KNIGHT THERAPEUTICS INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

The following is Management's Discussion and Analysis of the financial condition and operating results of Knight Therapeutics Inc. ("Knight" or the "Company") for the three months ended March 31, 2019. This document should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto for the three months ended March 31, 2019 and the audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations in our annual report for the year ended December 31, 2018. Knight's unaudited interim condensed consolidated financial statements as at and for the three months ended March 31, 2019 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". All amounts herein are expressed in thousands of Canadian dollars (unless otherwise indicated) except for share and per share amounts. All other currencies are in thousands.

This discussion and analysis was prepared by management from information available as at May 8, 2019. 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 Annual Information Form for the year ended December 31, 2018 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.

TABLE OF CONTENTS

GLOSSARY OF ABBREVIATIONS 4

OVERVIEW 6

Section 1 – About Knight Therapeutics Inc. 6

Section 2 – Q1-19 Highlights 6

FINANCIAL RESULTS 7

Section 3 – Results of Operations 7

FINANCIAL CONDITION 9

Section 4 – Balance Sheets 9

Section 5 – Notices of Reassessment 11

Section 6 – Liquidity and Capital Resources 11

PRODUCT ACQUISITION STRATEGY 12

Section 7 – Products 12

Section 8 – Strategic Lending 15

Section 9 – Strategic Investments 17

Section 10 – Rest of World Strategy 18

RISK MANAGEMENT 19

Section 11 19

ADDITIONAL INFORMATION 20

Section 12 – Selected Quarterly Financial Information 20

Section 13 – Outstanding Share Data 20

Section 14 – Use of Proceeds from Financing 21

Section 15 – Payment of Dividends 21

Section 16 – Product Pricing Regulation on Certain Patented Drug Products 21

Section 17 – Financial Instruments 22

Section 18 – Off-balance Sheet Arrangements 22

Section 19 – Commitments 22

Section 20 – Related Party Transactions 23

Section 21 – Segment Reporting 23

Section 22 – Significant Accounting Estimates and Assumptions 23

Section 23 – Accounting Pronouncements Adopted in 2019 23

Section 24 – Disclosure Controls and Procedures 24

Section 25 – Internal Control Over Financial Reporting 25

Section 26 – Litigations 25

Section 27 – Subsequent Event 25

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

GLOSSARY OF ABBREVIATIONS

Abbreviation	Calendar
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
Q4-17	Fourth quarter of 2017
Q3-17	Third quarter of 2017
Q2-17	Second quarter of 2017

Abbreviation	Company
60P	60º 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
Braeburn	Braeburn Pharmaceuticals Inc.
Crescita	Crescita Therapeutics Inc.
Ember	Ember Therapeutics Inc.
Forbion	Forbion Capital Fund III CV
Jaguar	Jaguar Health Inc.
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.
Triumvira	Triumvira Immunologics Inc.
TXMD	TherapeuticsMD, Inc.

Abbreviation	Financial
C$ or $	Canadian Dollar
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
Interim Financial Statements	Unaudited interim condensed consolidated financial statements
US$	U.S. Dollar

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
CEO	Chief executive officer
HIV	Human immunodeficiency virus infection
IBS-C	Irritable Bowel Syndrome with Constipation
IQVIA	IQVIA Incorporated, a leading pharmaceutical market research organization
NDS	New Drug Submission
NON	Notice of Non-Compliance
OIC	Opioid-induced constipation
PCG	Pharma Consulting Group S.A.
PMPRB	Patented Medicine Prices Review Board
PRV	Priority Review Voucher

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". 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 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.
- Invests in life sciences venture capital funds whereby the Company receives 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 – Q1-19 Highlights

Financial Results

- Revenues were $2,956, a decrease of $198 or 6% over prior year.
- Net income was $5,189, a decrease of $1,720 or 25% over prior year.

Corporate Development

- Received a notice of reassessment from QRA of $18,242 related to the sale of the PRV.

Product

- Entered into a licensing agreement with Puma to commercialize NERLYNX® in Canada.

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 $34,105 [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.

Strategic Investments

- Received distributions of $676 from strategic fund investments and realized a gain of $132.
- Received dividends $4,159 [ILS 11,308] of from Medison.

Subsequent to quarter-end

- 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

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

FINANCIAL RESULTS

Section 3 – Results of Operations

			Change	
	Q1-19	Q1-18	**$[1]**	**%[2]**
Revenues	**2,956**	3,154	(198)	6%
Cost of goods sold	**685**	834	149	18%
Gross margin	**2,271**	2,320	(49)	2%
Gross margin (%)	***77%***	*74%*		
Expenses				
Selling and marketing	**847**	789	(58)	7%
General and administrative	**3,598**	2,095	(1,503)	72%
Research and development	**626**	489	(137)	28%
	(2,800)	(1,053)	(1,747)	166%
Depreciation of property and equipment	**97**	16	(81)	506%
Amortization of intangible assets	**426**	441	15	3%
Interest income on financial instruments measured at amortized cost	**(4,925)**	(3,436)	1,489	43%
Other interest income	**(965)**	(1,852)	(887)	48%
Other income	**(353)**	(1,351)	(998)	74%
Net gain on financial instruments measured at fair value through profit or loss	**(4,777)**	(541)	4,236	783%
Share of net income of associate	**(692)**	(503)	189	38%
Foreign exchange loss (gain)	**1,653**	(2,597)	(4,250)	N/A
Income before income taxes	**6,736**	8,770	(2,034)	23%
Income tax expense				
Current	**1,531**	641	(890)	139%
Deferred	**16**	1,220	1,204	99%
Net income	**5,189**	6,909	(1,720)	25%
Attributable to shareholders of the Company				
Basic EPS	**0.036**	0.048	(0.012)	25%
Diluted EPS	**0.036**	0.048	(0.012)	25%

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

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

	Q1-19 vs Q1-18
Revenues	• No significant variance.
Gross Margin	• No significant variance.
Selling and marketing	• No significant variance.
General and administrative	• Increase mainly due to $1,615 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 (refer to section 26 for further details) between the Company and dissident shareholder Meir Jakobsohn, Medison's CEO. • Excluding costs related to fighting activist campaign, no significant variance. • Knight expects activist and legal expenses in Israel to continue in 2019 but at a declining pace.
Research and development expenses	• No significant variance.
Depreciation and Amortization	• No significant variance.
Interest income	• Includes "Interest income on financial instruments measured and amortized costs" and "Other interest income". • Primarily from interest earned on loans, cash and cash equivalents, marketable securities and accretion on loans receivable. • Interest income for Q1-19 was $5,890, an increase of 12% or $602 compared to prior year due to an increase in the marketable securities balances and an increase in interest rates, offset by a lower average loan balance.
Other income[1]	• Amount in Q1-19 driven by fees earned on strategic loan deals. • Amount in Q1-18 driven by the early repayment fees on the Medimetriks loan.
Net gain on financial assets measured at fair value through profit or loss	• As a result of the revaluation of financial assets measured at FVTPL. • Net gain mainly attributed to the revaluation of the strategic fund investments, offset by changes in the strategic loan fair values.
Share of net income of associate	• No significant variance.
Foreign exchange loss (gain)	• Due to relative losses on certain U.S. dollar denominated financial assets as Canadian dollar strengthened.
Income tax expense	• Variance due to gains on investments in financial assets and amortization of deferred income taxes related to the Company's financing.

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

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

FINANCIAL CONDITION

Section 4 – Balance Sheets

	03-31-19	12-31-18	Change $	Change %[1]
ASSETS				
Current				
Cash and cash equivalents	**231,110**	244,785	(13,675)	6%
Marketable securities	**390,658**	445,003	(54,345)	12%
Trade and other receivables	**12,034**	11,756	278	2%
Inventories	**836**	1,136	(300)	26%
Other current financial assets	**16,782**	14,030	2,752	20%
Income taxes receivable	**735**	821	(86)	10%
Total current assets	**652,155**	717,531	(65,376)	9%
Marketable securities	**126,643**	97,274	29,369	30%
Property and equipment	**1,808**	794	1,014	128%
Intangible assets	**19,313**	17,475	1,838	11%
Other financial assets	**138,459**	113,314	25,145	22%
Investment in associate	**75,402**	79,145	(3,743)	5%
Deferred income tax assets	**2,829**	2,959	(130)	4%
Other receivable	**41,582**	23,340	18,242	78%
Total assets	**1,058,191**	1,051,832	6,359	1%
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	**8,323**	6,100	2,223	36%
Lease liabilities	**275**	—	275	N/A
Income taxes payable	**11,164**	10,705	459	4%
Other balances payable	**425**	197	228	116%
Deferred other income	**13**	183	(170)	93%
Total current liabilities	**20,200**	17,185	3,015	18%
Lease liabilities	**794**	—	794	N/A
Other balances payable	**4,646**	4,615	31	1%
Total liabilities	**25,640**	21,800	3,840	18%
Shareholders' equity				
Share capital	**761,913**	761,844	69	0%
Warrants	**785**	785	—	—
Contributed surplus	**14,783**	14,326	457	3%
Accumulated other comprehensive income	**17,759**	20,955	(3,196)	15%
Retained earnings	**237,311**	232,122	5,189	2%
Total shareholders' equity	**1,032,551**	1,030,032	2,519	0%
Total liabilities and shareholders' equity	**1,058,191**	1,051,832	6,359	1%

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

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

	03-31-19 vs 12-31-2018
Cash and cash equivalents and marketable securities (current and long term)	• Refer to Section 6 – Liquidity and Capital Resources for further information.
Trade and other receivables	• No significant variance.
Inventories	• Decrease due to additional inventory provision recorded in Q1-19.
Other financial assets (current and long term)	• Increase of $27,897 driven by: **Loans and other receivables:** increase of $10,696 mainly attributable to additional loans with relative fair values of $13,449 [US$10,213] and $6,264 [US$5,000] provided to Moksha8 and Triumvira respectively, partially offset by loan repayments of $3,291 and changes in fair value of $5,731. Refer to Section 7 for further information on Knight's strategic lending portfolio. **Equities, Warrants and Derivatives:** increase of $1,798 driven by additional warrants obtained during the quarter and the revaluation of equities, warrants and derivatives. Refer to note 7 in the Interim Financial Statements for further information. **Funds:** increase of $15,403 due to capital calls of $7,107 and mark-to-market adjustments of $10,890 offset by distributions received of $676 and foreign exchange losses of $1,918. Refer to Section 9 for further information on Knight's strategic investments.
Income tax receivable	• No significant variance.
Property and Equipment	• Increase due to recognition of lease assets with the adoption of IFRS 16. • Refer to note 2 in the Interim Financial Statements for further information.
Intangible assets	• Increase due to the in-licensing activity, offset by amortization. • Refer to note 10 in the Interim Financial Statements for further details.
Investment in associate	• Decrease related to dividends received from Medison partially offset by Knight's share of net income. • Refer to Section 10 for further information.
Other receivable	• Increase due to deposit of $18,242 made to the QRA related to a notice of reassessment. Refer to Section 5 for further information.
Accounts payable and accrued liabilities	• Increase due to timing of purchases and payments.
Lease Liabilities	• Increase due to the adoption of IFRS 16. • Refer to section 23 and note 2 in the Interim Financial Statements for further information.
Income tax payable	• Increase due to gains on investments in financial assets.
Deferred other income	• No significant variance.
Other balances payable (current and long term)	• Increase due to recognition of regulatory and sales milestones on in-licensed products.
Share capital	• Refer to note 11 in the Interim Financial Statements for further information.
Contributed surplus	• Increase related to share-based compensation expense. • Refer to the statement of changes in shareholders' equity in the Interim Financial Statements for further information.
Accumulated other comprehensive income	• Increase related to other comprehensive loss of $3,196 for the period. • Refer to the statement of changes in shareholders' equity in the Interim Financial Statements for further information.
Retained earnings	• Increase due to net income of $5,189 in Q1-19.

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

Section 5 – 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 6 – Liquidity and Capital Resources

The Company's Investment Policy governs the investment activities relating to cash resources. An Investment Committee composed of representatives from management and the Board of Directors monitors compliance with said policy. The Company invests in strategic investments in the form of equity funds, debt funds, equity or liquid investment securities with varying terms to maturity, selected with regard to the expected timing of investments and expenditures for continuing operations and prevailing interest rates.

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

	Three months ended March 31,		**Change**	
	2019	2018	**$**	**%**
Net cash from operating activities	**(9,388)**	6,864	(16,252)	N/A
Net cash from investing activities	**(3,542)**	76,627	(80,169)	N/A
Net cash from financing activities	**(7)**	49	(56)	N/A
Increase in cash and cash equivalents during the period	**(12,937)**	83,540	(96,477)	N/A
Net foreign exchange difference	**(738)**	3,408	(4,146)	N/A
Cash and cash equivalents, beginning of the period	**244,785**	496,460	(251,975)	51%
Cash and cash equivalents, end of the period	**231,110**	583,408	(352,298)	60%
Marketable securities, end of the period	**517,301**	219,017	298,284	136%
Cash, cash equivalents, and marketable securities, end of the period	**748,411**	802,425	(54,014)	7%

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

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

	Q1-19 vs Q1-18
Net cash from operating activities	Primarily relates to cash generated through revenues 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, accretion of interest, share based compensation expense, depreciation and amortization, foreign exchange gains or 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 March 31, 2019, cash flows were due to: • net issuance of loan receivables of $17,193 • net investments in life sciences funds of $6,431 • acquisition of intangibles of $1,989, partially offset by; • net proceeds from marketable securities of $22,071.
Net cash from financing activities	Cash flows from financing activities were due to the participation of employees and directors in the Company's share purchase plan and principal repayments of lease liabilities.

PRODUCT ACQUISITION STRATEGY

Section 7 – 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	Braeburn	Marketed	CAN
Ibsrela™	IBS-C	Ardelyx	Pending submission	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 2	CAN, ISR, RUS, ZAF
Antibe family	Chronic pain and inflammation	Antibe	Pre-clinical – Phase 2	CAN, ISR, RUS, ZAF

Prescription Pharmaceutical Products (continued)

Product	Indication/Potential Indication	Licensor	Status in Territory	Territory Rights
Oncology				
NERLYNX®	HER2-positive breast cancer	Puma	Submitted	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[2], ISR, MEX, BRA, COL
Ophthalmic				
AzaSite™	Bacterial conjunctivitis	Akorn	Approved	CAN
Iluvien®	Diabetic macular edema	Alimera	Approved	CAN
Netildex®	Ocular inflammation	SIFI	Submitted	CAN
Women's Health				
Joyesta™	Moderate-to-severe dyspareunia	TXMD	Pending submission	CAN, ISR
Bijuva™	Moderate-to-severe vasomotor symptoms due to menopause	TXMD	Pending submission	CAN, ISR
Other				
Impavido®	Leishmaniasis	N/A	Marketed	Global
Arakoda™ 60P family	Prevention of malaria Other tropical diseases	60P	Pending submission Phase 2	CAN, ISR, RUS, LATAM[1]
Tenapanor	Hyperphosphatemia	Ardelyx	Phase 3	CAN

[1] *Select products only for LATAM*
[2] *Excludes TAC01-CD19*

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 $358 for the three-month period ended March 31, 2019 (2018: $301).

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. On October 29, 2018, Knight announced the commercial launch of Probuphine® in Canada. During 2019, Knight's commercial focus will be on physician training and product reimbursement.

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 submitted Ibsrela™ to the US FDA in September 2018 and is expecting approval in September 2019. Knight expects to submit a NDS for Ibsrela™ for IBS-C in 2019.

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. Knight plans to launch the product in 2019.

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. On February 15, 2018, Netildex® was accepted for review by Health Canada. On December 4, 2018, Knight received a NON and responded to Health Canada's issues in 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. Puma filed a NDS for NERLYNX® with Health Canada in July 2018 for the extended adjuvant treatment of adult patients with early stage HER2-overexpressed/amplified breast cancer following adjuvant trastuzumab-based therapy. Knight expects to obtain regulatory approval in 2019.

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 Joyesta™ and Bijuva™ in Canada and Israel. Joyesta™ is a TXMD FDA-approved product, marketed as Imvexxy™ (estradiol vaginal inserts) in the U.S., 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. Knight expects to submit the NDS in Canada for Joyesta™ and Bijuva™ in 2019.

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.

Section 8 – 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, help to secure product rights for Knight either on a direct or indirect basis. As of the date hereof, Knight has seven 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 7), the Antibe family, the 60P family, TULSA-PRO® and the Triumvira family.

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

	Nominal loan balance as at March 31, 2019	
Entity	**In Source Currency**	**In Canadian Dollars[1]**
Moksha8	US$10,483	$14,009
Synergy	US$7,000	$9,354
60P[2]	US$6,810	$9,100
Triumvira	US$5,000	$6,682
Crescita	C$3,639	$3,639
Medimetriks	US$1,000	$1,336
Ember	US$500	$668
Total		**$44,788**

[1] Converted at the Bank of Canada closing exchange rates on March 31, 2019
[2] Excludes 60P Convertible Debenture received as consideration for loans issued to 60P

As at March 31, 2019, the nominal loan balance outstanding was $44,788, including $41,149 [US$30,793] (March 31, 2018: $28,902, including $20,870 [US$16,185]). The following table summarizes the movement in loans and other receivables during the quarter ended March 31, 2019:

	Carrying value beginning of period	Additions	Loan repayments	Net loss on FA[1]	Foreign exchange[2,5]	Carrying value end of period	Current other financial assets	Non-current other financial assets
	$	$	$	$	$	$	$	$
Amortized Cost[3]	2,964	15	(2,634)	—	(99)	246	—	246
FVTPL[4]	24,711	19,941	(657)	(5,731)	(139)	38,125	10,050	28,075
Total	**27,675**	**19,956**	**(3,291)**	**(5,731)**	**(238)**	**38,371**	**10,050**	**28,321**

[1] Net changes related to change in the fair value of loan receivables and recognition of day 1 gains
[2] Net changes due to foreign currency translation recorded in the statement of income or statement of comprehensive income
[3] Loans and other receivables recorded at amortized cost include; a long-term receivable
[4] Loans and other receivables recorded at FVTPL include; Medimetriks, 60P, Profound, Crescita , Synergy, Moksha8, Triumvira
[5] Recorded a gain of $184 in the statement of income in "Foreign exchange loss (gain)" and a loss of $422 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations"

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"). Under the terms of the Financing Agreement, Knight committed to loan up to $34,105 [US$25,000] in working capital funding of which $13,134 [US$10,000] was issued as at March 31, 2019. The remaining $20,045 [US$15,000] may be disbursed upon Moksha8 meeting pre-defined profitability targets for its 2019 to 2021 financial years. In addition, the Company may issue up to an additional $136,420 [US$100,000] at Knight's sole discretion for corporate development and the acquisition of product licenses.

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

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. As at March 31, 2019, the nominal loan balance outstanding was $14,009 [US$10,483].

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.

In addition, Knight received 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.

Section 9 – 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 $54,016 remains committed as at March 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.

	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 March 31, 2019 closing rates total fund commitment would be $138,034)
[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

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

Since the inception of the strategic fund investments, the Company invested $101,945 and received distributions of $39,452 on which a gain of $12,608 was realized. Furthermore, as at March 31, 2019, the fund investments were recorded at their fair value of $102,457 representing a cumulative unrealized gain of $39,964. The following table summarizes the movement in fund investments during quarter ended March 31, 2019.

	Carrying value beginning of period	Additions[1,5]	Distributions[2]	Net gain on FA	Foreign exchange[3,4]	Carrying value end of period	Current other financial assets	Non-current other financial assets
	$	$	$	$	$	$	$	$
FVTPL	**87,054**	**7,107**	**(676)**	**10,890**	**(1,918)**	**102,457**	**—**	**102,457**

[1] *Investments in equity or debt funds*
[2] *Distributions received from funds in the three-month period ended March 31, 2019 generated realized gain of $132 (recorded in the current and historical consolidated statements of income through revaluation of the fund investments) (2018: $1,306)*
[3] *Net changes due to foreign currency translation, recorded in the statement of income or statement of comprehensive income*
[4] *Recorded a loss of $811 in the statement of income in "Foreign exchange loss (gain)" (2018: gain of $863) and $1,107 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2018: gain of $1,036)*
[5] *Including US$1,114 and EUR 1,153 (2018: including US$646 and EUR 848)*
[6] *Including US$0 and EUR 0 (2018: including EUR 2,458)*

Other investments

For additional details regarding the movement in equities or derivatives held by Knight throughout the quarter, refer to note 7 "Other Financial Assets" of the Interim Financial Statements.

Section 10 – Rest of World Strategy

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

Investment in Medison

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

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

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

This selected information is derived from our Interim Financial Statements.

	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17
Carrying value of investment	**75,402**	**79,145**	79,031	78,990	77,697	75,983	75,642	78,003
Amortization of FMV adjustments	**(1,378)**	**(1,377)**	(1,378)	(1,378)	(1,378)	(1,529)	(1,572)	(1,503)
Share of net income (loss), net of FMV adjustment	**692**	**114**	89	(151)	503	341	98	96
Dividends	**4,159**	**—**	—	—	—	—	2,459	—

The Company is presenting select financial information derived from Medison's consolidated financial statements, excluding amortization of fair value adjustments on acquisition in ILS using Israeli GAAP converted into IFRS in CAD for information purposes:

	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17
Revenues	**75,303**	**72,650**	63,482	64,260	60,259	57,399	56,030	51,749
Net income	**7,322**	**5,262**	5,189	4,352	6,653	6,614	5,906	5,655

RISK MANAGEMENT

Section 11

11.1 Currency Risk

Knight holds a significant portion of its net financial assets in US$ and EUR which results in financial risk due to fluctuations in the value of the currencies relative to the Canadian dollar. Assuming that all other variables remain constant, a 5% change in the Canadian dollar against the US$ and EUR would have resulted in a change in the statement of income and comprehensive income of $11,604 and $1,327, respectively.

11.2 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 $115,743 as at March 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.

11.3 Interest Rate Risk

The Company is subject to interest rate risk on its cash, cash equivalents and marketable securities. Details regarding maturity dates and effective interest rates are described in notes 3 and 4 of the Interim Financial Statements. The Company does not believe that the results of operations or cash flows would be materially affected to any significant degree by a sudden change in market interest rates relative to interest rates on the investments, owing to the relatively short-term nature of the marketable securities and currently low market yields.

11.4 Liquidity Risk

The majority of the Company's financial liabilities are short term in nature. The Company generates sufficient cash from operating activities to fund its operations and fulfil its obligations as they become due. The Company has sufficient funds available through its cash, cash equivalents and marketable securities, should its cash requirements exceed cash generated from operations to cover all financial liability obligations. As at March 31, 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 note 18 of the Interim Financial Statements.

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

11.5 Credit Risk

The Company considers its maximum credit risk to be $152,280 (2018: $125,270) 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 & three foreign affiliates of Canadian financial institutions
- one Canadian insurance company & one Canadian corporation
- five Canadian credit unions

The Company is exposed to credit risk from its customers and continually monitors its customers' credit. It 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.

11.6 Risk Factors

For a detailed discussion of additional risk factors, please refer to the Company's Annual Information Form for the year ended December 31, 2018 on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Section 12 – Selected Quarterly Financial Information

This selected information is derived from our Interim Financial Statements.

	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17
Revenues	**2,956**	3,888	3,220	2,238	3,154	2,544	1,860	2,480
Net income	**5,189**	221	12,930	4,019	6,909	7,145	3,593	459
EPS								
Basic	**0.036**	0.002	0.091	0.028	0.048	0.050	0.025	0.003
Diluted	**0.036**	0.002	0.090	0.028	0.048	0.050	0.025	0.003
Cash, cash equivalents and marketable securities	**748,411**	787,062	775,046	806,746	802,425	765,033	761,087	761,161
Total assets	**1,058,191**	1,051,832	1,041,506	1,029,133	1,016,853	1,005,983	993,467	991,980
Total non-current liabilities	**5,440**	4,615	3,261	1,127	1,171	515	1,028	1,200

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

Section 13 – Outstanding Share Data

The table below summarizes the share data:

As at	**May 8, 2019**
Common Shares	142,859,692
Stock Options	4,637,524
Warrants	406,126

Section 14 – Use of Proceeds from Financing

To date, Knight has raised net proceeds of approximately $685,000 from five public offerings. In our short form prospectuses related to the offerings, Knight disclosed that its intent was to use a substantial portion of the net proceeds (i) for potential acquisitions of (a) in-licensing of over-the-counter and prescription pharmaceutical products and targeted promotion of these products, and (b) specialty pharmaceutical businesses in select international markets, (ii) for financing of other life sciences companies in Canada and internationally as well as for investments in funds focused in the life sciences sector, and (iii) the remainder for general corporate purposes.

As at March 31, 2019, Knight had deployed and invested or committed to deploy and invest over $350,000 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 15 – 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 16 – Product Pricing Regulation on Certain Patented Drug Products

All patented drug products 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 June 25, 2018, the PMPRB presented a draft guidelines implementation framework which is intended to give effect of the proposed changes. The proposed amendments, if enacted, are expected to result in a decrease in the prices of patented drugs in Canada. The proposed regulations initially expected to come into force on January 1, 2019 has been delayed due to government reviews feedback and the precise nature and timing of these changes (including the potential retroactive application of some) will not be known until the full consultation and Canada Gazette publication processes are completed.

On April 1, 2019, Health Canada announced that it would be advancing the legislation through the Canada Gazette process in the Spring 2019 session and that the amended regulations would come into force 12 months following publication.

The final form of 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 17 – Financial Instruments

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

Knight has not entered into any currency or other hedging instrument contracts during the period ended March 31, 2019. Refer to notes 7 and 8 of the Interim Financial Statements for the period ended March 31, 2019 for additional information.

Section 18 – 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 18 of the Interim Financial Statements for the year ended March 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.

Section 19 – Commitments

In the normal course of business, the Company secures development, sales, marketing and distribution rights to innovative drug products requiring royalties or product payments considered normal operating commitments and as such not included herein. The Company has entered into various agreements which include contractual obligations extending beyond the current year. These obligations are classified into three major categories: fund commitments, milestones and purchase commitments, and equity and loan commitments. The commitments of the Company as at March 31, 2019 are as follows:

[i] Fund commitments

As at March 31, 2019, under the terms of Company's agreements with life sciences venture capital funds, $54,016 (December 31, 2018: $61,973), including $15,874 [US$11,879] and $11,387 [EUR 7,590], may be called over the life of the funds (based on the closing foreign exchange rates).

As at May 8, 2019, $50,181 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. The Company may have to pay up to $105,606 including $31,142 [US$23,305] and $525 [EUR 350] upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to $2,071 [EUR 738 and US$721], of inventory for pharmaceutical products during the five-year period after their respective commercial launch. 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 $3,341 [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 $20,045 [US$15,000] should the borrower meet certain pre-defined profitability targets over its 2019 to 2021 financial years.

Section 20 – Related Party Transactions

Pharmascience Inc., a company related to the Company's CEO, provided administrative services of approximately $3 to the Company for the quarter ended March 31, 2019.

Section 21 – Segment Reporting

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

For the quarter ended March 31, 2019, revenues from products sold in Canada and internationally were $559 and $2,397 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 $136,339 and $1,758 respectively.

Section 22 – 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 2018 Annual Financial Statements and note 2.2 of our Interim Financial Statements.

Section 23 – 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 2 of the Interim 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			
Property and equipment	794	1,121	1,915
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 24 – Disclosure Controls and Procedures

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

Section 25 – Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate ICFR. The Company has designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS.

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

During the first quarter of 2019, 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.

Section 26 – Litigations

On March 21, 2019, the Company filed a legal action in Lod, Israel (District Court Center-Lod) against Medison, Medison's CEO Meir Jakobsohn, and Tzalir Holdings Ltd., Mr. Jakobsohn's personal holding company. The Company, in its capacity as a shareholder of Medison, is seeking to prevent Mr. Jakobsohn from using Medison's cash reserves to fund an activist campaign against the Company. The Company asserts that Medison's conduct constitutes shareholder discrimination and is improper and oppressive under Israeli companies law. The defendants have not yet filed a statement of defence.

On March 28, 2019, Medison filed a separate legal action in Lod, Israel (District Court Center-Lod) against the Company and its CEO, Jonathan Ross Goodman. Medison is asking the court to remove Mr. Goodman from Medison's board of directors as the Company's nominee director and to order the Company appoint another individual to replace him. Medison alleges that Mr. Goodman is in a conflict of interest. The Company intends to vigorously contest the lawsuit. The Company has not yet filed a statement of defence.

A pre-trial hearing is set for June 12, 2019 to deal with procedural matters with respect to both actions as well as a separate action filed by Mr. Goodman in his capacity as a director of Medison.

Section 27 – Subsequent Event

On May 7, 2019, the Company held its Annual and Special Meeting of Shareholders. The results of the shareholder votes were as follows:

- Elected James C. Gale, Jonathan Ross Goodman, Samira Sakhia, Robert N. Lande, Sylvie Tendler, Nancy Harrison, Michael J. Tremblay and Kevin Cameron as Directors.
- Appointed Ernst & Young LLP as auditor.
- Approved the Advanced Notice By-Law.
- Approved the unallocated rights under the Company's employee share purchase plan for the ensuring three years.
- Dismissed the dissident proposed By-Law 3.

For further details on the above, refer to the management information circular dated April 4, 2019 filed on SEDAR and on Knight's website at www.gudknight.com.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

KNIGHT THERAPEUTICS INC.

March 31, 2019

NOTICE TO READER

The interim condensed consolidated financial statements of Knight Therapeutics Inc. (“Knight” or the “Company”) which comprise the interim condensed consolidated balance sheet as at March 31, 2019, the interim condensed consolidated statements of income and comprehensive income, the interim condensed consolidated statements of changes in shareholders’ equity and the interim consolidated statement of cash flows for the three-month period ended March 31, 2019, are the responsibility of the Company’s management. These interim condensed consolidated financial statements have not been audited or reviewed on behalf of the shareholders by the independent external auditors, Ernst & Young LLP.

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

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

Montreal, Canada
May 8, 2019

(signed) Samira Sakhia
Samira Sakhia
President and Chief Financial Officer

Montreal, Canada
May 8, 2019

INTERIM CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

[Unaudited]

As at	*Notes*	**March 31, 2019**	December 31, 2018
ASSETS			
Current			
Cash and cash equivalents	*3*	**231,110**	244,785
Marketable securities	*4*	**390,658**	445,003
Trade and other receivables	*5*	**12,034**	11,756
Inventories		**836**	1,136
Other current financial assets	*7, 8*	**16,782**	14,030
Income taxes receivable		**735**	821
Total current assets		**652,155**	717,531
Marketable securities	*4*	**126,643**	97,274
Property and equipment		**1,808**	794
Intangible assets	*6*	**19,313**	17,475
Other financial assets	*7, 8*	**138,459**	113,314
Investment in associate	*9*	**75,402**	79,145
Deferred income tax assets		**2,829**	2,959
Other receivable	*10*	**41,582**	23,340
Total assets		**1,058,191**	1,051,832
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		**8,323**	6,100
Lease liabilities		**275**	—
Income taxes payable		**11,164**	10,705
Other balances payable		**425**	197
Deferred other income		**13**	183
Total current liabilities		**20,200**	17,185
Lease liabilities		**794**	—
Other balances payable		**4,646**	4,615
Total liabilities		**25,640**	21,800
Shareholders' equity			
Share capital	*11 [i]*	**761,913**	761,844
Warrants		**785**	785
Contributed surplus		**14,783**	14,326
Accumulated other comprehensive income	*12*	**17,759**	20,955
Retained earnings		**237,311**	232,122
Total shareholders' equity		**1,032,551**	1,030,032
Total liabilities and shareholders' equity		**1,058,191**	1,051,832

Commitments *[note 18]*

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF INCOME

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

[Unaudited]

		Three months ended March 31,	
	Notes	**2019**	2018
Revenues		**2,956**	3,154
Cost of goods sold		**685**	834
Gross margin		**2,271**	2,320
Expenses			
Selling and marketing		**847**	789
General and administrative		**3,598**	2,095
Research and development		**626**	489
		(2,800)	(1,053)
Depreciation of property and equipment		**97**	16
Amortization of intangible assets		**426**	441
Interest income on financial instruments measured at amortized cost		**(4,925)**	(3,436)
Other interest income		**(965)**	(1,852)
Other income		**(353)**	(1,351)
Net gain on financial assets measured at fair value through profit or loss	*7*	**(4,777)**	(541)
Share of net income of associate	*9*	**(692)**	(503)
Foreign exchange loss (gain)		**1,653**	(2,597)
Income before income taxes		**6,736**	8,770
Income tax expense			
Current		**1,531**	641
Deferred		**16**	1,220
Net income for the period		**5,189**	6,909
Attributable to shareholders of the Company			
Basic earnings per share	*13*	**0.04**	0.05
Diluted earnings per share	*13*	**0.04**	0.05
Weighted average number of common shares outstanding			
Basic	*13*	**142,852,246**	142,813,358
Diluted	*13*	**143,245,443**	143,220,006

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of Canadian dollars]

[Unaudited]

	Three months ended March 31,	
	2019	2018
Net income for the period	**5,189**	6,909
Other comprehensive income or loss to be reclassified to statement of income in subsequent periods:		
Unrealized (loss) gain on translation of foreign operations	**(4,331)**	5,121
Other comprehensive income or loss not to be reclassified to statement of income in subsequent periods:		
Net gain (loss) on equity investments at fair value through other comprehensive income net of tax of $114 (2018: $28)	**1,411**	(4,088)
Share of other comprehensive (loss) income of an associate net of tax of 87 (2018: $382)	**(276)**	1,211
Other comprehensive (loss) income for the period	**(3,196)**	2,244
Total comprehensive income for the period	**1,993**	9,153

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

[In thousands of Canadian dollars]

[Unaudited]

	Notes	**Share capital**	**Warrants**	**Contributed surplus**	**Accumulated other comprehensive income**	**Retained earnings**	**Total shareholders' equity**
Balance as at January 1, 2018		**761,490**	**785**	**12,196**	**9,215**	**208,043**	**991,729**
Net income for the period		—	—	—	—	6,909	**6,909**
Other comprehensive income for the period		—	—	—	2,244	—	**2,244**
Comprehensive income		—	—	—	2,244	6,909	**9,153**
Share-based compensation expense	*11 [ii]*	—	—	545	—	—	**545**
Issuance under share purchase plan	*11 [iii]*	56	—	—	—	—	**56**
Balance as at March 31, 2018		**761,546**	**785**	**12,741**	**11,459**	**214,952**	**1,001,483**
Balance as at January 1, 2019		**761,844**	**785**	**14,326**	**20,955**	**232,122**	**1,030,032**
Net income for the period		—	—	—	—	5,189	**5,189**
Other comprehensive loss for the period		—	—	—	(3,196)	—	**(3,196)**
Comprehensive (loss) income		—	—	—	(3,196)	5,189	**1,993**
Share-based compensation expense	*11 [ii]*	—	—	457	—	—	**457**
Issuance under share purchase plan	*11 [iii]*	69	—	—	—	—	**69**
Balance as at March 31, 2019		**761,913**	**785**	**14,783**	**17,759**	**237,311**	**1,032,551**

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

[Unaudited]

		Three months ended March 31,	
	Notes	**2019**	2018
OPERATING ACTIVITIES			
Net income for the period		**5,189**	6,909
Adjustments reconciling net income to operating cash flows:			
Deferred income tax		**16**	1,220
Share-based compensation expense	*11 [ii]*	**457**	545
Depreciation and amortization		**523**	457
Net gain on financial instruments	*7*	**(4,777)**	(541)
Foreign exchange loss (gain)		**1,653**	(2,597)
Share of net income of associate	*9*	**(692)**	(503)
Deferred other income		**(170)**	(94)
		2,199	5,396
Changes in non-cash working capital and other items	*15*	**2,496**	1,468
Increase in other receivable	*10*	**(18,242)**	—
Dividends from associate	*9*	**4,159**	—
Cash (outflow) inflow from operating activities		**(9,388)**	6,864
INVESTING ACTIVITIES			
Purchase of marketable securities		**(98,893)**	(50,755)
Purchase of intangibles		**(1,989)**	(3,000)
Purchase of property and equipment		**—**	(42)
Issuance of loans receivables		**(17,850)**	—
Purchase of equities		**—**	(400)
Investment in funds		**(7,107)**	(4,277)
Proceeds on maturity of marketable securities		**120,964**	101,318
Proceeds from repayments of loans receivable		**657**	33,440
Proceeds from distribution of funds		**676**	343
Cash (outflow) inflow from investing activities		**(3,542)**	76,627
FINANCING ACTIVITIES			
Proceeds from contributions to share purchase plan		**60**	49
Principal repayment of lease liabilities		**(67)**	—
Cash (outflow) inflow from financing activities		**(7)**	49
(Decrease) increase in cash and cash equivalents during the period		**(12,937)**	83,540
Cash and cash equivalents, beginning of the year		**244,785**	496,460
Net foreign exchange difference		**(738)**	3,408
Cash and cash equivalents, end of the year		**231,110**	543,408
Supplemental cash flow information:			
Interest received		**4,171**	6,878
Net income taxes (paid) recovered		**(988)**	256

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
Crescita	Crescita Therapeutics Inc.
Knight or the Company	Knight Therapeutics Inc.
Medimetriks	Medimetriks Pharmaceuticals Inc.
Medison	Medison Biotech (1995) Ltd.
Moksha8	Moksha8, Inc.
Puma	Puma Biotechnology, Inc.
Synergy	Synergy CHC Corp.
Triumvira	Triumvira Immunologics Inc.

Abbreviation	Financial
EUR	Euro
US$	U.S. Dollar

Abbreviation	Other
BDN	Bearer deposit note(s)
CEO	Chief Executive Officer
CRA	Canada Revenue Agency
FA	Financial Assets
FDA	Food and Drug Administration (United States)
FV	Fair value
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GIC	Guaranteed investment certificates
IBR	Incremental borrowing rate
PRV	Priority Review Voucher

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 developing, acquiring, in-licensing, out-licensing, marketing and distributing pharmaceutical products, consumer health products and medical devices in Canada and select international markets. The Company is located at 3400 de Maisonneuve Boulevard West, Suite 1055, Montreal, Quebec, H3Z 3B8. Knight is listed on Toronto Stock Exchange under the ticker symbol “GUD”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in note 2 “Summary of significant accounting policies” of the Company’s consolidated financial statements for the year ended December 31, 2018, except for changes in accounting policies described in note 2.2. These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed.

2.2 New standards adopted

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements for the year ended December 31, 2018 except for IFRS 16 adopted on January 1, 2019. The Company has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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. The following summarizes the accounting policy used by the Company upon adoption of IFRS 16.

Right-of-use assets
The Company recognises 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 recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term and are presented as “Property and Equipment” on the consolidated balance sheet.

Lease liabilities
At the inception date of the lease, the Company recognises 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 recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

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.

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.

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			
Property and equipment	794	1,121	1,915
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%*

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

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.

2.3 Statement of compliance

The preparation of the Company's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2018 and in note 2.2 of these interim condensed consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2018.

These interim condensed consolidated financial statements were approved by the Company's Board of Directors on May 8, 2019.

3. CASH AND CASH EQUIVALENTS

As at	**March 31, 2019** **$**	**December 31, 2018** **$**
Cash in bank	**209,992**	244,785
BDN of US$15,803 earning interest at 2.35% and maturing in April 2019	**21,118**	—
Total	**231,110**	244,785

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

4. MARKETABLE SECURITIES

As at March 31,	**March 31, 2019** **$**	December 31, 2018 $
Current		
GIC earning interest at rates ranging from 1.82% to 3.25% and maturing from April 2019 to May 2020 (December 31, 2018: 1.82% to 2.98%, January 2019 to May 2020)	**301,093**	319,095
BDN of US$29,856 earning interest rates ranging from 2.53% to 2.77% and maturing from May 2019 to September 2019 (December 31, 2018: US$45,355, 2.53% to 2.80%, March 2019 to September 2019)	**39,897**	61,874
Term deposits of US$19,468 earning interest at rates ranging from 2.45% to 2.81% and maturing from April 2019 to January 2020 (December 31, 2018: US$26,699; 2.28% to 2.56%, January 2019 to July 2019)	**26,015**	36,423
GIC of US$17,700 earning interest rates ranging from 2.72% to 3.24% and maturing from April 2019 to February 2020 (December 31, 2018: US$20,240; 2.65% to 3.04%; January 2019 to August 2019)	**23,653**	27,611
Total current	**390,658**	445,003
Non-current		
GIC earning interest at rates ranging from 2.85% to 3.37% and maturing from May 2020 to March 2022 (December 31, 2018: 2.80% to 3.25%; January 2020 to June 2020)	**106,355**	76,000
Term deposit of US$11,500 earning interest at rates ranging from 3.00% to 3.04%, and maturing from July 2020 to February 2021 (December 31, 2018: US$5,000; 3.00%; July 2020)	**15,367**	6,821
GIC of nil (December 31, 2018: US$7,000, 3.14% to 3.24%, January 2020 to February 2020)	**—**	9,549
Bond investment with a coupon rate of 1.57% and maturing May 2020	**4,921**	4,904
Total non-current	**126,643**	97,274
Total	**517,301**	542,277

5. TRADE AND OTHER RECEIVABLES

As at	**March 31, 2019** **$**	December 31, 2018 $
Interest receivable	**9,202**	7,645
Trade and accounts receivable	**2,250**	2,896
Prepaid expenses and other receivable	**220**	1,042
Commodity taxes receivable	**362**	173
Total	**12,034**	11,756

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

6. INTANGIBLE ASSETS

	$
Cost as at January 1, 2019	**21,642**
Additions	**2,303**
Foreign exchange	**(82)**
Cost as at March 31, 2019	**23,863**
Accumulated amortization as at January 1, 2019	**4,167**
Amortization charge	**426**
Foreign exchange	**(43)**
Accumulated amortization as at March 31, 2019	**4,550**
Net book value as at March 31, 2019	**19,313**

7. OTHER FINANCIAL ASSETS

	Carrying amount	
As at	**March 31, 2019**	December 31, 2018
	$	$
Loans and other receivables *[i]*		
Measured at amortized cost	**246**	2,964
Measured at FVTPL	**38,125**	24,711
Equity Investments *[ii]*		
Measured at FVTPL	**4,316**	4,736
Measured at FVOCI	**7,473**	6,074
Derivatives *[iii]*		
Measured at FVTPL	**2,624**	1,805
Fund Investments *[iv]*		
Measured at FVTPL	**102,457**	87,054
Total	**155,241**	127,344

As a result of changes in fair value and the disposal of financial assets during the three-month period ended March 31, the Company 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".

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]	6,034	(303)	5,731
Equity Investments *[ii]*	417	—	417
Derivatives *[iii]*	(35)	—	(35)
Fund Investments *[iv]*	(10,758)	(132)	(10,890)
Total	**(4,342)**	**(435)**	**(4,777)**

[1]*Includes recognition of deferred day 1 gains.*

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

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]	126	(382)	(256)
Equity Investments *[ii]*	(153)	—	(153)
Derivatives *[iii]*	(731)	—	(731)
Fund Investments *[iv]*	1,905	(1,306)	599
Total	**1,147**	**(1,688)**	(541)

[1]Includes recognition of deferred day 1 gains.

[i] Loans and other receivables

As at March 31, 2019, the nominal loan balance outstanding was $44,788, including $41,149 [US$30,793] (March 31, 2018: $28,902, including $20,870 [US$16,185]). The following table summarizes the movement in loans and other receivables during the quarter ended March 31.

	Carrying value beginning of period $	Additions $	Loan repayments $	Net loss on FA[1] $	Foreign exchange[2,5] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2019								
Amortized Cost[3]	2,964	15	(2,634)	—	(99)	246	—	246
FVTPL[4]	24,711	19,941	(657)	(5,731)	(139)	38,125	10,050	28,075
Total	**27,675**	**19,956**	**(3,291)**	**(5,731)**	**(238)**	**38,371**	**10,050**	**28,321**
2018								
Amortized Cost	3,370	320	(579)	—	78	3,189	—	3,189
FVPL	56,970	—	(33,440)	256	1,323	25,109	7,610	17,499
Total	**60,340**	**320**	**(34,019)**	**256**	**1,401**	**28,298**	**7,610**	**20,688**

[1] Net changes related to change in the fair value of loan receivables and recognition of day 1 gains

[2] Net changes due to foreign currency translation recorded in the statement of income or statement of comprehensive income

[3] Loans and other receivables recorded at amortized cost include; a long-term receivable

[4] Loans and other receivables recorded at FVTPL include; Medimetriks, 60P, Profound, Crescita , Synergy, Moksha8, Triumvira

[5] Recorded a gain of $184 in the statement of income in "Foreign exchange loss (gain)" (2018: $875) and a loss of $422 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2018: gain of $526)

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"). Under the terms of the Financing Agreement, Knight committed to loan up to $34,105 [US$25,000] in working capital funding of which $13,134 [US$10,000] was issued as at March 31, 2019. The remaining $20,045 [US$15,000] may be disbursed upon Moksha8 meeting pre-defined profitability targets for its 2019 to 2021 financial years. In addition, the Company committed to issue an additional $136,420 [US$100,000] at Knight's sole discretion for corporate development and the acquisition of product licenses.

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

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. As at March 31, 2019, the nominal loan balance outstanding was $14,009 [US$10,483].

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.

[ii] Equity investments

The following table summarizes the movement in equity investments during the quarter ended March 31.

	Carrying value beginning of period $	Additions[1] $	Disposals[2] $	Net gain (loss) on FA[3] $	Foreign exchange[4,5] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2019								
FVTPL	4,736	—	—	(417)	(3)	4,316	4,316	—
FVOCI	6,074	—	—	1,464	(65)	7,473	2,370	5,103
Total	**10,810**	**—**	**—**	**1,047**	**(68)**	**11,789**	**6,686**	**5,103**
2018								
FVTPL	6,375	996	—	153	—	7,524	7,310	214
FVOCI	13,050	400	—	(4,129)	172	9,493	9,493	—
Total	**19,425**	**1,396**	**—**	**(3,976)**	**172**	**17,017**	**16,803**	**214**

[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)

[4] Net changes due to foreign currency translation recorded in the statement of income (FVTPL) or statement of comprehensive income (FVOCI)

[5] Recorded a loss of $68 (2018: gain of $172) in the statement of income in "Foreign exchange loss (gain)" and $0 (2018: gain of $88) in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations"

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

Equity investments measured at FVOCI

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

As at March 31, 2019	Number of common shares owned	FV $
Crescita	2,834,689	**1,983**
Profound	2,965,550	**2,372**
Synergy[1]	17,645,812	**—**
Medimetriks[2]	2,315,007	**3,118**
Total		**7,473**

[1] 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 $3,183 [US$2,382].
[2] 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.

[iii] Derivatives

The following table summarizes the movement in derivatives recorded at FVTPL during the quarter ended March 31.

	Carrying value beginning of period $	Additions[1] $	Disposals[2] $	Net gain on FA $	Foreign exchange[3,4] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2019	**1,805**	**818**	**—**	**35**	**(34)**	**2,624**	**46**	**2,578**
2018	1,624	—	(521)	731	39	1,873	754	1,119

[1] Derivatives recognized during the period
[2] Derivatives derecognized or disposed of during the period
[3] Net changes due to foreign currency translation, recorded in the statement of income or statement of comprehensive income
[4] Recorded a loss of $11 (2018: gain of $14) in the statement of income in "Foreign exchange loss (gain)" and a loss of $23 (2018: gain of $25) 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.

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.

[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 quarter ended March 31.

	Carrying value beginning of period $	Additions[1,5] $	Distributions[2,6] $	Net gain on FA $	Foreign exchange [3,4] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2019	**87,054**	**7,107**	**(676)**	**10,890**	**(1,918)**	**102,457**	**—**	**102,457**
2018	54,968	5,623	(4,243)	(599)	1,899	57,648	—	57,648

[1] Investments in equity or debt funds

[2] Distributions received from funds in the three-month period ended March 31, 2019 generated realized gain of $132 (recorded in the current and historical consolidated statements of income through revaluation of the fund investments) (2018: $1,306)

[3] Net changes due to foreign currency translation, recorded in the statement of income or statement of comprehensive income

[4] Recorded a loss of $811 in the statement of income in "Foreign exchange loss (gain)" (2018: gain of $863) and $1,107 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2018: gain of $1,036)

[5] Including US$1,114 and EUR 1,153 (2018: including US$646 and EUR 848)

[6] Including US$0 and EUR 0 (2018: including EUR 2,458)

8. MEASURMENT OF FINANCIAL ASSETS

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

Levels	Description	Type of financial instruments normally classified as such
Level 1	Quoted (unadjusted) prices in active markets for identical assets or liabilities.	• Investments in equities[1]
Level 2	Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.	• 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

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

[i] Fair value hierarchy

As at	March 31, 2019	Level 1	Level 2	Level 3
	$	$	$	$
Recurring fair value measurements				
Loans measured at FVTPL	**38,125**	**—**	**—**	**38,125**
Equity investments measured at FVTPL	**4,316**	**4,316**	**—**	**—**
Equity investments measured at FVOCI	**7,473**	**4,355**	**—**	**3,118**
Derivatives	**2,624**	**—**	**—**	**2,624**
Fund investments measured at FVTPL	**102,457**	**—**	**—**	**102,457**
Total	**154,995**	**8,671**	—	**146,324**

There were no transfers between levels of the fair value hierarchy for the quarter ended March 31, 2019.

[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	March 31, 2019		December 31, 2018	
	US$	**$**	US$	$
Loans measured at FVTPL				
Medimetriks[1]	**257**	**343**	342	467
60P Additional Loan[2]	**440**	**588**	502	685
60P Hybrid Instrument[3]	**358**	**478**	415	566
Triumvira[4]	**253**	**339**	—	—
Equity investments measured at FVOCI				
Medimetriks[5]	**730**	**975**	730	996
Synergy[6]	**3,764**	**5,030**	3,764	5,135
Total	**5,802**	**7,753**	**5,753**	7,849

9. INVESTMENT IN ASSOCIATE

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

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

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

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

As at	March 31, 2019 $
Carrying value, beginning of the period	**79,145**
Share of net income for the year before fair value adjustments	**2,070**
Amortization of fair value adjustments	**(1,378)**
Share of net income for the period	**692**
Share of other comprehensive income	**(276)**
Dividends[1]	**(4,159)**
Carrying value, end of the period	**75,402**

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

10. 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.

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.

11. SHAREHOLDERS' EQUITY

[i] Share capital

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

	Notes	Number of common shares	$
Balance as at January 1, 2019		**142,850,512**	**761,844**
Issuance under share purchase plan	*[iii]*	9,180	69
Balance as at March 31, 2019		**142,859,692**	**761,913**

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

[ii] Share option plan

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

The Company recorded compensation expense of $457 (2018: $545) for the three-month period ended March 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 $3.16 (2018: $3.11). The fair value of the options was estimated on the date of grant based on the following weighted average assumptions:

	Three months ended March 31,	
	2019	2018
Weighted average risk-free interest rate	**1.88%**	2.11%
Dividend yield	**Nil**	Nil
Weighted average volatility factor *[i]*	**40%**	40%
Unvested forfeiture rate	**2%**	2%
Weighted average expected life	**6.04 years**	6.40 years

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

	Three months ended March 31,			
	2019		2018	
	Number of share options #	**Weighted average exercise price $**	Number of share options #	Weighted average exercise price $
Balance beginning of the period	**4,129,843**	**7.64**	3,447,659	7.50
Options granted	**560,606**	**7.67**	533,916	8.51
Options exercised	**—**	**—**	—	—
Options expired/forfeited	**(52,925)**	**8.11**	(3,979)	10.25
Balance at end of the period	**4,637,524**	**7.64**	3,977,596	7.63
Options exercisable at the end of the period	**3,292,303**	**7.33**	2,774,912	7.06

[iii] Share purchase plan

The Company has a Share Purchase Plan ("Purchase Plan") allowing employees and directors of the Company to purchase common shares at listed market prices from treasury. 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

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

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 three-month period ended March 31, 2019, 9,180 shares (2018: 7,022 shares) were issued under the Purchase Plan for a total of $69 (2018: $56).

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

As at	March 31, 2019	December 31, 2018
	$	$
Net unrealized losses on equities at FVOCI net of tax of $890	(10,821)	(12,232)
Share of other comprehensive income of an associate net of tax of $789	2,331	2,607
Unrealized gain on translation of foreign operations	26,249	30,580
Total	**17,759**	20,955

13. EARNINGS PER SHARE

Basic

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

	Three months ended March 31,	
	2019	2018
	$	$
Net income	5,189	6,909
Weighted average shares outstanding	142,852,246	142,813,358
Basic earnings per share	**$0.04**	$0.05

Diluted

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

	Three months ended March 31,	
	2019	2018
	$	$
Net income	5,189	6,909
Weighted average shares outstanding	142,852,246	142,813,358
Adjustment for share options	393,197	406,648
Weighted average shares outstanding	143,245,443	143,220,006
Diluted earnings per share	**$0.04**	$0.05

14. SEGMENT REPORTING

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

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

For the quarter ended March 31, 2019, revenues from products sold in Canada and internationally were $559 and $2,397 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 $136,339 and $1,758 respectively.

15. STATEMENT OF CASH FLOWS

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

	Three months ended March 31,	
	2019	2018
	$	$
Changes in non-cash working capital:		
Decrease (increase) in		
Trade and other receivables	**(278)**	1,684
Inventories	**300**	230
Income taxes receivable	**86**	(27)
Long term interest receivable	**—**	(349)
Increase (decrease) in		
Accounts payable and accrued liabilities	**2,223**	(433)
Income tax payable	**459**	363
Other		
Other Financial Assets	**(294)**	—
Other operating items	**2,496**	1,468

16. PRODUCT PRICING REGULATION ON CERTAIN PATENTED DRUG PRODUCTS

All patented drug products 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 June 25, 2018, the PMPRB presented a draft guidelines implementation framework which is intended to give effect of the proposed changes. The proposed amendments, if enacted, are expected to result in a decrease in the prices of patented drugs in Canada. The proposed regulations initially expected to come into force on January 1, 2019 has been delayed due to government reviews feedback and the precise nature and timing of these changes (including the potential retroactive application of some) will not be known until the full consultation and Canada Gazette publication processes are completed.

On April 1, 2019, Health Canada announced that it would be advancing the legislation through the Canada Gazette process in the Spring 2019 session and that the amended regulations would come into force 12 months following publication.

The final form of 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.

17. RELATED PARTY TRANSACTIONS

Pharmascience Inc., a company related to the Company's CEO, provided administrative services of approximately $3 to the Company for three-month period ended March 31, 2019.

18. COMMITMENTS

In the normal course of business, the Company secures development, sales, marketing and distribution rights to innovative drug products requiring royalties or product payments considered normal operating commitments and as such not included herein. The Company has entered into various agreements which include contractual obligations extending beyond the current year. These obligations are classified into three major categories: fund commitments, milestones and purchase commitments, and equity and loan commitments. The commitments of the Company as at March 31, 2019 are as follows:

[i] Fund commitments

As at March 31, 2019, under the terms of Company's agreements with life sciences venture capital funds, $54,016 (December 31, 2018: $61,973), including $15,874 [US$11,879] and $11,387 [EUR 7,590], may be called over the life of the funds (based on the closing foreign exchange rates).

[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. The Company may have to pay up to $105,606 including $31,142 [US$23,305] and $525 [EUR 350] upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to $2,071 [EUR 738 and US$721], of inventory for pharmaceutical products during the five-year period after their respective commercial launch. 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 $3,341 [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 $20,045 [US$15,000] should the borrower meet certain pre-defined profitability targets over its 2019 to 2021 financial years.

19. LITIGATIONS

On March 21, 2019, the Company filed a legal action in Lod, Israel (District Court Center-Lod) against Medison, Medison's CEO Meir Jakobsohn, and Tzalir Holdings Ltd., Mr. Jakobsohn's personal holding company. The Company, in its capacity as a shareholder of Medison, is seeking to prevent Mr. Jakobsohn from using Medison's cash reserves to fund an activist campaign against the Company. The Company asserts that Medison's conduct constitutes shareholder discrimination and is improper and oppressive under Israeli companies law. The defendants have not yet filed a statement of defence.

On March 28, 2019, Medison filed a separate legal action in Lod, Israel (District Court Center-Lod) against the Company and its CEO, Jonathan Ross Goodman. Medison is asking the court to remove Mr. Goodman from Medison's board of directors as the Company's nominee director and to order the Company appoint another individual to replace him. Medison alleges that Mr. Goodman is in a conflict of interest. The Company intends to vigorously contest the lawsuit. The Company has not yet filed a statement of defence.

A pre-trial hearing is set for June 12, 2019 to deal with procedural matters with respect to both actions as well as a separate action filed by Mr. Goodman in his capacity as a director of Medison.

20. RECLASSIFICATION OF COMPARATIVE FIGURES

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

Stock Exchange Listing
Toronto Stock Exchange
Trading Symbol: GUD

Transfer Agent
AST Trust Company
2001, boul. Robert-Bourassa, Bureau 1600
Montreal, Quebec H3A 2A6
T: 1 (800) 387-0825

Investor Relations
Samira Sakhia
President and Chief Financial Officer
T: (514) 484-4483
E-mail: info@gudknight.com

Head Office and Registered Office
Knight Therapeutics Inc.
3400 De Maisonneuve W., Suite 1055
Montreal, Quebec H3Z 3B8
T: (514) 484-4483
F. (514) 481-4116

Knight