the five-year period after their respective commercial launch. For products that are currently launched, the Company has committed to inventory purchases of $135,254 [BRL 90,354, USD 65,644 and CHF 15,481], which will be purchased over the next 8 years.

	$
2020	39,723
2021	15,314
2022	18,697
2023	11,488
2024	11,688
2025 and beyond	38,344
Total	**135,254**

Furthermore, Knight has committed to certain sales force and marketing spend obligations during the five-year period after the commercial launch of one of its products.

[iii] Equity and loan commitments

Subject to a loan agreement with a borrower, Knight has committed to up to a maximum equity investment of $3,247 [US$2,500] to participate in the initial public offering of the borrower.

Subject to the Moksha8 Financing Agreement, Knight has committed to loan up to an additional $13,637 [US$10,500] should the borrower meet certain pre-defined profitability targets over its 2020 to 2021 financial years.

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

Section 22 – Related Party Transactions

Pharmascience Inc., a company related to the Company's CEO, provided administrative services of approximately $13 to the Company for year ended December 31, 2019.

Section 23 – Segment Reporting

Prior to the close of the GBT Transaction, the Company had one reportable segment, namely the development, acquisition, in-licensing, out-licensing, marketing and distribution of innovative pharmaceutical products, consumer health products and medical devices in Canada and select international markets. As at December 31, 2019, and considering the timing of the GBT Transaction, the operations of GBT were managed and reviewed as one component and therefore the Company presents its financial information in two separate operating segments as follows:

- **Knight Canada and rest of world excluding LATAM ("Knight"):** 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 (excluding the LATAM region). Knight carries out business primarily in Canada with certain operating revenue streams in Europe, United States of America, Barbados, Israel and select international countries (excluding the LATAM region).

- **LATAM ("GBT"):** Principal business activity is focused on in-licensing, marketing and distributing innovative products as well as developing, manufacturing and marketing of specialty pharmaceutical branded generic products. GBT carries out its operations across ten countries in Latin America.

Information on reportable segments

Year ended December 31, 2019	Knight	GBT	Consolidated
	$	$	$
Revenues	13,540	33,921	**47,461**
Cost of goods sold	1,871	18,672	**20,543**
Gross Margin	**11,669**	**15,249**	**26,918**
Selling and marketing	4,923	2,866	**7,789**
General and administrative	21,687	2,773	**24,460**
Research and development	3,135	778	**3,913**
Amortization	1,698	1,715	**3,413**
Impairment	4,226	—	**4,226**
Interest (income)/expense	(22,898)	370	**(22,528)**
Other income	(2,081)	(114)	**(2,195)**
Net gain on financial instruments measured at FVTPL	(20,714)	—	**(20,714)**
Income Tax Expense	3,713	1,036	**4,749**
	17,980	**5,825**	**23,805**
Total segment assets	**831,333**	**473,970**	**1,305,303**
Total segment liabilities	**216,689**	**173,508**	**390,197**
Cash flows from operating activities	**(2,269)**	**6,865**	**4,596**
Cash flows from investing activities	**(28,101)**	**16,241**	**(11,860)**
Cash flow from financing activities	**(54,451)**	**(8,344)**	**(62,795)**

Management's Discussion and Analysis for the year ended December 31, 2019
(In thousands of Canadian dollars, except for share and per share amounts)

Geographic Information

Year ended December 31, 2019	$
Revenues	
Canada	2,371
Brazil	22,962
Argentina	3,192
Colombia	4,353
Rest of LATAM	3,414
Other[1]	11,169
Total	**47,461**

[1] Includes Europe, US and other countries.

As at December 31, 2019	Net book value of property, plant and equipment $	Intangibles, net $	Goodwill $	Assets held for sale $	Other long-term receivables $
Canada	124	13,123	—	74,052	41,582
Brazil	2,290	51,293	30,883	—	—
Argentina	19,190	12,663	11,882	—	—
Colombia	430	29,322	12,588	2,099	—
Rest of LATAM	605	66,573	32,909	—	—
Other	—	398	—	549	—
Total	**22,639**	**173,372**	**88,262**	**76,700**	**41,582**

For the year ended December 31, 2018, revenues from products sold in Canada and internationally were $2,399 and $10,101 respectively. Furthermore, non-current operating assets consisting of property and equipment, intangible assets, investment in associate and other receivables held in Canada and internationally were $118,114 and $2,610 respectively.

Section 24 – 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 2019 Annual Financial Statements.

Section 25 – Accounting Pronouncements Adopted in 2019

The Company applied IFRS 16 for the first time effective January 1, 2019. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Refer to note 4 of the Annual Financial Statements for further details on the new accounting standards adopted. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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

Impact of transition to IFRS 16

The Company adopted IFRS 16 using the full modified retrospective approach on January 1, 2019. The Company elected to not separate lease and non-lease components from payments and account for both as a single lease component. As a result of the transition, the Company recognized $1,139 of lease liabilities and $1,121 of right-of-use assets and with no net impact on opening retained earnings. The following table summarizes the effect of transition to IFRS 16 on the Company's condensed consolidated statement of financial position as at January 1, 2019.

	December 31, 2018	Transition Impact	January 1, 2019
	$	$	$
ASSETS			
Right-of-use assets	—	1,121	1,121
CURRENT LIABILITES			
Lease Liabilities	—	273	273
NON-CURRENT LIABILITES			
Lease Liabilities	—	866	866

The following table reconciles the Company's operating lease commitments as at December 31, 2018, to the lease obligations recognized on initial application of IFRS 16.

	$
Operating lease commitments at December 31, 2018	**1,125**
Adjustments[1]:	
Present value adjustment on lease commitment	(60)
Extension options expected to be exercised not included in lease commitments	74
Lease obligations as at January 1, 2019	**1,139**

[1] *Discounted using IBR of 3.00%*

IFRIC 23 Uncertainty over Income Tax Treatment

In June 2017, the IASB released IFRIC 23 Uncertainty over income tax treatments ("IFRIC 23"), which is effective on January 1, 2019. IFRIC 23 clarifies accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes and does not apply to taxes outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. The Company has concluded that IFRIC 23 has no material impact on its consolidated financial statements.

Section 26 – Recent Accounting Pronouncements

IFRS 3 Business Combinations

In October 2018, the IASB issued amendments to IFRS 3, Business combinations. The amendments clarify the definition of a business with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or an asset acquisition.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, and is to be applied prospectively. Given the prospective application of the amendment, the Company does not expect any significant impacts as a result of its adoption.

IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments to the definition of material is not expected to have a significant impact on the Company's consolidated financial statements.

Section 27 – 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.

For the year ended December 31, 2019, management's evaluation of DC&P excluded GBT for which a controlling interest was acquired on November 29, 2019. Management, after evaluating the effectiveness of the Company's DC&P as at December 31, 2019, have concluded that the Company's DC&P are adequate and effective to ensure that material information relating to the Company would have been known to them excluding GBT for which a controlling interest was acquired on November 29, 2019.

Canadian regulations allow issuers to limit the evaluation of ICFRs of a business that an issuer acquired not more than 365 days before the last day of the period covered by the Company's filings.

Section 28 – 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.

For the year ended December 31, 2019, management's evaluation of ICFR excluded GBT for which a controlling interest was acquired on November 29, 2019. Management has evaluated the design and operating effectiveness of its ICFR as defined in NI 52-109. The evaluation was based on the criteria established in the "Internal Control-Integrated Framework" issued by the COSO. This evaluation was performed internally by the Company. Based on this evaluation, management concluded that the ICFR excluding GBT for which a controlling interest was acquired on November 29, 2019, were appropriately designed and operating effectively, as at December 31, 2019.

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.

During the year, with the exception of the acquisition of GBT, there was no significant changes in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect the Company's internal controls over

financial reporting. Canadian regulations allow issuers to limit the evaluation of ICFRs of a business that an issuer acquired not more than 365 days before the last day of the period covered by the Company's filings.

Section 29 – Subsequent Event

Covid-19

The recent outbreak of the coronavirus, or COVID-19, which has been declared by the World Health Organization to be a pandemic, has spread across the globe and is impacting worldwide economic activity. A public health pandemic, including COVID-19, poses the risk that the Company and its employees, contractors, suppliers, and other partners may be prevented from conducting business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities. Certain countries where the Company has significant operations, have required entities to limit or suspend business operations and have implemented travel restrictions and quarantine measures.

While it is not possible at this time to estimate the impact that COVID-19 could have on the Company, the continued spread of COVID-19 and the measures taken by the governments of countries affected could disrupt the supply chain and the manufacture or shipment of product inventories and adversely impact the Company's business, financial condition or results of operations. The COVID-19 outbreak and mitigation measures may also have an adverse impact on global economic conditions which could have an adverse effect on the Company's business and financial condition. The extent to which the COVID-19 outbreak impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact. As of the date of these financial statements, the outbreak has not had a material impact on the Company's results. The Company and its employees have transitioned to working remotely and steps are being taken to establish digital sales channels. Furthermore, the Company has sufficient liquidity to meet all operating requirements for the foreseeable future.

As a result of the COVID-19 impact, the Company will be relying on the temporary relief afforded by DÉCISION N°2020-PDG-0023 of the Autorités Des Marchés Financiers in respect of the obligation to file its Annual Information Form under National Instrument 51-102, Section 6.2. The Company expects to file its Annual Information Form on or before April 30, 2020. The Company confirms that its management and other Company insiders are subject to an insider trading black-out policy that reflects the principles in Section 9 of National Policy 11-207 Failure to- File Cease Trade Orders and Revocations in Multiple Jurisdictions. Other than as set forth in this press release and the annual filings to which it relates, there have been no material business developments in respect of the Company.

Audited Annual Consolidated Financial Statements

Knight Therapeutics Inc.
December 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Knight Therapeutics Inc.**

Opinion

We have audited the consolidated financial statements of Knight Therapeutics Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Lara Iob.

Montreal, Canada
March 30, 2020

[1] *CPA auditor, CA, public accountancy permit no. A120254*

CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

As at December 31,	*Notes*	**2019**	2018
ASSETS			
Current			
Cash, cash equivalents and restricted cash	*7*	**174,268**	244,785
Marketable securities	*8*	**235,045**	445,003
Trade and other receivables	*9*	**103,467**	11,618
Inventories	*10*	**70,870**	1,136
Prepaids and deposits		**3,306**	138
Other current financial assets	*15, 16*	**26,303**	14,030
Income taxes receivable		**8,265**	821
Total current assets		**621,524**	717,531
Marketable securities	*8*	**126,869**	97,274
Trade and other receivables	*9*	**4,715**	—
Prepaids and deposits		**4,652**	—
Right-of-use assets	*11*	**6,409**	—
Property, plant and equipment	*12*	**22,639**	794
Investment properties		**1,740**	—
Intangible assets	*13*	**173,372**	17,475
Goodwill	*14*	**88,262**	—
Other financial assets	*15, 16*	**132,848**	113,314
Investment in associate	*18*	**—**	79,145
Deferred income tax assets	*25*	**3,991**	2,959
Other receivable	*19*	**41,582**	23,340
		607,079	334,301
Assets held for sale	*18*	76,700	—
Total assets		**1,305,303**	1,051,832

CONSOLIDATED BALANCE SHEETS (continued)

[In thousands of Canadian dollars]

As at December 31,	Notes	2019	2018
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	*20*	**94,406**	6,100
Lease liabilities	*11*	**1,788**	—
Other liabilities		**1,750**	—
Mandatory tender offer liability	*6*	**184,023**	—
Bank loans	*17*	**50,557**	—
Income taxes payable		**15,447**	10,705
Other balances payable		**2,833**	197
Deferred other income		**—**	183
Total current liabilities		**350,804**	17,185
Lease liabilities	*11*	**4,812**	—
Bank loan	*17*	**5,022**	—
Other balances payable		**1,699**	4,615
Deferred income tax liabilities	*25*	**27,860**	—
Total liabilities		**390,197**	21,800
Equity			
Share capital	*21 [i]*	**723,832**	761,844
Warrants	*21 [v]*	**785**	785
Contributed surplus		**16,463**	14,326
Accumulated other comprehensive income	*22*	**17,405**	20,955
Retained earnings		**52,246**	232,122
Attributable to shareholders of the Company		**810,731**	1,030,032
Non-controlling interests		**104,375**	—
Total equity		**915,106**	1,030,032
Total liabilities and equity		**1,305,303**	1,051,832

Commitments *[note 31]*
Subsequent event *[note 33]*

See accompanying notes

CONSOLIDATED STATEMENTS OF INCOME

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

	Notes	**2019**	2018
Revenues		**47,461**	12,500
Cost of goods sold		**20,543**	2,221
Gross margin		**26,918**	10,279
Expenses			
Selling and marketing		**7,789**	3,588
General and administrative		**24,460**	8,638
Research and development		**3,913**	1,991
Amortization of intangibles	*13*	**3,413**	1,845
Impairment of intangibles	*13*	**4,226**	—
		(16,883)	(5,783)
Interest income on financial instruments measured at amortized cost		**(18,780)**	(16,114)
Other interest income		**(4,762)**	(4,820)
Interest expense		**1,014**	—
Other income		**(2,195)**	(1,979)
Net gain on financial instruments measured at fair value through profit or loss	*15*	**(20,714)**	(7,632)
Share of net income of associate	*18*	**(906)**	(555)
Foreign exchange loss (gain)		**6,502**	(4,147)
Loss on hyperinflation		**176**	—
Income before income taxes		**22,782**	29,464
Income tax expense			
Current	*25*	**3,836**	3,535
Deferred	*25*	**913**	1,850
Net income for the year		**18,033**	24,079
Attributable to:			
Shareholders of the Company		**14,517**	24,079
Non-controlling interests		**3,516**	—
Attributable to shareholders of the Company			
Basic earnings per share	*24*	**0.10**	0.17
Diluted earnings per share	*24*	**0.10**	0.17
Weighted average number of common shares outstanding			
Basic	*24*	**139,758,522**	142,827,616
Diluted	*24*	**140,139,220**	143,275,010

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of Canadian dollars]

	2019	2018
Net income for the year	**18,033**	24,079
Other comprehensive income (loss), net of taxes		
Items that may be reclassified subsequently to net income:		
Unrealized (loss) gain on translation of foreign operations	(1,910)	16,772
Items permanently in other comprehensive income or loss:		
Net gain (loss) on equity investments at fair value through other comprehensive income net of tax of $217 (2018: $113)	3,784	(7,639)
Share of other comprehensive (loss) income of associate net of tax of $580 (2018: $823)	(1,840)	2,607
Other comprehensive income for the year	34	11,740
Total comprehensive income for the year	18,067	35,819
Attributable to:		
Shareholders of the Company	10,967	35,819
Non-controlling interests	7,100	—

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[In thousands of Canadian dollars]

		Equity attributable to shareholders of the Company							
	Notes	**Share capital**	**Warrants**	**Contributed surplus**	**Accumulated other comprehensive income**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at January 1, 2018		**761,490**	**785**	**12,196**	**9,215**	**208,043**	**991,729**	—	**991,729**
Net income for the year		—	—	—	—	24,079	**24,079**	—	**24,079**
Other comprehensive income for the year		—	—	—	11,740	—	**11,740**	—	**11,740**
Comprehensive (loss) income		—	—	—	11,740	24,079	**35,819**	—	**35,819**
Share-based compensation expense	*21 [ii]*	—	—	2,170	—	—	**2,170**	—	**2,170**
Issuance under share option plan	*21 [ii]*	130	—	(40)	—	—	**90**	—	**90**
Issuance under share purchase plan	*21 [iii]*	224	—	—	—	—	**224**	—	**224**
Balance as at December 31, 2018		**761,844**	**785**	**14,326**	**20,955**	**232,122**	**1,030,032**	—	**1,030,032**
Balance as at January 1, 2019		**761,844**	**785**	**14,326**	**20,955**	**232,122**	**1,030,032**	**—**	**1,030,032**
Net income for the year		—	—	—	—	14,517	14,517	3,516	**18,033**
Other comprehensive income for the year		—	—	—	(3,550)	—	(3,550)	3,584	**34**
Comprehensive income		—	—	—	(3,550)	14,517	10,967	7,100	**18,067**
Share-based compensation expense	*21 [ii]*	—	—	2,137	—	—	2,137	—	**2,137**
Issuance under share purchase plan	*21 [iii]*	274	—	—	—	—	274	—	**274**
Repayment of share purchase loans		425	—	—	—	—	425	—	**425**
Shares purchased under Normal Course Issuer Bid	*21 [iv]*	(38,711)	—	—	—	(16,127)	(54,838)	—	**(54,838)**
Mandatory tender offer	*6*	—	—	—	—	(178,266)	(178,266)	—	**(178,266)**
Non-controlling interest arising on a business combination	*6*	—	—	—	—	—	—	97,275	**97,275**
Balance as at December 31, 2019		**723,832**	**785**	**16,463**	**17,405**	**52,246**	**810,731**	**104,375**	**915,106**

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

	Notes	**2019**	2018
OPERATING ACTIVITIES			
Net income for the year		**18,033**	24,079
Adjustments reconciling net income to operating cash flows:			
Deferred income tax		**913**	1,850
Share-based compensation expense	*21 [ii]*	**2,137**	2,170
Depreciation and amortization		**4,270**	1,932
Net gain on financial instruments	*15*	**(20,714)**	(7,632)
Impairment on intangible assets	*13*	**4,226**	—
Foreign exchange loss (gain)		**6,502**	(4,147)
Loss on hyperinflation		**176**	—
Share of net income of associate	*18*	**(906)**	(555)
Other income		**(184)**	168
Deferred other income		**(183)**	(266)
Other adjustments		**572**	—
		14,842	17,599
Changes in non-cash working capital and other items	*28*	**6,043**	2
Other receivable	*19*	**(18,242)**	(23,340)
Dividends from associate	*18*	**4,159**	—
Interest payments on bank loans		**(2,206)**	—
Cash inflow (outflow) from operating activities		**4,596**	(5,739)
INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash acquired	*6*	**(172,306)**	—
Purchase of marketable securities		**(223,507)**	(531,401)
Purchase of intangibles		**(2,839)**	(3,670)
Purchase of property and equipment	*12*	**(109)**	(202)
Issuance of loans receivables		**(20,046)**	(5,375)
Purchase of equity investments	*15*	**(405)**	(27,919)
Purchase of derivatives		**(133)**	—
Settlement of forward foreign exchange contracts		**(3,447)**	—
Investment in funds	*15*	**(20,175)**	(27,169)
Proceeds on maturity of marketable securities		**400,373**	264,334
Proceeds from repayments of loans receivable		**8,540**	41,112
Proceeds from disposal of equity investments	*15*	**4,104**	31,207
Proceeds from distribution of funds	*15*	**18,090**	6,769
Cash outflow from investing activities		**(11,860)**	(252,314)
FINANCING ACTIVITIES			
Proceeds from exercise of stock options		**—**	90
Proceeds from contributions to share purchase plan		**230**	200
Proceeds from repayment of share purchase loans	*21*	**425**	—
Repurchase of common shares through Normal Course Issuer Bid	*21 [iv]*	**(54,838)**	—
Principal repayment of lease liabilities	*11*	**(716)**	—
Principal repayments on bank loans		**(7,896)**	—
Cash inflow from financing activities		**(62,795)**	290
Decrease in cash and cash equivalents during the year		(70,059)	(257,763)
Cash and cash equivalents, beginning of the year		244,785	496,460
Net foreign exchange difference		(458)	6,088
Cash and cash equivalents, end of the year		174,268	244,785
Supplemental cash flow information:			
Interest received		**20,985**	20,020
Interest paid		**2,206**	—
Net income taxes paid		**(2,336)**	(409)

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

GLOSSARY OF ABBREVIATIONS

Abbreviation	Company
60P	60^{o} Pharmaceuticals LLC
Antibe	Antibe Therapeutics Inc.
Crescita	Crescita Therapeutics Inc.
GBT	Biotoscana Investments S.A.
Knight or the Company	Knight Therapeutics Inc.
Medexus	Medexus Inc.
Medimetriks	Medimetriks Pharmaceuticals Inc.
Medison	Medison Biotech (1995) Ltd.
Moksha8	Moksha8, Inc.
Pediapharm	Pediapharm Inc.
Synergy	Synergy CHC Corp.
Triumvira	Triumvira Immunologics Inc.
TXMD	TherapeuticsMD, Inc

Abbreviation	Currency
ARS	Argentine Peso
BOB	Bolivian Boliviano
BRL	Brazilian Real
CHF	Swiss Franc
CLP	Chilean Peso
COP	Colombian Peso
EUR	Euro
MXN	Mexican Peso
PEN	Peruvian Sol
PYG	Paraguayan Guarani
US$/USD	U.S. Dollar

Abbreviation	Other
AOCI	Accumulated other comprehensive income
B3	B3 S.A. – Brasil, Bolsa, Balcão
BDR	Brazilian Depository Receipts
CDI	Certificados de Depositos Interfinancieros (Brazil interbank lending rate)
CEO	Chief Executive Officer
CGU	Cash generating unit
CRA	Canada Revenue Agency
DBRS	Dominion Bond Rating Service
ECL	Expected credit loss
FA	Financial Assets
FDA	Food and Drug Administration (United States)
FV	Fair value
FVOCI	Fair value through other comprehensive income

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Abbreviation	Other(continued)
FVTPL	Fair value through profit or loss
G&A	General and administrative
IBR	Incremental borrowing rate
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
LATAM	Latin America
NAV	Net asset value
NDA	New Drug Application
PRV	Priority Review Voucher
R&D	Research and development expenses
RE	Retained earnings
S&M	Selling and marketing
S&P	Standard and Poor's
Selic	Monetary policy interest rate used by the Central Bank of Brazil

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. NATURE OF OPERATIONS

Description of business

The Company was incorporated on November 1, 2013 under the Canada Business Corporations Act. Knight is a specialty pharmaceutical company and its principal business activity is acquiring, in-licensing, out-licensing, marketing and distributing pharmaceutical products, consumer health products and medical devices in Canada, Latin America 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”.

The GBT Transaction

GBT is a specialty pharmaceutical company incorporated in Luxembourg and headquartered in Montevideo, Uruguay, operating in 10 countries in Latin America. GBT markets and sells licensed innovative products and engages in development, manufacturing and marketing of innovative specialty pharmaceuticals and branded generic products. GBT’s business model focuses on therapeutic areas covering infectious diseases, oncology and onco-hematology, and certain other specialty therapeutics. This transformational acquisition establishes Knight as a premiere pan-American (ex-US) specialty pharmaceutical company. Knight believes Latin America and the other countries where it wants to grow internationally provide potentially significant growth and value opportunities.

On November 29, 2019 the Company acquired a controlling stake of 51.2% in GBT (“GBT Transaction”), from a controlling shareholder group that included Advent International and Essex Woodlands, among others. The purchase price per share paid by the Company at closing was $3.48 [BRL 10.96], for an aggregate purchase price of $189,024 [BRL 595,662], which was funded entirely from the Company’s cash on hand. An amount equivalent to 20% of the Purchase Price was deposited in escrow to secure the sellers' indemnification obligations under the purchase agreement for the GBT Transaction. The escrow amount will be released equally over a period of three years from closing, net of claims in accordance with the terms and conditions of the Share Purchase Agreement.

The remaining 48.8% ownership of GBT is publicly-held and traded on B3. Brazil’s main stock exchange through BDRs. Following the close of the GBT Transaction, Knight initiated the process of launching a mandatory public tender offer to acquire the BDRs from public shareholders (the " Unified Tender Offer") on similar terms as the GBT Transaction plus interest at the Selic rate calculated from November 29, 2019 until the settlement date. Alternatively, the public shareholders’ may opt to be paid in cash on the settlement date an amount of BRL10.15 per BDR plus interest at the Selic rate calculated from November 29, 2019. On December 20, 2019, the Company submitted to B3 an authorization request to carry out the Unified Tender Offer, which is expected to take 4 to 8 months from launch to completion.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation and statement of compliance

These consolidated financial statements of the Company for the year ended December 31, 2019, have been prepared in accordance with IFRS. The policies set out below have been consistently applied to all the periods presented except for IFRS 16 applied using the modified retrospective approach.

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, 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 consolidated financial statements have been set out in note 3 below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

These consolidated financial statements were approved by the Company's Board of Directors on March 30, 2020.

2.2 Basis of consolidation

The consolidated financial statements of the Company include the accounts of Knight Therapeutics Inc. and all its subsidiaries. The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date that such control ceases.

The changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with no effect on net income or on other comprehensive income.

These Consolidated Financial Statements include the accounts of the Company and its subsidiaries as follows:

Name	Jurisdiction of incorporation	%
11718991 Canada Inc.	Canada	100%
Knight Therapeutics (Barbados) Inc.	Barbados	100%
Knight Therapeutics (USA) Inc.	Delaware, USA	100%
Abir Therapeutics Ltd.	Israel	100%
Biotoscana Investments S.A.[1]	Luxembourg	51.2%

[1]Biotoscana Investments S.A. directly and indirectly owns 26 companies, 10 of which are holding companies and the remaining 16 are operating as LKM, Dosa, United Medical and Biotoscana in 10 countries in LATAM

Effective November 29, 2019 the Company owns a 51.2% interest in GBT thereby having control through its majority voting rights. Therefore, the Company began consolidating GBT in its financial statements upon the close of the GBT Transaction.

All significant inter-company transactions, balances, revenues and expenses are eliminated upon consolidation. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

2.3 Summary of significant accounting policies

Financial Reporting in Hyperinflationary Economics

In July 2018, the Argentine Federation of Professional Councils in Economic Sciences (F.A.C.P.C.E.) issued a release mentioning that, effective July 1, 2018, entities reporting under IFRS are required to apply the inflation adjustment since the applicable conditions for such application have been satisfied.

IAS 29, Financial Reporting in Hyperinflationary Economies, has been applied to these consolidated financial statements as the Company's Argentine subsidiaries ("Argentine Subsidiaries") use the Argentine Peso as their functional currency. IAS 29 requires that the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy be adjusted based on an appropriate general price index to express the effects of inflation, and shall be stated in terms of the measuring unit current at the end of the reporting period. To measure the impact of inflation on its financial position and results, the Company has elected to use the Retail Price Index (Indice de Precios al Consumidor or "IPC").

All balance sheet items of Argentine subsidiaries should be segregated into monetary and non-monetary items. Monetary items are units of currency held, and assets and liabilities to be received or paid, in fixed or determinable number of units of currency. These monetary items are not restated because they are already expressed in terms of the current monetary unit. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, and an entity with an excess of monetary liabilities over monetary assets gains purchasing power, to the extent the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

assets and liabilities are not linked to a price level. The gain or loss on the net monetary position is included in the statement of income as "Loss on hyperinflation".

Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit) are restated by applying the relevant index. After the IAS 29 restatement of non-monetary assets, it is necessary to consider whether the restated amount of the asset might exceed its recoverable amount. Additionally, the application of IAS 29 results in the creation of temporary differences because the book value of non-monetary assets is adjusted for inflation but not equivalent adjustment is made for tax purpose; the effect of such a temporary difference is a deferred tax liability that need to be recognized in profit or loss.

The results and financial position of subsidiaries in Argentina, whose functional currency is the currency of a hyperinflationary economy, are first restated in accordance with IAS 29 and are then translated into the presentation currency

Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The purchase consideration is allocated to the identifiable assets acquired and liabilities assumed on the basis of the fair value at the date of acquisition. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. The results of businesses acquired during the reporting period are consolidated into the consolidated financial statements from the date at which control commences.

Goodwill (the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed) is initially measured at cost. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation, measured at the respective functional currency, and translated at the spot exchange rate at the reporting date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit ("CGU") is the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

The Company performs goodwill impairment tests on an annual basis. Indicators of impairment are assessed at each reporting period end and goodwill is tested for impairment if an indicator of impairment is identified at that time. An

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

impairment loss is recognized in the event that the carrying value of the CGU or group of CGUs to which goodwill is assigned exceeds its recoverable amount. The recoverable amount of a CGU or group of CGUs is measured as the higher of value in use and fair value less costs of disposal. Goodwill impairment losses are not reversed.

Foreign currency translation

[a] Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements of the Company are presented in Canadian dollars ("CAD"), which is the parent Company's functional and presentation currency.

The results and financial position of subsidiaries in Argentina, whose functional currency is the currency of a hyperinflationary economy, are first restated in accordance with IAS 29 and are then translated into the presentation currency using the exchange rate at the current reporting date.

[b] Transactions and balances

Foreign currency transactions are initially recorded by the Company and its subsidiaries using the exchange rates prevailing at the date of the transaction (to convert to their respective functional currencies). At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the period-end exchange rates. Non-monetary assets and liabilities are translated at the historical exchange rates. Exchange gains and losses arising from the translation of foreign currency items are recognized in the consolidated statement of income.

[c] Foreign operations

For subsidiaries that have a functional currency different from the parent Company, on consolidation, the assets and liabilities of foreign operations are translated into CAD at the exchange rate prevailing at the reporting date and their statements of income are translated using the average exchange rates for the period. The exchange differences arising on translation for consolidation are recognized in other comprehensive income.

Cash, cash equivalents and restricted cash

Cash and cash equivalents are comprised of current balances with banks and similar institutions and highly liquid investments with original maturities of three months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value. Cash and cash equivalents that are restricted as to withdrawal or usage are presented as restricted cash.

Marketable securities

Marketable securities consist of securities that are liquid and subject to an insignificant risk of change in value. Marketable securities are initially measured at fair value. Fair values for marketable securities are obtained using techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. Marketable securities will be subsequently measured at their amortized cost, based on the accretion schedules determined at initiation. Marketable securities are classified as current if they mature within the year or if it is expected to be realized within a year.

Inventories

Inventories include raw material, work-in-progress and finished goods, which are valued at the lower of cost (first-in, first-out basis) and net realizable value. With regards to inventories of a subsidiary whose functional currency is that of an economy considered hyperinflationary, the cost is adjusted and translated into the reporting currency following the criteria mentioned in the "Financial Reporting in Hyperinflationary Economics" policy. Manufactured inventory cost includes the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

cost of raw materials, direct labour, an allocation of overhead and the cost to acquire finished goods. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and applicable selling expenses.

Assets held for sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets classified as held for sale are presented separately in balance sheet.

Financial Instruments

Initial classification

The classification of the Company's financial instruments is as following:

Classification	Financial instruments	Description
Financial assets measured at amortized cost	Cash	Cash balances with banks.
	Cash equivalents	Highly liquid investments that are readily convertible into a known amount of cash.
	Restricted cash	Cash balances with banks that are restricted as to withdrawal or usage
	Marketable securities	Liquid investments that are readily convertible into a known amount of cash.
	Trade and interest receivables	Amounts receivable from customers and third parties.
	Loans and other receivables	Loans receivable, debentures and long-term receivables.
Financial assets measured at FVTPL	Derivatives	Warrants, stock options and other.
	Investments in funds	Life sciences venture capital equity funds and debt funds.
	Investments in equities	Equities of publicly-traded and private entities acquired with the purpose of sale.
	Loans and other receivables	Loans receivable, debentures, hybrid instruments and long-term receivables.
Financial assets measured at FVOCI (with no recycling)	Investments in equities	Equities of publicly-traded and private entities acquired for strategic purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Classification	Financial instruments	Description
Financial liabilities measured at amortized cost	Accounts payable and accrued liabilities	Amounts payable to suppliers and third parties.
	Bank Loans	Debt with financial institutions
Financial liabilities measured at amortized cost (continued)	Other balances payable	Obligations to pay out certain future contractually pre-defined amounts upon meeting specific criteria recorded when the likelihood of attainment is deemed probable.

Criteria for classification of financial assets

The Company analyzes each loan receivable and equity investment on an individual basis. The analysis and classification is driven by the following criteria:

Classification	Criteria
Loans and other receivables and investments in funds	
Amortized cost	• Held within a business model whose objective is to hold assets in order to collect contractual cash flows and; • Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
FVOCI (with recycling)	• Held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets and; • Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
FVTPL	• All loans receivable and investments in funds not measured at amortized cost or at FVOCI must be measured at FVTPL.
Investments in equity instruments	
FVTPL	• Investment acquired with the purpose of sale or; • Evidence of historical short-term profit making on similar instruments.
FVOCI (with no recycling)	• Investment made primarily for non-financial benefits such as strategic alliances and strategic investments.

Measurement

After classification as amortized cost, FVTPL or FVOCI, the Company uses the following policy for initial measurement and subsequent measurement at each reporting period:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Classification	Initial measurement	Subsequent measurement	Changes in fair value
Financial assets			
Amortized Cost	Fair value on the trade date less expected credit loss	Amortized cost using the effective interest method.	Reported in consolidated statement of income when realized or impaired. Interest accretion on loans is recorded in "Interest income on financial instruments measured at amortized cost" on the consolidated statement of income.
FVTPL	Fair value on the trade date	Re-measured at subsequent reporting dates to fair value using quoted market prices, if available. Re-measured using the Black-Scholes option pricing valuation model or other techniques if quoted market prices are not available.	Reported in "Net gain on financial instruments measured at FVTPL" on the consolidated statement of income.
FVOCI (with no recycling)	Fair value on the trade date	Re-measured at subsequent reporting dates to fair value using quoted market prices, if available. Re-measured using the Black-Scholes option pricing valuation model or other techniques if quoted market prices are not available.	Reported in consolidated statement of comprehensive income. There is no recycling of amounts from the statement of comprehensive income to the statement of income upon the disposal of the financial asset.
Classification	**Initial measurement**	**Subsequent measurement**	**Changes in fair value**
Financial liabilities			
Amortized Cost	Fair value	Amortized cost using the effective interest method.	The interest accretion is recorded in "Interest expense" on the consolidated statement of income.
FVTPL	Fair value	Re-measured at subsequent reporting dates to fair value.	Reported in "Net gain on financial instruments measured at FVTPL" on the consolidated statement of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Day 1 Gain on Initial Measurement

Upon acquisition of a financial instrument, the Company measures the fair value and compares this to the acquisition price. The difference is recognised as a gain or loss only if fair value is based on a quoted price in an active market or based on a valuation technique that uses only data from observable markets. Otherwise, the difference is deferred and recognised as follows:

- in the income statement on a straight-line basis over the term for financial assets classified as FVTPL;
- in the income statement through the application of the effective interest method for assets classified as amortized cost; or,
- in the statement of comprehensive income for financial assets classified as FVOCI when there is a change in a factor that market participants would consider when pricing the asset.

Impairment of financial assets

The Company recognizes a loss allowance for ECLs on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime ECL except for the following which are measured at a 12-month ECL:

- Investments in marketable securities determined to have low credit risk at the reporting date with a credit risk rating equivalent to investment grade; and
- Other financial assets for which credit risk has not increased significantly since initial recognition.

The Company applies the simplified approach on trade receivables, which allows for the use of a lifetime ECL provision considering the probability of default over the expected life of the financial asset. The 12-month ECL only considers default events that are possible within the year following the reporting date.

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due, taking into consideration the location of the customer and their risk factor. The provision matrix is initially based on the Company's historical observed default rates and is subsequently evaluated and updated based on new and forward-looking information.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and is related to an event occurring after the impairment was recognized. Financial assets measured at FVTPL and FVOCI (with no recycling) are not subject to impairment testing.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) or financial liability is derecognized when:

- the rights/obligations to receive/disburse cash flows from the asset/liability have expired/discharged; or
- the Company has transferred its rights/obligations to receive/disburse cash flows from the asset/liability.

Fair value hierarchy

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 other receivables Derivatives Bank loans

[1] *Publicly-traded equities in active markets*
[2] *Publicly-traded equities in inactive markets*
[3] *Privately-held equities*

Derivative financial instruments and hedge accounting

The Company may use derivative financial instruments to hedge its market risk exposure. At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Derivatives are initially recorded at fair value and are subsequently remeasured at fair value. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of income, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income. The amount recognized in other comprehensive income is removed and included in the statement of income under the same line item as the hedged item in the same period that the hedged cash flows affect net income. When a hedged forecasted transaction subsequently results in the recognition of a non-financial asset or liability, the gain or loss on the derivative is removed from accumulated other comprehensive income and included in the initial cost or carrying amount of the asset or liability.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Right-of-use assets *(IFRS 16 – effective as of January 1, 2019)*

The Company recognizes right-of-use assets at the inception of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the inception date less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and/or accumulated impairment losses, if any. With regards to property, plant and equipment of a subsidiary whose functional currency is that of an

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

economy considered hyperinflationary, the cost is adjusted and translated into the reporting currency following the criteria mentioned in the "Financial Reporting in Hyperinflationary Economics" policy. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to consolidated net income during the financial period in which they are incurred.

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant components and depreciates each separately. Depreciation of the significant components is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Property, Plant and Equipment	Method	Term
Buildings	Straight-line	20 years
Machinery and equipment	Straight-line	5-10 years
Computer equipment	Straight-line	3-5 years
Office equipment	Straight-line	10 years
Other	Straight-line	5 years
Leasehold improvement	Straight-line	lesser of useful life and life of the lease

On disposal of property, plant and equipment, the cost and related accumulated depreciation and impairments are removed from the financial statements and the net amount, less any proceeds, is included in the consolidated statement of income.

The Company periodically reviews the useful lives and the carrying values of its property and equipment and as a result the useful life of property and equipment may be adjusted accordingly.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects assumptions that market participants would use when pricing investment property under the market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they arise.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Intangible assets

Intangible assets acquired are recorded at cost. With regards to intangible assets of a subsidiary whose functional currency is that of an economy considered hyperinflationary, the cost is adjusted and translated into the reporting currency following the criteria mentioned in the "Financial Reporting in Hyperinflationary Economics" policy. Intangible assets consist of license rights, intellectual property (pharmaceutical product rights, process know-how covered by certain patented and non-patented information) and software related costs. Intangible assets with finite lives are amortized on a straight-line basis over the lesser of the term of the agreement, the life of the patent or the expected useful life of the product once they are available for commercialization. The amortization terms range from 3 to 10 years. The Company periodically

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

reviews the useful lives and the carrying values of its intangible assets. As a result, the useful life of intangible assets may be adjusted accordingly.

The Company assesses at each reporting period whether there is an indication of impairment of any intangible asset. An impairment loss is recognized when the carrying amount of an intangible asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the intangible asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are charged to the consolidated statement of income in the period concerned. Impairment losses are only reversed if there has been a change in estimates used to determine the recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortization, had no impairments been recognized. A reversal is recognized in the consolidated statement of income.

Investments in associates

An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policies and decisions of the investee, but is not control or joint control over these policies.

The Company accounts for investments in associates using the equity method. Under the equity method, investments in associates are initially recognized at cost. The carrying amount of the investment is adjusted for the Company's share of the associates' net income, net of the amortization of fair value adjustments and dividends received. Goodwill relating to associates is included in the carrying amount of the investments and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associates. The share of net income from associates is shown on the face of the consolidated statement of income less amortization and tax effect of fair value adjustments. This is the net income or loss attributable to shareholders of the associates and therefore is income after tax. When the Company's share of losses in associates equals or exceeds its interest in the associates the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associates. The share of other comprehensive income from associates is shown on the face of the consolidated statements of comprehensive income and is presented net of tax. The financial statements of the associates are prepared for the same reporting period as the Company. Where necessary, adjustments are made to the financial statements and results of the associate to bring the accounting policies and classifications in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in its associates. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount as impairment in the consolidated statement of income.

Upon loss of significant influence over the associates, the Company measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the remaining investment is recognized in the consolidated statement of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Accruals and provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects a portion or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as an asset when the reimbursement is virtually certain. The expense relating to the provision is presented in the statement of income net of any reimbursement.

Non-current provisions are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized in the statement of income in "interest expense".

Lease liabilities *(IFRS 16 – effective as of January 1, 2019)*

At the inception date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

The Company uses the IBR to calculate the fair value of lease payments at the lease inception date if the interest rate implicit in the lease is not readily determinable. After the inception date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Other balances payable

As part of acquisitions of intangible assets, the Company may assume obligations to pay out certain future contractually pre-defined amounts upon meeting specific timelines or achieving specific regulatory or sales related milestones. These obligations are recorded when the likelihood of attainment is deemed probable and are measured at fair value. The long-term portion of other balances payable are discounted to current values using appropriate rates of interest.

Share-based compensation plans

The Company measures the cost of share-based compensation by reference to the fair value at the date on which they are granted. The Company uses the Black-Scholes option pricing model to determine the fair value of the options.

The cost of share-based compensation plans is recognized, together with a corresponding increase in contributed surplus over the period in which the service conditions are fulfilled. The cumulative expense is recognized at each reporting date until the vesting date and reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense recognized for the period is recorded under S&M, G&A, and R&D expenses on the consolidated statement of income. No expense is recognized for awards that do not ultimately vest. Any consideration paid by employees on exercise of share options or purchase of shares is credited to share capital. The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of diluted earnings per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Share purchase plan

The Company offers a share purchase plan to its employees and directors. Under this plan, the Company contributes, in the form of shares, a percentage of the employees' or directors' contribution that have been purchased and held for two years by the individual. The Company's contributions to the plan are recognized as compensation costs in S&M, G&A, and R&D expenses.

Equity instrument share issue costs

Issue costs incurred by the Company to issue equity instruments are recorded as a reduction of the equity instrument issued.

Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries owned by third parties. The share of net assets of these subsidiaries that are attributable to the non-controlling interests is presented as a component of equity, while their share of net income or loss and comprehensive income or loss is recognized directly in equity.

Operating lease *(IAS 17 - effective for periods prior to January 1, 2019)*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease (net of any incentives received from the lessor) are recognized in the consolidated statement of income on a straight-line basis over the period of the lease.

Revenue Recognition

Revenue related to the sale of goods is recognized at the point in time when the Company has satisfied its performance obligations and control is transferred to the customer which is on shipment or delivery of the product. The Company generally has a right to receive payment in accordance with agreed payment terms at the time of delivery, as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due. Revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The normal credit term varies depending on the country in which the revenue is generated; credit terms will typically range between 30 and 45 days from the invoice date in all countries outside of LATAM, while they can typically range from 60 to 120 days from the invoice date in LATAM. In certain circumstances, returns or exchange of products are allowed under the Company's general terms and conditions or the Company may provide discounts or allowances, which gives rise to variable consideration. The variable consideration is estimated using the expected value method as this best predicts the amount of variable consideration to which the Company is entitled. Amounts are recognized as a reduction of revenue at the time the control of the products purchased is transferred to the customer. In certain situations, such as initial product launches for which the Company has limited comparable information or where the market or client acceptance has not been clearly established, the Company may determine that it has not met the requirements for recognition of revenue, such as the ability to reasonably determine provisions for product returns, as a result revenue will be constrained.

Research and development

Research and development expenditures are charged to the consolidated statement of income in the period in which they are incurred. Development expenditures are charged to net income in the period of expenditure, unless a development project meets the criteria under IFRS for deferral and amortization.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Interest income/expense

Interest income or expense is recognized on a time-proportion basis. For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate method, which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. For financial assets recorded at FVTPL, interest income is recorded using the contractual interest rate in "Other interest income" on the statement of income.

Borrowing costs

Borrowing costs are expensed in the period in which they occur, except when they are attributable to eligible assets for their capitalization under IAS 23 rules.

Other income

Other income is recognized when it is earned and includes income earned for advisory and other services, gains from early loan repayments including prepayment fees and income from strategic lending deals. Prepayment fees and other fees earned on the prepayment of loans receivable are recognized in other income when received.

Government assistance

Amounts received or receivable resulting from government assistance programs such as investment tax credits for research and development, are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the amount relates to an expense item, it is recognized as income on a systematic basis as a reduction to the costs that it is intended to compensate. When the grant relates to an asset, it reduces the carrying amount of the asset and is then recognized as income over the useful life of the depreciable asset by way of a reduced depreciation charge.

Income taxes

Income tax expense is comprised of current and deferred tax. Tax expenses are recognized in the consolidated statement of income except to the extent they relate to items recognized directly in equity or other comprehensive income, in which case the related tax is recognized in equity or other comprehensive income, respectively.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in the tax returns and assessments with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Deferred tax assets (liabilities) are recognized for all deductible (taxable) temporary differences, except to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except:

- where the deferred tax asset (liability) relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable income or loss; and
- in respect of taxable temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Commodity tax

Expenses and assets are recognized net of the amount of sales tax, except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- when receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Earnings per share

Earnings per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated giving effect to the exercise of all dilutive instruments and assumes that any proceeds that could be obtained upon the exercise of options would be used to purchase common shares at the average market price during the period.

3. USE OF JUDGMENTS AND ESTIMATES

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, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of 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.

Information about significant judgments and estimates used in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements relate to:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Goodwill, intangible assets and business combinations

Intangible assets and goodwill arise out of business combinations for which the Company has applied the acquisition method of accounting. The acquisition method involves the allocation of the cost of an acquisition to the underlying net assets acquired based on their respective estimated fair value. As part of this allocation process, the Company must identify and attribute values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted average cost of capital ("WACC").

The excess of the purchase price over the estimated fair value of the net assets acquired is then assigned to goodwill. In the event that actual fair values of the net assets including definite life intangibles are different from estimates, the amounts allocated to goodwill could differ from what is currently reported. This would then have a pervasive impact on the carrying value of goodwill. Differences in estimated fair values would also have an impact on the amortization of definite life intangibles. If future events or results differ adversely from these estimates and assumptions, the Company could record increased amortization or impairment charges in the future.

Fair value measurement of financial assets

When the fair values of financial assets recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, it is measured using other valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as credit risk, discount rates, volatility and illiquidity. Changes in assumptions about these factors could affect the reported fair value of financial assets.

Investments in Funds

The Company records investments in funds at its NAV and judgment is used to determine if the NAV provided by the fund approximates fair value. If it is determined that the NAV represents fair value, the investment in fund is adjusted to reflect the NAV and unrealized gains or losses are recorded in the statement of income. Upon the sale of the funds' underlying assets, the Company does not record any potential milestone gains in its NAV, which are related to contingent events such as clinical, regulatory or commercial successes, until they are realized.

Loans receivable

As consideration for loans issued, the Company may receive additional assets such as product rights, shares and warrants on issuance of the loan. The Company uses the relative fair value approach to allocate the nominal amount of the loan issued to the multiple financial instruments identified and any residual value to non-financial instruments. This involves assessing the fair value of the loan receivable by comparing the interest rate to third parties' loans with a similar maturity term and credit rating as the counterparty. The fair value of each strategic loan is determined using the discounted future cash flow of the principal and interest payments and the discount rate used is the fair value interest rate ("FV Interest Rate") of the loan. The Company estimates the FV Interest Rate through the following steps which involves use of significant judgement and estimates:

Assignment of credit rating: There is no reliable third-party credit rating on any of the strategic partners from which the Company has a loan outstanding balance. Therefore, the Company judgmentally assigns a credit rating to each loan based on quantitative and qualitative factors which include but are not limited to review of borrower's business plan, cash flow forecasts and financial standing.

Interest rate of comparable financial instruments: The Company reviews the interest rates of publicly-traded debt instruments with similar maturity term and credit rating as the loan being analysed. Based on the review the Company assigns a FV Interest Rate to each of its loan receivable. The Company may judgmentally exclude certain outliers in this analysis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Equities classified as "Level 3" in the fair value hierarchy

When determining fair value of equities classified as "Level 3" of the fair value hierarchy judgment is involved in assessing the fair value of the financial asset. The fair value is determined through acceptable valuation techniques such as the income or market approach which involve use of judgment and estimates such as sales, gross margin, and expense projections, discount rates and long-term growth rates.

Equities classified as "Level 2" in the fair value hierarchy

When determining fair value of equities classified as "Level 2" of the fair value hierarchy judgment is involved in assessing the fair value of the financial asset. The Company will determine if observable market data is representative of the fair value. If it is not, the Company will consider other acceptable valuation techniques such as the income or market approach which involve use of judgment and estimates such as sales, gross margin, and expense projections, discount rates and long-term growth rates.

Impairment of intangible assets

Significant judgment is required in determining the useful lives and recoverable amounts of the Company's intangible assets and assessing whether certain events or circumstances represent objective evidence of impairment. Estimates of the recoverable amounts of the intangible assets rely on certain factors such as future cash flows and discount rates. Future cash flows are based on sales projections and allocated costs which are estimated based on forecast results and business initiatives. Discount rates are based on the Company's cost of capital, adjusted for asset-specific risks. Future events could cause the assumptions used in the impairment review to change with a consequential adverse effect on the results of the Company.

Other balances payable

Other balances payable are recorded when the likelihood of payment based on a certain criteria is deemed probable. The Company exercises significant judgement in determining the probability related to meeting specific timelines or specific regulatory or sales related milestones. This assessment involves, but is not limited to, a regulatory assessment of the product and sales projections which are estimated based on forecast results and business initiatives.

Share-based compensation

The Company measures the cost of equity-settled transactions with employees and others by reference to the fair value of the related instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant, which is dependent on the terms and conditions of the grant. This also requires making assumptions and determining the most appropriate inputs to the valuation model including volatility and term (see note 16 for further disclosures).

Uncertain tax positions

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

From time to time, the Company is subject to tax audits. While the Company believes that its filing positions are appropriate and supportable, periodically, certain matters are challenged by tax authorities. Knight received a notice of reassessment from the CRA and the QRA in July 2018 and January 2019 respectively related to the disposition of its PRV in 2014. The notices of reassessment provide that Knight is liable to pay an aggregate of $41,582 in additional taxes and interest. Knight made a deposit of $23,340 in 2018 and $18,242 in February 2019, and expects to recover the deposits and therefore has not recorded any tax provision in its financial statements. However, there can be no assurance regarding the outcome or when a resolution may be reached. Although the Company believes its tax provisions are adequate, the final determination of tax audits and any related disputes could be materially different from historical income tax provisions and accruals.

Valuation of deferred tax assets

The Company follows the liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. As a result, a projection of taxable income is required for those years, as well as an assumption of the ultimate recovery or settlement period for temporary differences. The projection of future taxable income is based on Management's best estimates and may vary from actual taxable income. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The international tax rules and regulations in the jurisdictions that the Company operates are subject to interpretation and require judgement on the part of the Company that may be challenged by taxation authorities. The Company believes that it has adequately provided for deferred tax obligations that may result from current facts and circumstances. Temporary differences and income tax rates could change due to fiscal budget changes and/or changes in income tax laws.

Functional currency

The functional currency of foreign subsidiaries is reviewed on an ongoing basis to assess if changes in the underlying transactions, events and conditions have resulted in a change. When assessing the functional currency of a foreign subsidiary, management's judgment is applied to determine amongst other things the primary economic environment in which an entity operates, the currency in which funds the activities and the degree of autonomy of the foreign subsidiary from the reporting entity in its operations and financially. Judgment is also applied in determining whether the inter-company loans denominated in foreign currencies form part of the Company's net investment in the foreign subsidiary.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16") which is effective on January 1, 2019 and 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 less than 12 months or the underlying asset has a low value.

Transition to IFRS 16

The Company adopted IFRS 16 using the full modified retrospective approach on January 1, 2019. The Company elected to not separate lease and non-lease components from payments and account for both as a single lease component.

Lease liabilities at the transition date have been measured at the present value of remaining lease payments, discounted at the related IBR as at January 1, 2019. Right-of-use assets have been measured at their carrying amounts as if IFRS 16 had been applied since the lease inception date using the related IBR for the remaining lease period as at January 1, 2019. As a result of the transition, the Company recognized $1,139 of lease liabilities and $1,121 of right-of-use assets and with no net impact on opening retained earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The following table summarizes the effect of transition to IFRS 16 on the Company's consolidated balance sheet as at January 1, 2019.

	December 31, 2018	Transition Impact	January 1, 2019
	$	$	$
ASSETS			
Right-of-use assets	—	1,121	1,121
CURRENT LIABILITES			
Lease Liabilities	—	273	273
NON-CURRENT LIABILITES			
Lease Liabilities	—	866	866

The following table reconciles the Company's operating lease commitments as at December 31, 2018, to the lease obligations recognized on initial application of IFRS 16.

	$
Operating lease commitments at December 31, 2018	**1,125**
Adjustments[1]:	
Present value adjustment on lease commitment	(60)
Extension options expected to be exercised not included in lease commitments	74
Lease obligations as at January 1, 2019	**1,139**

[1] Discounted using IBR of 3.00%

IFRIC 23 Uncertainty over Income Tax Treatment

In June 2017, the IASB released IFRIC 23 Uncertainty over income tax treatments ("IFRIC 23"), which is effective on January 1, 2019. IFRIC 23 clarifies accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes and does not apply to taxes outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. The Company has concluded that IFRIC 23 had no material transitional impact on January 1, 2019.

5. RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 3 Business Combinations

In October 2018, the IASB issued amendments to IFRS 3, Business combinations. The amendments clarify the definition of a business with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or an asset acquisition.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, and is to be applied prospectively. Given the prospective application of the amendment, the Company does not expect any significant impacts as a result of its adoption.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments to the definition of material is not expected to have a significant impact on the Company's consolidated financial statements.

6. BUSINESS COMBINATION

On November 29, 2019 the Company acquired a controlling stake of 51.2% in GBT ("GBT Transaction"), from a controlling shareholder group that included Advent International and Essex Woodlands, among others. The purchase price per share paid by the Company at closing was $3.48 [BRL 10.96], for an aggregate purchase price of $189,024 [BRL 595,662], which was funded entirely from the Company's cash on hand. An amount equivalent to 20% of the Purchase Price was deposited in escrow to secure the sellers' indemnification obligations under the purchase agreement for the GBT Transaction. The escrow amount will be released equally over a period of three years from closing, net of claims in accordance with the terms and conditions of the Share Purchase Agreement.

The remaining 48.8% ownership of GBT is publicly-held and traded on B3, Brazil`s main stock exchange, through BDRs. Following the close of the Transaction, Knight initiated the process of launching a mandatory public tender offer to acquire the BDRs from public shareholders (the " Unified Tender Offer") on similar terms as the GBT Transaction plus interest at the Selic rate calculated from November 29, 2019 until the settlement date. Alternatively, the public shareholders' may opt to be paid in cash on the settlement date an amount of BRL10.15 per BDR plus interest at the Selic rate calculated from November 29, 2019. On December 20, 2019, the Company submitted to B3 an authorization request to carry out the Unified Tender Offer, which is expected to take 4 to 8 months from launch to completion.

Fair value of consideration

On November 29, 2019, the Company transferred $185,778 ("Cash Transferred") to the controlling shareholders of which 20% was deposited in escrow. The purchase consideration was $189,024 ("Purchase Consideration") including the Cash Transferred and a net loss on a forward foreign currency contract of $3,246. On the acquisition date, the Company consolidated a cash balance amount of $16,718 and a debt amount of $63,704. The net debt of $46,986 is not reflected in the Purchase Consideration.

Purchase consideration, net assets acquired, and goodwill

The consideration for the acquisition and preliminary measurement of assets acquired and liabilities assumed, as well as goodwill, in accordance with IFRS 3 Business Combinations, is estimated as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	$
Purchase Consideration	**189,024**
Recognized amounts of identifiable net assets	
Current Assets	
Cash and cash equivalents	16,718
Trade and other receivables	73,879
Inventories	73,763
Income tax receivable	7,079
Other current assets	2,267
Non-Current Assets	
Trade and other receivables	4,601
Property, plant and equipment	22,211
Right of use assets	5,487
Intangible assets	157,855
Deferred income tax assets	816
Other non-current assets	6,303
Current Liabilities	
Accounts payable and accrued liabilities	(70,839)
Bank loans	(56,382)
Lease Liabilities	(1,418)
Income taxes payable	(3,633)
Other current liabilities	(1,368)
Non-Current Liabilities	
Bank loans	(7,322)
Lease Liabilities	(4,069)
Deferred income tax liabilities	(25,605)
Other non-current liabilities	(544)
Net identifiable assets acquired	**199,799**
Less: non-controlling interest	(97,275)
Add: goodwill on acquisition	86,500
Net assets acquired	**189,024**

Provisional accounting

Due to the timing of the acquisition and the complexity associated with the valuation process, the measurement of the intangible assets, property, plant and equipment and assets-held-for-sale acquired, including deferred taxes, is subject to adjustment.

Management will finalize the accounting for the acquisition no later than one year from the acquisition date and, as required under IFRS 3, will reflect these adjustments retrospectively. There may be differences between these provisional estimates and the final acquisition accounting, and these differences may be material.

Goodwill

Goodwill is attributable primarily to the strategic and synergistic opportunities related to the pharmaceutical business, expected corporate synergies, the assembled workforce of GBT and other factors.

Due to the timing of the acquisition, the Company has not yet determined its allocation of goodwill to stand-alone CGUs. The Company will conclude on the allocation in 2020. None of the goodwill recognized is expected to be deductible for income tax purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign Currency Contracts

The Company entered into foreign exchange forward contracts and foreign exchange non-deliverable forward contracts to mitigate its exposure to foreign currency risks for the acquisition of 51.2% of GBT in exchange for BRL 596,662. The Company entered into foreign exchange forward contracts to sell CAD and buy USD $85,000 at a weighted average rate of 1.31 CAD per USD. The Company also entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 595,662 at a weighted average rate of 4.08 BRL per USD. These contracts were settled on November 27, 2019 and the company designated the effective portion of these contracts as cash flow hedges which resulted in an increase of the Purchase Consideration by $3,246. The ineffective portion resulted in a loss of $3,445 which was recorded in the consolidated statement of income as “Net gain on financial instruments measured at fair value through profit or loss”.

Acquisition-related costs

The transaction costs of $8,019 are included in “General and administrative expenses” in the consolidated statements of income.

Measurement of non-controlling interests

The Company recognises non-controlling interests in an acquired entity at fair value or at the noncontrolling interest’s proportionate share of the acquired entity’s net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in GBT, the Company elected to recognise the non-controlling interests at the proportionate share of GBT’s net identifiable assets.

Acquired receivables

The fair value of acquired trade receivables is $78,480. The gross contractual amount for trade receivables due is $88,527, with a loss allowance of $10,047 recognised on acquisition.

Liability for mandatory tender offer

On December 20, 2019, Knight Therapeutics Inc. submitted to B3, the authorization request to carry-out a Unified Tender Offer for the acquisition of the remaining 48.2% of GBT. The offer will be at similar terms as the GBT Transaction plus interest at the Selic rate calculated from November 29, 2019 until the settlement date. Alternatively, the public shareholders’ may opt to be paid in cash on the settlement date an amount of BRL10.15 per BDR plus interest at the Selic rate calculated from November 29, 2019.

As a result, Knight has a contractual obligation to the minority shareholders of GBT. On November 29, 2019, the company recorded the initial liability at $178,266 [BRL 567,145] and an offset to equity which represents the net present value of the cash disbursement should all BDRs holders choose the same consideration as the controlling shareholders. For the one-month period ending December 31, 2019, Knight recorded an additional $644 [BRL 2,010] to the mandatory tender offer liability with an offset to interest expense. As at December 31, 2019, the mandatory tender offer was at $184,023 [BRL569,155] and the Company recorded a foreign exchange loss of $5,113 upon its revaluation to the Canadian Dollar.

As at March 30, 2020, the Company has purchased BRL 510,791 at an average rate of 3.12 BRL per CAD through foreign exchange contracts. Those contracts will be exercised upon the launch of the Unified Tender Offer.

Revenue and profit contribution

The acquired business contributed revenues of $33,921 and net income of $7,207 to the Company for the period from November 30, 2019, to December 31, 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Company has not disclosed consolidated pro-forma revenue or profit as though the acquisition date had occurred on January 1, 2019, as it is impracticable to do so given the timing of the acquisition and the complexity caused by the hyperinflationary economy of Argentina.

7. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

As at December 31,	**2019** **$**	2018 $
Cash in bank	**163,931**	244,785
Cash equivalents	**5,337**	—
Restricted cash	**5,000**	—
Total	**174,268**	244,785

As at December 31, 2019, the Company had restricted cash of $5,000 (2018: nil), primarily in respect of cash held in escrow in accordance to the terms of an agreement.

8. MARKETABLE SECURITIES

As at December 31,	**2019** **$**	2018 $
Current		
GIC earning interest at rates ranging from 2.16% to 3.25% and maturing from January 2020 to December 2020 (December 31, 2018: 1.82% to 2.98%, January 2019 to May 2020)	**191,978**	319,095
Bearer deposit note of US$45,355 earning interest at rates ranging from 2.53% to 2.80% and maturing from March 2019 to September 2019	**—**	61,874
Term deposits of US$22,331 earning interest at rates ranging from 2.57% to 3.00% and maturing from January 2020 to July 2020 (December 31, 2018: US$26,699; 2.28% to 2.56%, January 2019 to July 2019)	**29,003**	36,423
GIC of US$7,000 earning interest at rates ranging from 3.14% to 3.24% and maturing from January 2020 to February 2020 (December 31, 2018: US$20,240; 2.65% to 3.04%; January 2019 to August 2019)	**9,092**	27,611
Corporate bond investment with a coupon rate of 1.57% and maturing May 2020	**4,972**	—
Total current	**235,045**	445,003
Non-current		
GIC earning interest at rates ranging from 2.65% to 3.37% and maturing from January 2021 to March 2022 (December 31, 2018: 2.80% to 3.25%; January 2020 to June 2020)	**111,146**	76,000
Term deposit of US$12,106 earning interest at rates ranging from 2.82% to 3.04%, and maturing from February 2021 to April 2021 (December 31, 2018: US$5,000; 3.00%; July 2020)	**15,723**	6,821
GIC of US$7,000 earning interest at rates ranging from 3.14% to 3.24% and maturing from January 2020 to February 2020	**—**	9,549
Corporate bond investment with a coupon rate of 1.57% and maturing May 2020	**—**	4,904
Total non-current	**126,869**	97,274
Total	**361,914**	542,277

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

9. TRADE AND OTHER RECEIVABLES

As at December 31,	**2019**	2018
	$	$
Trade and accounts receivable	**90,560**	2,896
Interest receivable	**7,534**	7,645
Commodity taxes receivable	**4,002**	173
Other receivables	**6,086**	904
Total	**108,182**	11,618
Current	**103,467**	11,618
Non-Current	**4,715**	—

The Company maintains an allowance for expected credit losses that represents its estimate of uncollectible amounts based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. With the acquisition of GBT on November 29, 2019 the trade and accounts receivable balance have been acquired at their fair value, which is net of the ECL. As a result, the Company has a nominal ECL balance as at December 31, 2019.

The aging analysis of trade and accounts receivables, net of ECL, at each reporting date was as follows:

As at December 31,	**2019**	2018
	$	$
Not yet due	62,912	2,283
0-90 days overdue	18,935	494
Over 90 days	8,713	119
Total	**90,560**	2,896

10. INVENTORIES

As at December 31,	**2019**	2018
	$	$
Raw materials	**12,081**	491
Work in progress	**5,744**	—
Finished goods	**53,045**	645
Total	**70,870**	1,136

During the year ended December 31, 2019, total inventory of $19,518 (2018: $1,375) was recognized as cost of goods sold including an increase in inventory provision of $324 (2018: $240).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

11. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

[i] Right-of-use assets

The Company's leases are primarily for administrative facilities, manufacturing plants and vehicles. The following presents the right-of-use assets for the Company:

	$
Balance as at January 1, 2019	—
Impact of initial adoption of IFRS 16 (Note 4)	1,121
Additions due to GBT Transaction (Note 6)	5,487
Additions	303
Depreciation	(508)
Foreign exchange	6
Balance as at December 31, 2019	**6,409**

[ii] Lease obligations

The following table presents the change in the carrying value of the lease obligation during the year.

	$
Balance as at January 1, 2019	—
Impact of initial adoption of IFRS 16 (Note 4)	1,139
Additions due to GBT Transaction (Note 6)	5,487
Additions	287
Payments during the year	(716)
Interest expense during the year	87
Foreign exchange	316
Balance as at December 31, 2019	**6,600**
Current	1,788
Non-current	4,812

The maturity of contractual undiscounted lease obligation payments are as follows:

	$
Due within 1 year	2,996
Due between 1 and 3 years	3,923
Due between 3 and 5 years	1,127
Due after 5 years	526
Total	**8,572**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

12. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Building	Machinery and Equipment	Computer and Office Equipment	Other	Total
	$	$	$	$	$	$
Balance as at January 1, 2018	**—**	**614**	**—**	**74**	**22**	**710**
Additions	—	154	—	137	—	**291**
Disposals and write-offs	—	(60)	—	—	(22)	**(82)**
Foreign exchange	—	41	—	—	—	**41**
Balance as at December 31, 2018	**—**	**749**	**—**	**211**	**—**	**960**
Additions	—	69	31	9		**109**
Additions due to GBT Transaction (Note 6)	921	5,863	12,331	1,853	1,243	**22,211**
Reclassified to asset-held-for-sale	—	(614)	—	—	—	**(614)**
Disposals and write-offs	—	—	—	(4)	(12)	**(16)**
Foreign exchange and hyperinflation adjustments	34	311	419	159	22	**945**
Balance as at December 31, 2019	**955**	**6,378**	**12,781**	**2,228**	**1,253**	**23,595**
Depreciation						
Balance as at January 1, 2018	**—**	**33**	**—**	**44**	**—**	**77**
Depreciation charge	—	38	—	49	—	**87**
Foreign exchange	—	2	—	—	—	**2**
Balance as at December 31, 2018	**—**	**73**	**—**	**93**	**—**	**166**
Depreciation charge	—	90	107	144	8	**349**
Disposals and write-offs	—	(17)	—	—	—	**(17)**
Foreign exchange and hyperinflation adjustments	—	174	191	84	9	**458**
Balance as at December 31, 2019	**—**	**320**	**298**	**321**	**17**	**956**
Net book value as at December 31, 2018	—	676	—	118	—	**794**
Net book value as at December 31, 2019	**955**	**6,058**	**12,483**	**1,907**	**1,236**	**22,639**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

13. INTANGIBLE ASSETS

	Licenses $	Intellectual properties $	Software $	Total $
Balance as at January 1, 2018	**8,605**	**6,146**	**—**	**14,751**
Additions	6,938	**—**	**—**	**6,938**
Disposals and write-offs	(372)	—	—	**(372)**
Foreign exchange	—	325	—	**325**
Balance as at December 31, 2018	**15,171**	**6,471**	**—**	**21,642**
Additions	3,673	—	10	**3,683**
Additions due to GBT Transaction (Note 6)	122,775	34,115	965	**157,855**
Disposals and write-offs	(1,638)	—	—	**(1,638)**
Foreign exchange and hyperinflation adjustments	3,350	173	(22)	**3,501**
Balance as at December 31, 2019	**143,331**	**40,759**	**953**	**185,043**
Amortization and Impairment				
Balance as at January 1, 2018	**932**	**1,243**	**—**	**2,175**
Amortization charge	866	979	—	**1,845**
Foreign exchange	—	147	—	**147**
Balance as at December 31, 2018	**1,798**	**2,369**	**—**	**4,167**
Amortization charge	1,574	1,811	28	**3,413**
Impairment	2,583	1,643	—	**4,226**
Foreign exchange and hyperinflation adjustments	7	(134)	(8)	**(135)**
Balance as at December 31, 2019	**5,962**	**5,689**	**20**	**11,671**
Net book value as at December 31, 2018	13,373	4,102	—	**17,475**
Net book value as at December 31, 2019	**137,369**	**35,070**	**933**	**173,372**

The Company classifies its intangible assets as Licenses, Intellectual property and Software. Licenses include pharmaceutical products in-licensed by the Company for different territories. It includes the fair value of the license agreements acquired through the GBT Transaction as well as contractual payments such as upfront, sales or regulatory milestones made to partners. Intellectual Properties include the know-how acquired or developed for the pharmaceutical products owned by the Company. The fair value of the branded generic assets acquired through the GBT Transaction is included in Intellectual Properties. Software typically includes costs capitalized for the implementation or development of certain software use by the Company.

During the year ended December 31, 2019, the Company recorded additions (excluding the addition related to the GBT Transaction) of $3,683 (2018: $6,938), related mainly to an upfront payment and certain milestones payable under product license agreements.

Impairment

During the year ended December 31, 2019, the Company recorded an impairment loss of $4,226 in the consolidated statement of income in “Impairment loss”. The loss represents a write-down of certain intangible assets to the recoverable amount as a result of a change in commercial expectations. The recoverable amount as at December 31, 2019 is based on value-in-use and was determined at the individual intangible asset level. The value-in-use calculations were performed using a discount rate of 13% and considers the forecasted cash flows of each intangible asset based on the current commercialization plans for these products.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

14. GOODWILL

Goodwill is recognized on the acquisition date when total consideration exceeds the net identifiable assets acquired. Refer to Note 6 for further details on the GBT Transaction.

	$
Balance as at January 1, 2019	—
Additions due to GBT Transaction (Note 6)	86,500
Foreign exchange and hyperinflation adjustments	1,762
Balance as at December 31, 2019	**88,262**

15. OTHER FINANCIAL ASSETS

	Carrying amount[1]	
As at December 31,	**2019**	2018
	$	$
Loans and other receivables *[i]*		
Measured at amortized cost	**2,181**	2,964
Measured at FVTPL	**28,390**	24,711
Equity Investments *[ii]*		
Measured at FVTPL	**3,712**	4,736
Measured at FVOCI	**6,473**	6,074
Derivatives *[iii]*		
Measured at FVTPL	**4,334**	1,805
Fund Investments *[iv]*		
Measured at FVTPL	**114,061**	87,054
Total	**159,151**	127,344

As a result of changes in fair value and the disposal of financial assets, the Company has recorded the following net gains on financial assets in the consolidated statement of income as "Net gain on financial instruments measured at fair value through profit or loss".

For the year ended December 31, 2019	**Unrealized (gain) loss on financial assets measured at FVTPL $**	**Realized (gain) loss on financial assets measured at FVTPL $**	**Total $**
Loans and other receivables *[i]*[1]	9,899	(1,227)	**8,672**
Equity Investments *[ii]*	634	10	**644**
Derivatives *[iii]*[2]	(1,245)	3,445	**2,200**
Fund Investments *[iv]*	(23,310)	(8,920)	**(32,230)**
Total	**(14,022)**	**(6,692)**	**(20,714)**

[1]Realized (gain) loss on financial assets measured at FVTPL includes recognition of deferred day 1 gains and change in FMV related to early repayment.

[2]Realized loss on derivatives relates to loss on forward contracts and non-deliverable forward contracts entered into for the acquisition of 51.2% of GBT. Refer to note 6 for further details.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

For the year ended December 31, 2018	Unrealized (gain) loss on financial assets measured at FVTPL $	Realized (gain) loss on financial assets measured at FVTPL $	Total $
Loans and other receivables *[i]*[1]	2,523	(1,723)	**800**
Equity Investments *[ii]*	2,172	(2,978)	**(806)**
Derivatives *[iii]*	(825)	136	**(689)**
Fund Investments *[iv]*	(5,058)	(1,879)	**(6,937)**
Total	**(1,188)**	**(6,444)**	**(7,632)**

[1]Realized (gain) loss on financial assets measured at FVTPL includes recognition of deferred day 1 gains and change in FMV related to early repayment.

[i] Loans and other receivables

The following table summarizes the movement in loans and other receivables during the year ended December 31.

	Carrying value as at January 1 $	Additions $	Loan repayments $	Net (loss) gain on FA[1] $	Foreign exchange[2] $	Carrying value end of year $	Current other financial assets $	Non-current other financial assets $
2019								
Amortized Cost	2,964	2,061	(2,700)	—	(144)	2,181	—	2,181
FVTPL	24,711	21,844	(8,474)	(8,672)	(1,019)	28,390	13,439	14,951
Total	**27,675**	**23,905**	**(11,174)**	**(8,672)**	**(1,163)**	**30,571**	**13,439**	**17,132**
2018								
Amortized Cost	2,034	2,659	(1,878)	—	149	2,964	2,728	236
FVTPL	58,330	4,376	(39,863)	(800)	2,668	24,711	4,937	19,774
Total	**60,364**	**7,035**	**(41,741)**	**(800)**	**2,817**	**27,675**	**7,665**	**20,010**

[1] Net changes related to change in the fair value of loan receivables and recognition of day 1 gains
[2] Recorded a loss of $463 in the statement of income in "Foreign exchange loss (gain)" (2018: gain of $1,149) and a loss of $700 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2018: gain of $1,668)

Moksha8

On October 17, 2018 the Company entered into a strategic relationship with Moksha8, a specialty pharmaceutical company operating in Brazil and Mexico, through the issuance of a $2,599 [US$2,000] promissory note bearing an annual interest of 15%. The promissory note was recorded using the amortized cost method and was repaid in February 2019.

On February 15, 2019, the Company entered into a financing agreement with Moksha8 for up to $170,525 [US$125,000] ("Financing Agreement"), of which $13,134 [US$10,000] was initially issued. The loan disbursed was recorded at a relative fair value of $13,449 [US$10,213] upon initial measurement and subsequently accounted for at FVTPL. The loan bears interest at 15% per annum and matures five years from the issuance date. Furthermore, Knight received warrants representing 5% of the fully diluted shares of Moksha8.

On September 30, 2019, the Company loaned an additional $1,987 [US$1,500] as an advance of a future loan commitment to Moksha8 at an interest rate of 15% per annum. The loan matures in 2021 and was recorded at its nominal value which represents fair value and is subsequently accounted for at amortized cost. As at December 31, 2019, the total nominal loan balance outstanding was $15,577 [US$11,993].

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Under the terms of the Financing Agreement, Knight has a remaining loan commitment of $13,637 [US$10,500] which will be disbursed upon Moksha8 meeting pre-defined profitability targets. In addition, the Company may issue an additional $129,880 [US$100,000] at Knight's sole discretion for corporate development and the acquisition of product licenses.

Triumvira

On February 20, 2019, the Company entered into a secured loan agreement with Triumvira for $6,585 [US$5,000] for the development of its novelty T cell therapies ("Triumvira Loan Agreement"). The loan bears interest at 15% per annum and matures on February 20, 2020. The loan was recorded at a relative fair value of $6,264 [US$5,000] upon initial measurement and subsequently accounted for at FVTPL. In addition, Knight received warrants to purchase 3.5% of Triumvira's fully diluted common shares and the exclusive right to commercialize Triumvira's future approved products in Canada, Israel, Mexico, Colombia and for TAC01-CD19 for Israel, Mexico, Brazil and Colombia.

Medimetriks

During 2016, Knight issued $31,290 [US$23,000] to Medimetriks in secured loans to support its acquisition of the exclusive U.S. development and commercialization rights of OPA-15406 from Otsuka. On March 7, 2018, Knight received an early repayment of principal of $25,894 [US$20,000] and interest and fees of $3,569 [US$2,757]. Subsequent to the early repayment and scheduled principal repayments of $2,923 [US$2,250], the outstanding loan balance was $1,005 [US$750]. The remaining loan balance was repaid in full on June 18, 2019.

Crescita

On December 20, 2019, Knight received an early repayment of $3,656 from Crescita, including full repayment of the outstanding principal and interest.

60P

On December 10, 2015, the Company started a strategic loan relationship loan agreement with 60P ("60P Loan") for the development of tafenoquine ("Arakoda™") for the prevention of malaria in adults. The loan bears interest at 15% per annum and matures on December 31, 2020. As consideration for the 60P Loan, Knight received the commercial rights of the Product for Canada, Israel and Russia. As at December 31, 2016, the nominal loan balance outstanding was $3,815 [US$2,842].

During the year ended December 31, 2017, Knight issued an additional $8,051 [US$6,303] to 60P bearing interest at 15% per annum and obtained the right to receive as cash payment a success fee of $753 [US$600]. In addition, on December 18, 2017, 60P submitted an NDA to the U.S. FDA for the Product. As at December 31, 2017, the nominal loan balance was $11,472 [US$9,145].

On February 8, 2018, 60P repaid $5,613 [US$4,460] reducing the nominal loan balance to $5,859 [US$4,685]. On April 24, 2018, Knight amended its loan agreement with 60P and committed to lend up to an additional $2,777 [US$2,100] at an interest rate of 15% ("Additional 60P Loan"), to support the regulatory approval and commercialization of Arakoda™ ("60P Amendment"). As consideration for the 60P Amendment, 60P committed to pay Knight an additional $3,848 [US$3,000] plus annual interest of 9% on April 23, 2023 ("60P Debenture"). Under the terms of the 60P Debenture, Knight has the right to convert the 60P Debenture into common shares of 60P at a pre-determined exercise price at any time prior to the maturity date ("60P Conversion Feature"). Furthermore, 60P and Knight entered into an exclusive license agreement granting Knight the right to commercialize Arakoda™ in Latin America.

As a result of the 60P Amendment, the Company recorded the Additional 60P Loan and a hybrid financial instrument representing the 60P Debenture and the 60P Conversion Feature ("60P Hybrid Instrument") at their respective relative fair values of $1,554 [US$1,139] and $1,312 [US$961]. At the date of the transaction, the fair value of the Additional 60P Loan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

was $2,321 [US$1,809] determined using the discounted cash flow approach with a discount rate of 20.01%. The fair value of the 60P Hybrid Instrument was $1,958 [US$1,526] determined by the sum of the fair values of the 60P Debenture and 60P Conversion Feature derived respectively using the discounted cash flow approach and the Black-Scholes model.

On December 27, 2019, the Company amended its existing loan agreement with 60P. As part of the amendment, Knight received a principal repayment of $658 [US$500]. As at December 31, 2019, the fair value of the loan was determined to be nil and the nominal loan balance was $8,195 [US$6,310].

Antibe

On November 13, 2015, Knight invested $500 in senior secured convertible debentures offered by Antibe. As consideration for the debenture, the Company received a conversion feature whereby up to the maturity date, the debenture can be converted into common shares of Antibe at $0.22 per share ("Antibe Conversion Option"). On March 27, 2018, Knight exercised its Antibe Conversion Option and was issued 2,489,889 common shares. As a result, Knight derecognized the loan and derivative and recognized an equity investment measured at FVPL of $996.

Profound

On April 30, 2015, the Company entered into a secured debt agreement with Profound, whereby it issued $4,000 bearing interest at 15% per annum and maturing on June 3, 2019. On July 26, 2018, Knight received an early repayment of $3,188 from Profound, including full repayment of the outstanding principal, interest and fees.

Pediapharm

On March 30, 2015, the Company invested $1,250 in convertible debentures of Pediapharm. On December 27, 2018, Knight received an early repayment of $1,305 from Pediapharm, including full repayment of the outstanding principal, interest and fees.

[ii] Equity investments

The following table summarizes the movement in equity investments during the year ended December 31.

	Carrying value as at January 1 $	Additions[1] $	Disposals[2] $	Net gain (loss) on FA[3] $	Foreign exchange $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2019								
FVTPL	4,736	405	(775)	(644)	(10)	**3,712**	3,712	—
FVOCI	6,074	—	(3,329)	3,888	(160)	**6,473**	3,442	3,031
Total	**10,810**	**405**	**(4,104)**	**3,244**	**(170)**	**10,185**	**7,154**	**3,031**
2018								
FVTPL	6,375	28,617	(31,163)	806	101	4,736	4,736	—
FVOCI	13,050	400	(44)	(7,749)	417	6,074	1,629	4,445
Total	**19,425**	**29,017**	**(31,207)**	**(6,943)**	**518**	**10,810**	**6,365**	**4,445**

[1] Equities purchased or received as consideration with the strategic lending transactions

[2] Cash received upon disposal of equities during the period

[3] Net changes due to revaluation to fair market value recorded in the statement of income (FVTPL) or statement of comprehensive income (FVOCI)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Equity investments measured at FVPL

Antibe

On March 27, 2018, Knight exercised its Antibe Conversion Option and converted its $500 debenture into 2,489,889 common shares, which were all sold during 2018 for $1,011.

TXMD

On July 31, 2018, Knight entered into an exclusive licensing agreement for the commercial rights of TX-004HR and TX-001HR in Canada and Israel. In conjunction with the agreement, Knight invested $26,028 [USD$20,000] in the public offering of common shares of TXMD at a price of $6.64 [US$5.10] per share. As at December 31, 2019, the Company owned a nominal quantity of common shares of TXMD.

Equity investments measured at FVOCI

Under IFRS 9, the Company has designated the following strategic investments as equity investments measured at FVOCI.

As at December 31,	2019		2018	
	Number of common shares owned	FV $	Number of common shares owned	FV $
Crescita	1,935,489	**1,800**	2,834,689	1,260
Profound[1]	111,355	**1,642**	2,965,550	1,631
Synergy[2]	17,645,812	—	17,645,812	—
Medimetriks[3]	2,315,007	**3,031**	2,315,007	3,183
Total		**6,473**		6,074

[1] On October 16, 2019, Profound completed a 10 to 1 share consolidation. As a result of the consolidation, Knight owned 276,555 common shares of Profound at that date.
[2] Valued using the quoted market price (closing share price on the OTCXD) less the day 1 gain on initial measurement that the Company deferred. FMV before considering the deferred day 1 gain is $1,604 [US$1,235]
[3] Valued using the income approach valuation technique less the day 1 gain on initial measurement that the Company deferred. FMV, net of the day 1 gain, in original currency is US$2,333

Crescita

Knight received 2,079,973 rights (the "Rights") issued under the terms of Crescita's Rights Offering Circular dated February 2, 2018 (the "Rights Offering"). Each two Rights entitled Knight to subscribe for one common share of Crescita at $0.53 per share. On March 9, 2018, the Company exercised its Rights and invested $400 and received 754,716 common shares of Crescita under the Rights Offering. As at December 31, 2018, Knight owned an aggregate of 2,834,689 common shares of Crescita representing approximately 13.5% of its outstanding common shares, at a carrying amount of $1,260 which were valued using the quoted market price.

During the year ended December 31, 2019, Knight disposed of 899,200 common shares of Crescita at an average price of $1.02 per share for total proceeds of $916. The common shares sold were previously acquired by Knight at an average cost of $0.60 per share.

Profound

During 2019, Knight sold 185,200 common shares of Profound for total proceeds of $2,413. The common shares sold were previously acquired by Knight at an average cost of $6.55 per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[iii] Derivatives

The following table summarizes the movement in derivatives recorded at FVTPL during the year ended December 31.

	Carrying value as at January 1 $	Additions[1] $	Disposals[2] $	Net gain on FA[3] $	Foreign exchange[4] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2019	**1,805**	**1,134**	**—**	**1,501**	**(106)**	**4,334**	**2,878**	**1,456**
2018	1,624	—	(622)	689	114	1,805	—	1,805

[1] Derivatives recognized during the period

[2] Derivatives derecognized or disposed of during the period

[4] Recorded a loss of $50 (2018: gain of $42) in the statement of income in "Foreign exchange loss (gain)" and a loss of $57 (2018: gain of $72) in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations"

Moksha8

In conjunction with the Moksha8 Financing Agreement, Knight received 23,744 warrants at an exercise price of US$0.01 each representing 5% of the fully diluted shares of Moksha8. The warrants were initially recorded at a relative fair value of $497 [US$372] valued using the Black-Scholes model. As at December 31, the warrants were recorded at a fair value of $483 [US$372].

Triumvira

In conjunction with the Triumvira Loan Agreement, Knight received warrants to purchase 3.5% of Triumvira's fully diluted common shares. The warrants were initially recorded at their relative fair value of $321, valued using the Black-Scholes model. As at December 31, the warrants were recorded at a fair value of $301.

Medimetriks

During the year ended December 31, 2017, pursuant to its loan agreement with Medimetriks, the Company recorded $496 [US$395] as a derivative for the right to obtain a cash payment subject to a future event. The cash payment fluctuates with the value of the common shares of Medimetriks which was determined using an income approach valuation technique. As at December 31, 2019, the derivative was recorded at a fair value of $466 [US$359] (2018: $539 [US$395]).

Synergy

During the year ended December 31, 2017, as consideration for a $12,705 [US$10,000] loan issued to Synergy, the Company received a success fee payable at maturity. The success fee is a derivative as its value fluctuates with the changes in market price of Synergy's common shares. The initial fair value of the success fee of $870 [US$685] was determined based on the present value of the expected payment. As at December 31, 2019, the derivative was recorded at a fair value of $1,204 [US$927] (2018: $1,116 [US$818]).

Other

The Company entered into forward contracts and non-deliverable forward contracts ("FX Contracts") to purchase a significant portion of the BRL required to fund the Unified Tender Offer. As a result, a derivative asset of $1,096 was recorded as at December 31, 2019. Refer to Note 6 for additional details on the GBT Transaction.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[iv] Fund investments

The following table summarizes the movement in fund investments recorded at FVTPL during the year ended December 31.

	Carrying value as at January 1 $	Additions[1] $	Distributions[2,3] $	Net gain on FA $	Foreign exchange[4] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2019	**87,054**	**20,175**	**(20,546)**	**32,230**	**(4,852)**	**114,061**	**2,832**	**111,229**
2018	54,968	27,169	(6,769)	6,937	4,749	87,054	—	87,054

[1] Investments in equity or debt funds including US$4,176 and EUR 3,010 (2018: including US$8,568 and EUR 3,772)
[2] Distributions received from funds including US$8,430 and EUR 724 (2018: including US$1,275 and EUR 2,586)
[3] Includes distribution receivable of $2,456 (2018: nil)
[4] Recorded a loss of $1,690 in the statement of income in "Foreign exchange loss (gain)" (2018: gain of $900) and $3,162 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2018: gain of $3,849)

16. MEASUREMENT 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.	• 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 measured at FVTPL • Loans and receivables measured at Amortized Cost • Derivatives

[1] Publicly-traded equities in active markets
[2] Publicly-traded equities in inactive markets
[3] Privately-held equities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[i] Fair value hierarchy

As at December 31,	**2019**	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
Recurring fair value measurements				
Loans measured at FVTPL	**28,390**	**—**	**—**	**28,390**
Equity investments measured at FVTPL	**3,712**	**3,712**	**—**	**—**
Equity investments measured at FVOCI	**6,473**	**3,442**	**—**	**3,031**
Derivatives	**4,334**	**—**	**—**	**4,334**
Fund investments measured at FVTPL	**114,061**	**—**	**—**	**114,061**
Total	**156,970**	**7,154**	—	**149,816**

As at December 31,	2018	Level 1	Level 2	Level 3
	$	$	$	$
Recurring fair value measurements				
Loans measured at FVTPL	24,711	—	—	24,711
Equity investments measured at FVTPL	4,736	4,736	—	—
Equity investments measured at FVOCI	6,074	2,891	—	3,183
Derivatives	1,805	—	—	1,805
Fund investments measured at FVTPL	87,054	—	—	87,054
Total	124,380	7,627	—	116,753

There were no transfers between levels of the fair value hierarchy for the years ended December 31, 2019 or 2018.

[ii] Day 1 Gains

Upon acquisition of a financial instrument, the Company measures its fair value and compares it to the acquisition price. The difference is recognised as a gain or loss only if fair value is based on a quoted price in an active market or based on a valuation technique that uses only data from observable markets. The Company has the following deferred day 1 gains:

As at	**December 31, 2019**		December 31, 2018	
	US$	**$**	US$	$
Loans measured at FVTPL				
Medimetriks	—	—	342	467
60P	**677**	**879**	917	1,251
Triumvira	**46**	**60**	—	—
Equity investments measured at FVOCI				
Medimetriks	**730**	**948**	730	996
Synergy	**3,764**	**4,889**	3,764	5,135
Total	**5,217**	**6,776**	5,753	7,849

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

17. BANK LOANS

Subsequent to the GBT Transaction, the Company has the following indebtedness at December 31, 2019:

	Currency of debt	Interest rate	Maturity	Current	Non-Current
				$	$
Banks					
Citibank	ARS	18.40%	November 2, 2020	2,991	—
Itaú Unibanco	BRL	1.65% (+100% CDI)	December 8, 2023	42,532	—
Banco Santander	BRL	2.00% (+100% CDI)	December 13, 2021	5,034	5,022
Total Bank Loans				**50,557**	**5,022**

The maturity of the bank loan payments are as follows:

	$
Due within 1 year	50,557
Due between 1 and 2 years	5,022
Due between 2 and 5 years	—
Due after 5 years	—
Total	**55,579**

Citibank

The loan was issued to a subsidiary of GBT in November 2017 and is guaranteed by a First Demand Corporate Guarantee by GBT. The loan is an off-shore ARS-linked loan with Citibank N.A. (New York) at a fixed rate of 18.40% per annum (21.66% all-in after including withholding tax) and matures on November 2, 2020. The Company has the right to prepay the Citibank Loan in exchange for a prepayment fee.

The bank loan include customary representations, warranties, and affirmative and restrictive covenants, including covenants to attain and maintain certain financial metrics. One such covenant is the requirement to obtain consent prior to a change of control. A change of control waiver has been obtained from Citibank in relation to the GBT transaction. As at of December 31, 2019, the Company is in compliance with all of the loan covenants.

Itaú Unibanco Brasil

The Itaú Unibanco Brasil loan was issued to a subsidiary of GBT in December 2017 and is guaranteed by a First Demand Corporate Guarantee from GBT as well as a pledge of its receivables. The principal repayment of BRL 16,667 and interest are due on a semi-annual basis. The Company has the right to prepay the Citibank Loan in exchange for a prepayment fee.

The bank loans include customary representations, warranties, and affirmative and restrictive covenants, including covenants to attain and maintain certain financial metrics. One such covenant is the requirement to obtain consent prior to a change of control. Upon the acquisition of GBT by the Company, a change in control waiver was requested from Itaú Unibanco Brasil. As at December 31, 2019 the waiver was not yet obtained and as a result the Itaú loan is presented as a current liability. The Company is in compliance with the other loan covenants. As at March 30, 2020, the Company has not yet received the waiver.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Banco Santander

The Banco Santander loan was issued to a subsidiary of GBT in December 2018 and is guaranteed by a First Demand Corporate Guarantee from GBT. The principal repayment of BRL 7,771 and interest are due on a semi-annual basis. The Company has the right to prepay the Citibank Loan in exchange for a prepayment fee.

The loan includes customary representations, warranties, and affirmative and restrictive covenants, including covenants to attain and maintain certain financial metrics. The bank loans include customary representations, warranties, and affirmative and restrictive covenants, including covenants to attain and maintain certain financial metrics. As at of December 31, 2019, the Company is in compliance with all of the loan covenants.

18. 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 $83,131, which includes the fair value of 10,580,884 common shares of Knight issued to Medison and its controlling shareholder.

On November 21, 2019, Knight and Medison entered into a definitive settlement and purchase agreement ("Medison Agreement") pursuant to which Knight agreed to sell its 28.3% ownership for a cash consideration of $77,000. As part of the Medison Agreement, the parties agreed to release each other from all claims and withdraw all legal proceedings initiated by both parties.

The transaction closed on March 16, 2020 and Knight received $57,750. The remaining $19,250 is held by a trustee and is expected to be released to Knight upon the issuance of a tax certificate by the Israel Tax Authority.

As at December 31, 2019, the Company's ownership interest in Medison is presented as an asset held for sale. Prior to the reclassification, the investment in Medison was 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 December 31,	**2019**	2018
	$	$
Carrying value, beginning of the year	**79,145**	75,983
Share of net income for the year before fair value adjustments	**5,806**	6,066
Amortization of fair value adjustments	**(4,900)**	(5,511)
Share of net income for the year	**906**	555
Share of other comprehensive (loss) income	**(1,840)**	2,607
Dividends[1]	**(4,159)**	—
Reclass to asset held for sale	**(74,052)**	—
Carrying value, end of the year	—	79,145

[1] On March 4, 2019, Medison's board of directors declared and approved dividends of $4,159 [ILS 11,308]

19. OTHER RECEIVABLE

Notices of reassessment

Knight received notices of reassessment from the CRA and the QRA in July 2018 and January 2019 respectively. The notices relate to the disposition in 2014 of a PRV held by Knight's wholly-owned subsidiary, Knight Therapeutics (Barbados) Inc. A PRV is a transferrable asset that entitles the holder to a priority review for a drug of its choice.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Company's PRV was granted on March 19, 2014 upon the FDA approval of Impavido® and was disposed of to a third party in November 2014 for gross proceeds of US$125,000. The notices of reassessment provide that Knight is liable to pay an aggregate of $23,340 and $18,242 to the CRA and QRA respectively in additional taxes and interest. Knight has made a deposit for the full amount to the CRA in July 2018 and to the QRA in February 2019.

Knight believes that the reassessments are unfounded and filed a notice of objection with CRA in September 2018 to start the appeals process. Based on the Company's view of the likely outcome of the appeals process, Knight expects to recover the total of $41,582 deposited and has not recorded any tax provision related to the disposal of the PRV in its financial statements. However, there can be no assurance regarding the outcome or when a resolution may be reached.

Although Knight believes its tax provisions are adequate, the final determination of tax audits and any related disputes could be materially different from historical income tax provisions and accruals.

20. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31,	**2019**	2018
	$	$
Trade and other payables	**72,831**	752
Accrued liabilities	**18,293**	5,348
Commodity tax payable	**3,282**	—
Total	**94,406**	6,100

21. 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:

	Notes	**Number of common shares**	**$**
Balance as at January 1, 2018		**142,811,861**	**761,490**
Issuance under share option plan	*[ii]*	11,289	130
Issuance under share purchase plan	*[iii]*	27,362	224
Balance as at December 31, 2018		**142,850,512**	**761,844**
Issuance under share purchase plan	*[iii]*	36,039	274
Repayment of share purchase loans		—	425
Shares purchased under NCIB	*[iv]*	(7,249,249)	(38,711)
Balance as at December 31, 2019		**135,637,302**	**723,832**

[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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

The Company recorded compensation expense of $2,137 (2018: $2,170) for the year ended December 31, 2019 with corresponding credits to contributed surplus related to the issuance of stock options net of forfeitures. The weighted average fair value of the options granted during the period, estimated by using the Black-Scholes option pricing model, was $3.13 (2018: $3.20). The fair value of the options was estimated on the date of grant based on the following weighted average assumptions:

	Year ended December 31,	
	2019	2018
Weighted average risk-free interest rate	**1.74%**	2.15%
Dividend yield	Nil	Nil
Weighted average volatility factor *[i]*	**40%**	40%
Unvested forfeiture rate	**2%**	2%
Weighted average expected life	**6.0 years**	6.3 years

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

	Year ended December 31,			
	2019		2018	
	Number of share options #	**Weighted average exercise price $**	Number of share options #	Weighted average exercise price $
Balance beginning of the year	**4,129,843**	**7.64**	3,447,659	7.50
Options granted	**880,786**	**7.63**	759,991	8.41
Options exercised	**—**	**—**	(11,289)	8.02
Options expired/forfeited	**(117,757)**	**8.24**	(66,518)	8.81
Balance at end of the year	**4,892,872**	**7.63**	4,129,843	7.64
Options exercisable at the end of the year	**3,495,003**	**7.40**	2,936,413	7.18

The following table summarizes information about outstanding stock options granted by the Company as at December 31, 2019:

	Options outstanding			**Options exercisable**		
Range of exercise $	**Number of share options #**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**	**Number of share options #**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**
5.20 to 5.71	1,397,220	1.37	5.62	1,397,220	1.37	5.62
5.72 to 8.02	1,798,148	4.87	7.64	781,513	3.26	7.60
8.03 to 9.18	854,240	2.76	8.61	767,053	2.42	8.65
9.19 to 10.25	843,264	6.49	9.93	549,217	6.60	9.87
	4,892,872	**3.78**	**7.63**	**3,495,003**	**2.85**	**7.40**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The following table summarizes information about outstanding stock options granted by the Company as at December 31, 2018:

	Options outstanding			Options exercisable		
Range of exercise $	Number of share options #	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of share options #	Weighted average remaining contractual life (years)	Weighted average exercise price $
5.20 to 5.71	1,397,220	2.37	5.62	1,397,220	2.37	5.62
5.72 to 8.02	992,120	4.58	7.65	504,174	3.30	7.56
8.03 to 9.18	874,745	3.82	8.60	693,696	3.87	8.70
9.19 to 10.25	865,758	7.51	9.94	341,323	2.91	9.87
	4,129,843	4.29	7.64	2,936,413	3.36	7.18

[iii] Share purchase plan

The Company has a Share Purchase Plan ("Purchase Plan") which allows employees and directors of the Company to purchase common shares at listed market prices from treasury. The Purchase Plan was re-approved by the Board of Directors and the shareholders on May 7, 2019. The plan allows for employees to contribute up to a maximum of 10% of their salary and directors to contribute up to $10 per year. Under the Purchase Plan, the Company will contribute 25% of employees' or directors' contributions in the form of common shares if the employee remains employed by the Company or director remains on the Board, and has held the original shares for two years from the original purchase date. The Company's contribution in common shares is calculated using the lesser of the original common share value at the original purchase date and at the date of the Company's contribution. During the year ended December 31, 2019, 36,039 shares (2018: 27,362 shares) were issued under the Purchase Plan for a total of $274 (2018: $224).

[iv] NCIB

On July 8, 2019, the Company announced that the Toronto Stock Exchange approved its notice of intention for a NCIB. Under the terms of the NCIB, Knight may purchase for cancellation up to 12,053,693 common shares of the Company which represented 10% of its public float as at July 2, 2019. The NCIB commenced on July 11, 2019 and will end on the earlier of July 10, 2020 or when the Company completes its maximum purchases under the NCIB.

During the year ended December 31, 2019, the Company has purchased 7,249,249 common shares, for an aggregate cash consideration of $54,838, resulting in an excess of purchase price over the stated cost of the shares of $16,127 which was charged to retained earnings.

As at	December 31, 2019 $
Reduction to	
Share Capital	38,711
Retained Earnings	16,127
Total	**54,838**

Subsequent to year end, the Company purchased an additional 2,169,278 common shares for an aggregate cost of $13,310 through the NCIB.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[v] Warrants

Pediapharm

On July 15, 2016, the Company acquired 11,470,920 common shares of Pediapharm in exchange of 221,126 common shares and 221,126 warrants of Knight expiring on July 15, 2020. The fair value of each Knight warrant issued in the Pediapharm Transaction was valued at $2.82 [$624 in aggregate], determined using the Black-Scholes model with the following assumptions and inputs:

Assumptions	**July 15, 2016**
Risk-free interest rate	0.62%
Expected term	4 years
Expected volatility	50%

Inputs	**July 15, 2016**
Value per common share	$8.35
Exercise price	$10

Origin

On June 24, 2015, Knight acquired the assets related to Neuragen® pursuant to a default by Origin under its secured loan agreement with Knight. The Company 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, at an exercise price of $10.00 per share expiring on June 30, 2025. The Company determined the value of the warrants issued based on the likelihood of certain financial benchmarks being achieved. Warrants that are unlikely to achieve their prescribed financial benchmark were assigned a value of zero. The remaining warrants were assigned a value of $4.14 per option ($161 in aggregate) using the Black-Scholes option pricing model and the following assumptions:

Assumptions	**June 24, 2015**
Risk-free interest rate	1.73%
Expected term	10 years
Expected volatility	60%

Inputs	**June 24, 2015**
Value per common share	$6.70
Exercise price	$10

Number of warrants outstanding

As at December 31,	**2019**	2018
Pediapharm	**221,126**	221,126
Origin	**185,000**	185,000
Total	**406,126**	406,126

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

22. ACCUMULATED OTHER COMPREHENSIVE INCOME

As at December 31,	**2019**	2018
	$	$
Net unrealized losses on equities at FVOCI net of tax of $1,168 (2018: $1,156)	**(8,448)**	(12,232)
Share of other comprehensive income of an associate net of tax of $243 (2018: $823)	**767**	2,607
Unrealized gain on translation of foreign operations	**28,670**	30,580
Total	**20,989**	20,955
Non-controlling interest	**(3,584)**	—
Attributable to shareholders of the Company	**17,405**	20,955

23. EMPLOYEE BENEFIT EXPENSES

For the year ended December 31,	**2019**	2018
	$	$
Salaries	**8,363**	3,880
Bonuses	**1,834**	787
Share-based incentive plans	**2,181**	2,223
Total	**12,378**	6,890

The compensation earned by key management personnel, including directors, in aggregate was as follows:

For the year ended December 31,	**2019**	2018
	$	$
Salaries	**1,312**	849
Bonuses	**1,029**	379
Board fees	**98**	73
Share-based incentive plans	**1,592**	1,663
Total	**4,031**	2,964

24. 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.

As at December 31,	**2019**	2018
	$	$
Net income attributable to shareholders of the Company	**14,517**	24,079
Weighted average shares outstanding	**139,758,522**	142,827,616
Basic earnings per share	**$0.10**	$0.17

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	2019	2018
	$	$
Net income attributable to shareholders of the Company	**14,517**	24,079
Weighted average shares outstanding	**139,758,522**	142,827,616
Adjustment for share options	**380,698**	447,394
Weighted average shares outstanding	**140,139,220**	143,275,010
Diluted earnings per share	**$0.10**	$0.17

25. INCOME TAX

The income tax provision differs from the amount computed by applying the combined Canadian federal and provincial tax rates to earnings before taxes. The reasons for the difference and the related tax effects are as follows:

	2019	2018
	$	$
Earnings before income taxes	**22,782**	29,464
Applicable tax rate	**26.6%**	26.7%
Income taxes at applicable statutory rate	**6,060**	7,867
Increase (decrease) resulting from:		
Rate differential between jurisdictions	**(4,902)**	(3,223)
Effect of non-deductible expenses and other	**2,564**	23
Variation in tax rate	**—**	(73)
Impact on foreign exchange	**1,141**	—
Non-recognition of tax benefits related to tax losses and temporary differences	**—**	822
Others	**(114)**	(31)
Total income tax expense	**4,749**	5,385
Average effective tax rate	**20.8%**	18.3%

The Company's applicable statutory tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

The details of income tax expense are as follows:

	2019	2018
	$	$
Current income tax		
Current income tax charge	**3,836**	3,485
Adjustments in respect of current tax of previous year	**—**	50
	3,836	3,535
Deferred tax		
Relating to the origination and reversal of temporary differences	**913**	2,024
Variation in tax rate	**—**	(73)
Adjustment for prior years	**—**	(101)
	913	1,850
Income tax expense reported in statement of income	**4,749**	5,385

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The details of movement in temporary differences during the year were as follows:

	Balance December 31, 2018	**Purchase price allocation**	**Recognized in statement of income**	**Recognized in statement of comprehensive income**	**Exchange rate variation**	**Balance December 31, 2019**
	$	**$**	**$**	**$**	**$**	**$**
Property and equipment	**137**	**(1,459)**	**(2,081)**	**—**	**(105)**	**(3,508)**
Intangible assets	**(343)**	**(25,673)**	**(148)**	**—**	**(737)**	**(26,901)**
Trade receivables	**—**	**1,238**	**2,194**	**—**	**—**	**3,432**
Inventories	**—**	**(56)**	**1,619**	**—**	**(17)**	**1,546**
Other liabilities	**—**	**557**	**16**	**—**	**—**	**573**
Stock options and other accrued salaries	**—**	**(93)**	**160**	**—**	**—**	**67**
Investment in subsidiaries	**—**	**(672)**	**(19)**	**—**	**—**	**(691)**
Financial assets	**286**	**—**	**374**	**(217)**	**—**	**443**
Financing fees	**1,950**	**31**	**(1,055)**	**—**	**—**	**926**
Tax losses	**557**	**—**	**(437)**	**—**	**—**	**120**
Other	**372**	**1,287**	**(1,535)**	**—**	**—**	**124**
Net deferred tax assets	**2,959**	**(24,840)**	**(912)**	**(217)**	**(859)**	**(23,869)**

	Balance December 31, 2017	Recognized in statement of income	Recognized in statement of comprehensive income	Exchange rate variation	Other	Balance December 31, 2018
	$	$	$	$	$	$
Property and equipment	141	(4)	—	—	—	137
Intangible assets	(298)	(45)	—	—	—	(343)
Financial assets	785	(579)	118	—	(38)	286
Financing fees	3,640	(1,690)	—	—	—	1,950
Tax losses	557	—	—	—	—	557
Other	(95)	468	(3)	2	—	372
Net deferred tax assets	4,730	(1,850)	115	2	(38)	2,959

The unrecognized deferred tax assets relate to the following temporary differences and unused tax losses:

	2019	2018
	$	$
Tax losses	**7,895**	5,413
Investment tax credit	**1,249**	1,249
Scientific research and experimental development expenses	**5,789**	5,789
Financial assets	**—**	—
Unrecognized deferred tax assets	**14,933**	12,451

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

26. SEGMENT REPORTING

Prior to the close of the GBT Transaction, the Company had one reportable segment, namely the development, acquisition, in-licensing, out-licensing, marketing and distribution of innovative pharmaceutical products, consumer health products and medical devices in Canada and select international markets. As at December 31, 2019, and considering the timing of the GBT Transaction, the operations of GBT were managed and reviewed as one component and therefore the Company presents its financial information in two separate operating segments as follows:

- **Knight Canada and rest of world excluding LATAM ("Knight"):** 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 (excluding the LATAM region). Knight carries out business primarily in Canada with certain operating revenue streams in Europe, United States of America, Barbados, Israel and select international countries (excluding the LATAM region).

- **LATAM ("GBT"):** Principal business activity is focused on in-licensing, marketing and distributing innovative products as well as developing, manufacturing and marketing of specialty pharmaceutical branded generic products. GBT carries out its operations across ten countries in Latin America.

Information on reportable segments

Year ended December 31, 2019	**Knight**	**GBT**	**Consolidated**
	$	**$**	**$**
Revenues	13,540	33,921	**47,461**
Cost of goods sold	1,871	18,672	**20,543**
Gross Margin	**11,669**	**15,249**	**26,918**
Selling and marketing	4,923	2,866	**7,789**
General and administrative	21,687	2,773	**24,460**
Research and development	3,135	778	**3,913**
Amortization of intangible assets	1,698	1,715	**3,413**
Impairment of intangible assets	4,226	—	**4,226**
Interest (income)/expense	(22,898)	370	**(22,528)**
Other income	(2,081)	(114)	**(2,195)**
Net gain on financial instruments measured at FVTPL	(20,714)	—	**(20,714)**
Income Tax Expense	3,713	1,036	**4,749**
	17,980	**5,825**	**23,805**
Total segment assets	**831,333**	**473,970**	**1,305,303**
Total segment liabilities	**216,689**	**173,508**	**390,197**
Cash flows from operating activities	**(2,269)**	**6,865**	**4,596**
Cash flows from investing activities	**(28,101)**	**16,241**	**(11,860)**
Cash flow from financing activities	**(54,451)**	**(8,344)**	**(62,795)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Geographic Information

Year ended December 31, 2019	$
Revenues	
Canada	2,371
Brazil	22,962
Argentina	3,192
Colombia	4,353
Rest of LATAM	3,414
Other[1]	11,169
Total	**47,461**

[1] *Includes Europe, US and other countries.*

As at December 31, 2019	Net book value of property, plant and equipment $	Intangibles, net $	Goodwill $	Assets held for sale $	Other long-term receivables $
Canada	124	13,123	—	74,052	41,582
Brazil	2,290	51,293	30,883	—	—
Argentina	19,190	12,663	11,882	—	—
Colombia	430	29,322	12,588	2,099	—
Rest of LATAM	605	66,573	32,909	—	—
Other	—	398	—	549	—
Total	**22,639**	**173,372**	**88,262**	**76,700**	**41,582**

For the year ended December 31, 2018, revenues from products sold in Canada and internationally were $2,399 and $10,101 respectively. Furthermore, non-current operating assets consisting of property and equipment, intangible assets, investment in associate and other receivables held in Canada and internationally were $118,114 and $2,610 respectively.

27. FINANCIAL RISK

Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for its shareholders and to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Managed capital includes cash and cash equivalents, marketable securities, other financial assets, debt and equity (excluding AOCI). To maintain or adjust the capital structure, the Company may attempt to issue new common shares, repurchase the Company's own stock, and acquire or dispose of assets. The issuance and repurchase of common shares requires approval of the Board of Directors.

The Company's investment policy regulates 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, equity or liquid investment securities with varying

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

terms to maturity, selected with regard to the expected timing of investments and expenditures for continuing operations and prevailing interest rates.

Market risk

Currency risk

GBT Transaction

Effective November 29, 2019, upon close of the GBT Transaction, the Company has significant exposure to foreign currencies of emerging markets in Latin America. GBT generates a significant portion of its revenues in BRL, ARS and COP as well as a basket of other Latin American currencies (BOB, MXN, PEN, PYG, UYU and CLP). Such currencies have been historically volatile and could create significant fluctuations on the Company's result when translated to CAD. Furthermore, GBT is exposed to a currency mismatch due to certain pharmaceutical products, active pharmaceutical ingredient and operating costs denominated in currencies of developed markets (CHF, USD, EUR). The currency mismatch exposes GBT to foreign exchange risks which could result in significant fluctuations of the Company's gross margin or net income.

Currency risks in net financial assets

The Company maintains cash and cash equivalents, marketable securities, trade and other receivables, other financial assets, other balances payable and accounts payable and accrued liabilities in many currencies. The Company is primarily exposed to the USD, EUR, BRL, ARS, CLP, and COP, and is therefore exposed to foreign exchange risk on these balances. The following table presents the significant net currency exposure on the foreign-denominated balances.

2019	USD	EUR	BRL	ARS	CLP	COP
Cash and cash equivalents	17,711	230	17,179	74,212	233,815	8,786,525
Marketable securities	41,437	—	—	—	—	—
Trade and other receivables	7,567	404	241,335	751,513	3,493,761	37,753,245
Other financial assets	72,450	18,950	—	—	—	—
Other balances payable	(1,706)	—	—	—	—	—
Accounts payable and accrued liabilities	(49,356)	(2,827)	(91,020)	(312,140)	(1,234,152)	(3,940,189)
Mandatory tender offer	—	—	(569,155)	—	—	—
Other financial liabilities	(6,755)	—	(180,819)	(818,634)	(1,433,622)	(7,695,904)
Net exposure	**81,348**	**16,757**	**(582,480)**	**(305,049)**	**1,059,802**	**34,903,677**

The Company is also exposed to foreign exchange risk on the BOB, CHF, MXN, PEN, PYG and UYU. The total net exposure, in CAD, for these currencies is $23.

In connection with the Unified Tender Offer, the Company entered into FX Contracts to mitigate its exposure to foreign currency risks. As at December 31, 2019 the company held foreign exchange forward contracts to sell CAD and buy USD $105,458 at a weighted average rate of 1.32 CAD/USD ("USD Contract"). The Company entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 510,791 at a average rate of 4.10 BRL per USD ("BRL Contract"). Subsequent to year end the Company entered into an additional foreign exchange forward contract to sell CAD and buy USD $18,984 at a rate of 1.3148 CAD per USD ("Additional USD Contract"). As at March 30, 2020, the Company has an obligation to purchase an BRL 510,791 at an average rate of 3.12 BRL per CAD based on the USD Contract, Additional USD Contract and BRL Contract. Those contracts will be exercised upon the launch of the Unified Tender Offer.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2018	USD	EUR
Cash and cash equivalents	15,502	213
Marketable securities	104,294	—
Trade and other receivables	2,774	376
Other financial assets	58,148	13,954
Other balances payable	(1,950)	(65)
Accounts payable and accrued liabilities	(1,215)	(174)
Net exposure	177,553	14,304

Equity price risk

The carrying values of the investments subject to equity price risk are:

For the year ended December 31,	**2019**	2018
	$	$
Equity investments	**10,185**	10,810
Investments in funds	**114,061**	87,054
Derivatives	**2,034**	689
Total	**126,280**	98,553

The Company monitors its equity investments for impairment on a periodic basis and at least at 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 manages the equity price risk through the use of strict investment policies approved by the Board of Directors. The Company's Board of Directors regularly reviews and approves equity investment decisions.

Interest rate risk

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.

In connection with debt held in GBT, the Company is exposed to interest rate risks arising from its loans with Itaú Brazil and Santander Brazil. The loans have a variable interest rate that fluctuates with the CDI rates. The applicable CDI is the average of the CDI rates applicable during each interest period and therefore the accrued interest at year end with the loans are not exposed to any changes related to variation of the respective floating rates. The loan with Citibank New York is set at a fixed rate, thus not being exposed to interest rate risk.

Credit risk

The Company considers its maximum credit risk to be $248,812 (2018: $126,174) which is the total of the following assets; trade and accounts receivable, interest receivable, loans receivable and investment in funds.

The marketable securities and cash equivalent balances are subject to minimal risk of changes in value and are invested in institutions with a S&P or DBRS credit rating of A or R1(low) or better which are invested in the following:

- three Canadian financial institutions & two foreign affiliates of Canadian financial institutions
- one Canadian corporation
- five Canadian credit unions

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Company is exposed to credit risk from its customers and continually monitors its customers' credit. Individual credit limits are established after an analysis of the client's credit history, credit ratings, and forward-looking information provided by internal and external sources. There is a credit policy in place to ensure that these limits are periodically reviewed and immediately adjusted if needed. Furthermore, the Company establishes the ECL based upon days past due and the likelihood of collection for 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 has assessed that loans measured at FVTPL have S&P credit ratings between CCC+ and CC. 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.

The table below represents the Company's maximum exposure to credit risk without taking into consideration any security obtained to mitigate the risk. The maximum exposure to credit risk is determined by the carrying value of the asset.

For the year ended December 31,	**2019**	2018
	$	$
Trade and accounts receivable	**90,560**	2,896
Interest receivable	**7,534**	7,645
Other receivables	**6,086**	904
Loans receivable	**30,571**	27,675
Investments in funds	**114,061**	87,054
Total	**248,812**	126,174

Management determines credit risk related to trade and accounts receivable based on customers who account for more than 5% of accounts receivable. As at December 31, 2019, no customers represented more than 10% (2018: three customers represented 78%) of the trade and accounts receivable balance. For the year ended December 31, 2019, one customer represented 16% (2018: three customers represented 50%, 13% and 15%, respectively) of revenues.

Liquidity risk

The Company generates sufficient cash from operating activities to fulfill 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. Periodically, the Company forecasts their projected cash flows both at the subsidiary and consolidated level. If any issues are identified, the corporate teams work with the local teams to provide liquidity support.

Sensitivity Analysis

Based on the aforementioned net currency exposure, and exposure to changes in equity prices, and assuming that all other variables remain constant, a 5% change, would have resulted in a change in the statement of income or other comprehensive income as follows:

For the year ended December 31,	**2019**	2018
	$	$
Foreign Exchange Risk (5% change)		
USD	**5,283**	12,111
EUR	**1,222**	1,117
BRL	**9,410**	—
ARS	**331**	—
COP	**689**	—
CLP	**94**	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Company is also exposed to currency risk on the BOB, CHF, MXN, PEN, PYG and UYU. A 5% change in the Company's net exposure to the above-mentioned currencies would have resulted in a change in the statement of income or other comprehensive income of $95. Furthermore, the Company has entered into contracts (USD Contract, Additional USD Contract and BRL Contract) to purchase BRL 510,916 at $3.12 per BRL. A 5% change in the BRL/CAD exchange rate would have resulted in a change in the statement of income of $7,798.

For the year ended December 31,	**2019**	2018
	$	$
Equity Price Risk (5% change)[1, 2]		
Equity investments	**509**	541
Investments in funds	**5,703**	4,353
Derivatives	**102**	34

[1] The adverse change above does not reflect what could be considered the best or worst case scenarios. Results could be worse due both to the nature of equity markets and the concentrations existing in the Company's equity investment portfolio, in particular where there is less liquidity available as in the case of the small capitalization companies included in the available for sale equity securities
[2] Change in the statement of comprehensive income of $324 (2018: $302) included in amount

28. STATEMENT OF CASH FLOWS

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

For the year ended December 31,	**2019**	2018
	$	$
Changes in non-cash working capital:		
Decrease (increase) in		
Trade and other receivables	**(10,403)**	(2,632)
Prepaids and deposits	**(2,750)**	52
Inventories	**8,146**	88
Income taxes receivable	**84**	(29)
Increase in		
Accounts payable and accrued liabilities	**10,680**	1,075
Other liabilities	**301**	—
Income tax payable	**2,047**	3,106
Other		
Other Financial Assets	**(2,062)**	(1,658)
Other operating items	**6,043**	2

29. PRODUCT PRICING REGULATION ON CERTAIN PATENTED DRUG PRODUCTS

All patented drug products sold in Canada that form part of Knight's portfolio of products are subject to pricing regulation by the PMPRB, a federal agency tasked with ensuring that prices of patented medicines are not excessive. For new patented products, the maximum non-excessive price in Canada is limited to a range with a lower bound set by the prices of existing comparable drugs sold in Canada and an upper bound set by the median prices for the same drug sold in a specified set of developed comparator countries. For existing patented products, prices cannot be increased annually by more than a factor based on Statistics Canada's Consumer Price Index. The PMPRB monitors compliance through a review of the average transaction price of each patented drug product as reported by pharmaceutical companies like Knight on a semi-annual basis. The PMPRB may from time to time deem certain of Knight's existing or future patented products to be excessively

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

priced based on the application of its empowering legislation and regulations, including those related to price increases, the comparative assessment of new products and reductions in the highest price in international reference countries. Such determinations by the PMPRB may have a material adverse effect on Knight's financial condition and results of operations or cash flows.

The Canadian federal government has made a commitment to reduce the cost of prescription drug pending in Canada. On December 2, 2017, Health Canada published the following proposed key changes:

- changes in the comparator countries used to determine price ceilings. The changes include removal of the US (which generally has the highest international drug prices) and Switzerland and addition of seven new countries judged to have similar consumer protection-oriented mandates and relative wealth as Canada;
- new, economics-based price regulatory factors to allow the PMPRB to regulate based on the value of a medicine and its impact on the health care system; and,
- changes to certain reporting requirements, including reporting all discounts and rebates provided to third-party payers, such as provincial drug plans.

On August 21, 2019, the federal government published the final regulations governing the PMPRB. The new regulations include eleven countries as comparators and is expected to come into force on July 1, 2020. On November 21, 2019, the PMPRB published a draft set of new guidelines for the implementation of the final regulations. The PMPRB began seeking views of stakeholders and interested members of the public and extended their consultation period in connection with the guidelines through February 14, 2020. The guidelines may change during the final consultation and review process and it will not be enacted until July 1, 2020.

The regulatory changes to the PMPRB may have a significant adverse effect on the price of patented drugs sold by the Corporation in Canada and may limit the Corporation's ability to in-license and launch products in Canada due to more restrictive pricing regulations.

30. RELATED PARTY TRANSACTIONS

Pharmascience Inc., a company related to the Company's CEO, provided administrative services of approximately $13 to the Company for year ended December 31, 2019.

31. 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 commitments extending beyond the current year. These commitments are classified into three major categories: Fund commitments, milestones and purchase commitments, and equity and loan commitments. The commitments of the Company as at December 31, 2019 are as follows:

[i] Fund commitments

As at December 31, 2019, under the terms of Company's agreements with life sciences venture capital funds, $44,116 (2018: $61,973), including $11,452 [US$8,817] and $8,826 [EUR 6,052] (2018: $17,714 [US$12,985] and $13,650 [EUR 8,743]), may be called over the life of the funds (based on the closing foreign exchange rates).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[ii] Milestones 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 or LATAM. The Company may have to pay up to $576,096 including $44,620 [US$34,355], $133,026 [CHF 99,000] and $561 [EUR 385] upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to $2,013 [EUR 738 and US$721], of inventory for pharmaceutical products during the five-year period after their respective commercial launch. For products that are currently launched, the Company has committed to inventory purchases of $135,254 [BRL 90,354, USD 65,644 and CHF 15,481], which will be purchased over the next 8 years.

	$
2020	39,723
2021	15,314
2022	18,697
2023	11,488
2024	11,688
2025 and beyond	38,344
Total	**135,254**

Furthermore, Knight has committed to certain sales force and marketing spend obligations during the five-year period after the commercial launch of one of its products.

[iii] Equity and loan commitments

Subject to a loan agreement with a borrower, Knight has committed to up to a maximum equity investment of $3,247 [US$2,500] to participate in the initial public offering of the borrower.

Subject to the Moksha8 Financing Agreement, Knight has committed to loan up to an additional $13,637 [US$10,500] should the borrower meet certain pre-defined profitability targets over its 2020 to 2021 financial years.

32. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative amounts in the consolidated statements income and consolidated balance sheets have been reclassified to conform to the presentation adopted in the current period.

33. SUBSEQUENT EVENT

Covid-19

The recent outbreak of the coronavirus, or COVID-19, which has been declared by the World Health Organization to be a pandemic, has spread across the globe and is impacting worldwide economic activity. A public health pandemic, including COVID-19, poses the risk that the Company and its employees, contractors, suppliers, and other partners may be prevented from conducting business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities. Certain countries where the Company has significant operations, have required entities to limit or suspend business operations and have implemented travel restrictions and quarantine measures.

While it is not possible at this time to estimate the impact that COVID-19 could have on the Company, the continued spread of COVID-19 and the measures taken by the governments of countries affected could disrupt the supply chain and the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

manufacture or shipment of product inventories and adversely impact the Company's business, financial condition or results of operations. The COVID-19 outbreak and mitigation measures may also have an adverse impact on global economic conditions which could have an adverse effect on the Company's business and financial condition. The extent to which the COVID-19 outbreak impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact. As of the date of these financial statements, the outbreak has not had a material impact on the Company's results. The Company and its employees have transitioned to working remotely and steps are being taken to establish digital sales channels. Furthermore, the Company has sufficient liquidity to meet all operating requirements for the foreseeable future.

As a result of the COVID-19 impact, the Company will be relying on the temporary relief afforded by DÉCISION N°2020-PDG-0023 of the Autorités Des Marchés Financiers in respect of the obligation to file its Annual Information Form under National Instrument 51-102, Section 6.2. The Company expects to file its Annual Information Form on or before April 30, 2020. The Company confirms that its management and other Company insiders are subject to an insider trading black-out policy that reflects the principles in section 9 of National Policy 11-207 Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions. Other than as set forth in this press release and the annual filings to which it relates, there have been no material business developments in respect of the Company.

Management Team

Jonathan Ross Goodman

Chief Executive Officer and Director

Mr. Goodman founded Knight in February 2014. Prior to Knight, Mr. Goodman was the co-founder, President and CEO of Paladin Labs Inc. which was acquired by Endo for $3.2 billion. Under his leadership, $1.50 invested in Paladin Labs Inc. at its founding was worth $151 nineteen years later. Prior to co-founding Paladin Labs Inc. in 1995, Mr. Goodman was a consultant with Bain & Company and also worked in brand management for Procter & Gamble. Mr. Goodman holds a B.A. with Great Distinction from McGill University and the London School of Economics with 1st Class Honours. Additionally, Mr. Goodman holds an LL.B. and an M.B.A. from McGill University.

Samira Sakhia

President, Chief Financial Officer and Director

Ms. Sakhia joined Knight as President in August 2016 and assumed the additional responsibility of CFO in October 2017. Prior to Knight, Ms. Sakhia served as the CFO at Paladin from 2001 to 2015. At Paladin, Ms. Sakhia was responsible for the finance, operations, human resources and investor relations functions. During her employment with Paladin, Ms. Sakhia was instrumental in executing in-licensing and acquisition transactions of Canadian and international pharmaceutical products and businesses. Ms. Sakhia led several M&A and strategic lending transactions as well as equity rounds on the TSX and completed the sale of Paladin to Endo International for over $3 billion. Ms. Sakhia serves on the board of the Montreal Society for the Prevention of Cruelty to Animals, the International Advisory Board of McGill's Desautels Faculty of Management, and is an independent Board member at the McGill University Health Center. Ms. Sakhia holds an MBA and a Bachelors of Commerce degree from McGill University.

Amal Khouri

Vice President, Business Development

Ms. Khouri joined Knight as Vice-President of Business Development in August 2014. Prior to Knight, Ms. Khouri worked at Novartis Pharma for over 7 years, where she held multiple positions within the global business development and licensing team in Basel, Switzerland. Before joining Novartis, Ms. Khouri worked in business development at Paladin Labs in roles with increasing responsibilities. In addition, Ms. Khouri serves on the board of Antibe Therapeutics. Ms. Khouri holds a B.Sc. in Biochemistry from McGill University and an M.B.A. from the University of Ottawa.

Arvind Utchanah

Vice President, Finance

Mr. Utchanah joined Knight as Director of Finance in June 2016 and was promoted to Vice-President of Finance in August 2019. Prior to joining Knight, Mr. Utchanah held a number of senior finance roles with increasing responsibilities with Paladin Labs Inc., most recently as Director of Finance, Accounting and Financial Planning & Analysis where he was instrumental in the integration with Endo Health Solutions Inc. Mr. Utchanah's move to Paladin Labs Inc. in 2012 followed 5 years of experience with the global public accounting firm, Ernst & Young LLP, within the assurance services group. Mr. Utchanah is a Chartered Professional Accountant; he holds a Bachelor of Commerce degree from McGill University and a Graduate Diploma in Public Accountancy from Concordia University.

Board of Directors

James C. Gale*

Chairman of the Board of Directors

Mr. Gale is the founding partner of Signet Healthcare Partners ("Signet"). He is currently the Chairman of the Board of Alpex Pharma S.A. and Teligent Inc., and also serves on the board of directors of Spepharm AG, Bionpharma Inc., CoreRx, Inc., Leon Nanodrugs GmbH, Pharmaceuticals International Inc. and Chr. Olesen Synthesis A/S. Prior to Signet, Mr. Gale worked for Gruntal & Co., LLC ("Gruntal") as head of principal investment activities and investment banking. Prior to joining Gruntal, he worked in Home Insurance Co., Gruntal's parent. Earlier in his career, Mr. Gale was a senior investment banker at E.F. Hutton & Co. Mr. Gale holds an M.B.A. from the University of Chicago. Mr. Gale was on the Board of Paladin Labs from 2008 to 2014.

Jonathan Ross Goodman

Chief Executive Officer and Director

Refer to Management Team section.

Samira Sakhia

President, Chief Financial Officer and Director

Refer to Management Team section.

Robert N. Lande*†

Director

Mr. Lande is the President of FXCM Group LLC, an online brokerage firm offering trading in foreign exchange, equity indices and commodities. Formerly, he was Chief Financial Officer of FXCM and prior to that was a managing partner and Chief Operating Officer of Riveredge Capital Partners LLC ("Riveredge"), an investment management firm. Prior to Riveredge, Mr. Lande worked for over 16 years within the BCE/Bell Canada group where his last position was Chief Financial Officer of Telecom Américas Ltd., a joint venture between Bell Canada International, AT&T (then SBC Communications) and America Movil. Mr. Lande is a chartered financial analyst and holds an M.B.A. from the John Molson School of Business and a B.A. in Economics from McGill University. Mr. Lande was on the board of directors of Paladin Labs Inc. from 1995 to 2014.

** Member of the Audit Committee*
† Member of the Compensation, Corporate Governance and Nominating Committee

Sylvie Tendler †

Director

Sylvie Tendler is Pharma Sector Expert. With 20+ years of direct pharmaceutical experience, she has been involved in the development and launch of numerous blockbuster products. Ms. Tendler has worked in most therapeutic categories including Cardiology, Neurology, Infectious Disease and Rare diseases. In 2001, she founded The Tendler Group Inc, a custom market research and pharma consultancy firm which served many of the top 20 pharma companies. She led The Tendler Group until its sale to IntrinsiQ LLC in 2007 where she remained as President of IntrinsiQ Tendler until 2010. Prior to founding The Tendler Group, Sylvie had hands on experience conducting global primary research in the Top 5 EU pharmaceutical markets as well as Brazil and Mexico. Sylvie holds a Master's degree in International Management from the University of Maryland, and a Financial Management certificate from Cornell University.

Nancy Harrison *

Director

Ms. Harrison is Co-founder and former President of MSI Methylation Sciences, a private venture backed development company with a novel treatment of depression in a Phase II clinical trial. Ms. Harrison is a former Partner and Senior Vice President of Ventures West Management Inc. and spent 13 years with Ventures West leading its life sciences practice in Canada and the U.S. Ms. Harrison is one of the most experienced life sciences investors in the Canadian venture capital industry and was instrumental in Ventures West's involvement in the sector and with companies such as Angiotech Pharmaceuticals Inc., AnorMed Inc., Salmedix Inc. and Oncogenix Pharmaceuticals Inc., Celator Pharmaceuticals Inc., and Caprion BioSciences. During her time with Ventures West, the firm grew from approximately $80 million to over $750 million. Ms. Harrison has an undergraduate degree in Engineering from Queen's University and an MBA from McGill University.

Michael J. Tremblay †

Director

Mr. Tremblay has over 40 years of experience in the pharmaceutical industry. In 2018, he retired from Astellas Pharma Canada, Inc. where he served as President of Canadian operations. He joined the company in June 2000 and held various positions within the organization's commercial area before being appointed to the President's position in 2010. Prior to joining Astellas, Mr. Tremblay held positions at Janssen Canada Inc., Searle Canada Inc., Baxter-Travenol Canada and Smith, Kline and French Canada. Mr. Tremblay has sat on a number of Boards including Community & Home Assistance to Seniors ("CHATS") and Innovative Medicines Canada ("IMC"), the organization representing the leading research-based pharmaceutical companies in Canada. Mr. Tremblay began serving on the Board at IMC in 2011 and was elected Chair of the Board in 2015 and held that position until November 2017. Mr. Tremblay holds a B.Sc. in Biology and Chemistry from the University of Windsor.

** Member of the Audit Committee*
† Member of the Compensation, Corporate Governance and Nominating Committee

Board of Directors

Kevin Cameron †§

Director

Mr. Cameron is the Chief Executive Officer of Ionetix Corporation, a privately held biotechnology company focused on providing diagnostic imaging agents and radiotherapeutics. Before joining Ionetix, Mr. Cameron was the co-founder and President of Glass Lewis & Co., a leading provider of corporate governance services to institutional investors. Prior to that, Mr. Cameron was with Maxi Digital and NorthPoint Communications. Mr. Cameron started his career as an attorney with the law firm of Kellogg, Huber, Hansen, Todd & Evans in Washington D.C., and served as a law clerk for the United States Court of Appeals for the District of Columbia Circuit. Mr. Cameron currently serves as a board member of Xyphos Biosciences, a biotechnology company focused on next generation CAR-T therapy. Mr. Cameron also serves as a board member of ProCure Treatment Centers, a leading developer of proton therapy centers, and previously served as a director of Keryx Biopharmaceuticals, a biopharmaceutical company focused on therapies for renal patients, as well as on the Boards of AvidBiotics, Reddy Ice and Ecototality. Mr. Cameron holds a law degree from the University of Chicago and an undergraduate degree from McGill University.

† Member of the Compensation, Corporate Governance and Nominating Committee
§ Kevin Cameron resigned from the Compensation, Corporate Governance and Nominating Committee on February 25, 2020.

Corporate Information

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Stock Exchange Listing
Toronto Stock Exchange
Trading Symbol: GUD

Shares Outstanding
135,637,302 Common Shares
(as at December 31, 2019)

Fiscal 2019 Trading Summary
High: $8.88
Low: $7.10
Close: $7.58
Average Daily Volume: 301,215

Transfer Agent
AST Trust Company (Canada)
1-800-387-0825

Auditors
Ernst & Young LLP

This annual report is also available at www.gud-knight.com

Ce document est également disponible en français.

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