Knight

Knight Therapeutics Inc.

Annual Report 2020

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Message to our Shareholders

2020 was a transformative year for Knight despite the challenges we faced due to the COVID-19 global pandemic. We successfully completed the second step of the GBT acquisition and have been focusing on integration while ensuring and maintaining the supply of our medicines to patients in Canada and Latin America.

We are committed to providing a safe work environment for all our colleagues and have seamlessly adapted to new ways of working. All our employees have transitioned to work from home and our field team continues to use digital means to interact with healthcare providers. We also developed extra safety measures in our production facilities to ensure continuity of supply of our branded generic products. As with much of the pharmaceutical industry, these restrictions have had an impact on our operations, but despite the challenges, we continue to advance our portfolio and execute business development initiative – the in-licensing and acquisition of innovative pharmaceuticals for Canadian and Latin American markets.

Rest of world strategy

Knight has successfully completed the acquisition of 99.9% of Grupo Biotoscana and made significant headway in the integration of ten countries in Latin America and 700 employees. With this acquisition, Knight has established a strong pan-American (ex-US) infrastructure which enables Knight to become a one stop shop and a partner of choice for pharmaceutical companies looking to commercialize their innovative products.

Portfolio

Over the past year, we continued to make progress on our strategic priorities. Our portfolio of products has advanced in both Canada and Latin America. Knight entered into an exclusive agreement with Debiopharm to in-license and re-launch Trelstar®. In Brazil, we launched Cresemba® and signed a new exclusive distribution agreement with Gilead for the commercialization of AmBisome.

In addition, Knight has received regulatory approvals from Health Canada for Ibsrela™, Imvexxy™ and Bijuva™. In Ecuador, we received regulatory approval for Lenvima® and Halaven®.

Community Contribution

Contribution to communities is an integral part of Knight's DNA. During the year, Knight has expanded its compassionate care program for patients to include Nerlynx® and Probuphine® in Canada and also broadened the compassionate care program for some of its products in Latin America. In addition, each country made an effort to provide support to local institutions in the fight against COVID-19. For example, in Argentina, Knight has donated over 6,000 masks and 1,500 face shields. In Brazil, Knight donated alcohol pads to hospitals worth over $40,000 CAD and in Canada, Knight made financial donations for COVID related causes.

Looking Ahead

Throughout 2021, our teams will strive to continue to execute on our pipeline and launches and ensure physicians and patients continue to receive the quality medications throughout our territories. We will continue to focus on our mission to acquire, in-license, develop and commercialize innovative medicines and high-quality treatments to improve the health of patients in Latin America and Canada.

(signed) Jonathan Ross Goodman

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

(signed) Samira Sakhia

Samira Sakhia MBA
President, Chief Operating Officer and Director

Management's Discussion and Analysis for the year ended December 31, 2020
(In thousands of Canadian dollars, except for share and per share amounts)

The following is Management's Discussion and Analysis of the financial condition and operating results of Knight Therapeutics Inc. ("Knight" or the "Company") for the year ended December 31, 2020. This document should be read in conjunction with the audited annual consolidated financial statements and notes thereto for the year ended December 31, 2020. Knight's audited annual consolidated financial statements as at December 31, 2020 have been prepared in accordance with International Financial Reporting Standards. All amounts herein are expressed in thousands of Canadian dollars (unless otherwise indicated) except for share and per share amounts. All other currencies are in thousands.

This discussion and analysis was prepared by management from information available as at March 24, 2021. Further information about Knight Therapeutics Inc., including the Annual Information Form, is available online on SEDAR at www.sedar.com.

Cautionary note regarding forward-looking statements

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

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GLOSSARY OF ABBREVIATIONS

Abbreviation	Calendar
Q4-20	Fourth quarter of 2020
Q3-20	Third quarter of 2020
Q2-20	Second quarter of 2020
Q1-20	First quarter of 2020
Q4-19	Fourth quarter of 2019
Q3-19	Third quarter of 2019
Q2-19	Second quarter of 2019
Q1-19	First quarter of 2019

Abbreviation	Company
60P	60° Pharmaceuticals LLC
Advaxis	Advaxis Pharmaceuticals Inc.
Alimera	Alimera Sciences Inc.
Antibe	Antibe Therapeutics Inc.
Ardelyx	Ardelyx, Inc.
BMS	Bristol-Myers Squibb
Crescita	Crescita Therapeutics Inc.
GBT	Biotoscana Investments S.A.
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.
Profound	Profound Medical Inc.
Puma	Puma Biotechnology, Inc.
Sectoral	Sectoral Asset Management Inc.
Synergy	Synergy CHC Corp.
Triumvira	Triumvira Immunologics Inc.
TXMD	TherapeuticsMD, Inc.

Abbreviation	Financial
Annual Financial Statements	Audited annual consolidated financial statements
ARS	Argentine Peso
BOB	Bolivian Boliviano
BRL	Brazilian Real
C$ or $	Canadian Dollar
CDI	Certificados de Depositos Interfinancieros (Brazil interbank lending rate)
CHF	Swiss Franc
CLP	Chilean Peso
COP	Colombian Peso
DC&P	Disclosure Controls and Procedures
EPS	Earnings per share to common shareholders
EUR	Euro
FMV	Fair market value
FVTPL	Fair value through profit or loss
ICFR	Internal control over financial reporting
IFRS	International Financial Reporting Standards
ILS	New Israeli Shekels

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Abbreviation	Financial (continued)
MXN	Mexican Peso
PEN	Peruvian Sol
PYG	Paraguayan Guarani
ROU	Right-of-use
Selic	Monetary policy interest rate used by the Central Bank of Brazil
US$/USD	U.S. Dollar
UYU	Uruguayan Peso

Abbreviation	Territory
CAN	Canada
LATAM	Latin America
U.S.	United States of America

Abbreviation	Other
AIDS	Acquired immune deficiency syndrome
ART	Antiretroviral Therapy
ASPP	Automatic share purchase plan
B3	B3 S.A. – Brasil, Bolsa, Balcão
CEO	Chief executive officer
CRA	Canada Revenue Agency
ERP	Enterprise Resource Planning
Gx	Generic
HIV	Human immunodeficiency virus infection
IBS-C	Irritable Bowel Syndrome with Constipation
IQVIA	IQVIA Incorporated, a leading pharmaceutical market research organization
MTO	Mandatory tender offer
NCIB	Normal Course Issuer Bid
NDA	New Drug Application
NDS	New Drug Submission
NIHB	Non-Insured Health Benefits for First Nations and Inuit Program
NON	Notice of Non-Compliance
pERC	Pan-Canadian Oncology Drug Review Expert Review Committee
PMPRB	Patented Medicine Prices Review Board
PRV	Priority Review Voucher
QRA	Quebec Revenue Agency

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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". The Company operates in Canada, Latin America and select international markets and the activities performed are as follows:

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

Section 2 – 2020 Highlights

Financial Results

- Revenues were $199,519, an increase of $152,058 or 320% over prior year.
- Gross margin generated of $81,690 or 41% compared to $26,918 or 57% in prior year.
- Adjusted EBITDA[1] was $16,837 compared to $2,827 in prior year.
- Interest income generated of $14,322 a decrease of $9,220 or 39% over prior year.
- Gain from strategic fund investments of $46,733, of which $16,644 was realized.
- Adjusted earnings[1] of $28,713, an increase of $2,714 or 10% over prior year.
- Net income was $31,760 compared to net income of $18,033 in prior year.

Corporate Development

- Promoted Arvind Utchanah from VP Finance to CFO.
- Accepted the resignation of Nancy Harrison, Sylvie Tendler and Kevin Cameron and appointed Janice Murray and Nicolás Sujoy on the Board of Directors.
- Disposed the shares of Medison for a cash consideration of $77,000 and recorded a gain of $2,948.
- Purchased 5,748,716 common shares and at an average price of $6.40 per share through a NCIB.
- Completed the tender offer process for an aggregate purchase price of $170,855 and achieved 99.9% ownership of GBT.
- Filed a short form base shelf prospectus in December 2020 which enables Knight to offer for sale and issue up to $360,000 in common shares, subscription receipts and debt securities from time to time during the 25-month period during which the shelf prospectus remains valid.

Products

- Launched Cresemba®, indicated for the treatment of invasive aspergillosis and invasive mucormycosis, in Brazil.
- Launched Karfib®, indicated for relapsed or refractory multiple myeloma, in Argentina.
- Received regulatory approval from Health Canada for Ibsrela™ for the treatment of IBS-C.
- Obtained the exclusive Canadian commercial rights of Trelstar®, approved for the treatment of advanced prostate cancer.
- Received regulatory approval for Lenvima® and Halaven® in Ecuador.
- Received regulatory approval from Health Canada for Imvexxy™ and Bijuva™.
- Submitted a supplement to a NDS of Nerlynx® for HER2-positive metastatic breast cancer.

[1] *Adjusted EBITDA and adjusted earnings are a non-IFRS measures, refer to section "Adjusted earnings" for additional details*

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Products (continued)

- Signed a new exclusive distribution agreement with Gilead for the continued commercialization of AmBisome® in Brazil, effective January 1, 2021.

Strategic Investments

- Disposed of 111,355 common shares of Profound for total proceeds of $1,825.
- Received $7,094 [US$5,000] for the full repayment of the strategic loan issued to Triumvira.
- Amended strategic loan issued to Synergy and loaned an additional $3,457 [US$2,500].
- Received distributions of $29,128 from strategic fund investments and realized a gain of $16,644.

Subsequent to year-end

- Purchased an additional 2,895,456 common shares at an average price of $5.25 per share through the NCIB
- Disposed of 315,600 common shares of Medexus for total proceeds of $2,624.
- Announced the Canadian commercial launch of Ibsrela™ for the treatment of IBS-C.

Section 3 – GBT Transaction

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

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

Subsequent to the GBT Transaction, the remaining 48.8% of GBT was publicly-held and traded on B3, Brazil's main stock exchange, through BDRs. On July 15, 2020, the Company announced the launch of the tender offer for the acquisition and delisting of all outstanding BDR of Biotoscana Investments S.A. (the "Unified Tender Offer").

In connection with the Unified Tender Offer, the Company entered into foreign exchange contracts to mitigate its exposure to foreign currency risks. Prior to the completion of the Unified Tender Offer, the Company held foreign exchange forward contracts to sell CAD and buy USD $124,442 at a weighted average rate of 1.32 CAD/USD ("USD Contract"). In addition, the Company entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 510,873 at an average rate of 4.10 BRL per USD ("BRL Contract"). Along with the launch of the Unified Tender Offer, the Company settled the USD Contract and BRL Contract ("FX Contracts") and the Company converted $163,797 to BRL 510,873.

The public shareholders had the choice between the following two tender options:

- BRL11.23 per BDR with an amount equivalent to 20% deposited in an escrow account to secure the sellers' indemnification obligations under the purchase agreement for the GBT Transaction, provided that BRL 0.91 of the escrow amount shall be mandatorily paid on or at any time prior to November 29, 2022. The escrow amount will be released equally over a period of three years from closing, net of claims in accordance with the terms and conditions of the Share Purchase Agreement.
- BRL10.40 per BDR in cash on the settlement date ("Alternative Offer Price").

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Upon close of the tender offer process, 99.6% of the public shareholders tendered their BDRs through the Alternative Offer Price. The Company paid an aggregate purchase price of $170,855 [BRL 537,523] and obtained 99.9% ownership of GBT. On October 23, 2020, the BDR program of GBT was cancelled by the Brazilian Securities and Exchange Commission. Refer to section 10 for further details.

Integration update

Prior to the acquisition of Knight, GBT was operating as four stand-alone companies: (i) Grupo Biotoscana, a regional specialty pharmaceutical focused on in-licensing headquartered in Colombia; (ii) United Medical, a Brazilian specialty pharmaceutical company focused on in-licensing; (iii) Laboratorio LKM, a regional specialty pharmaceutical company, based in Argentina focused on specialty branded generics; and (iv) Laboratorio DOSA, an Argentinian branded generic manufacturer focused on severe pulmonary pathologies ("GBT Companies"). The Company was focused on integrating Knight and the GBT Companies throughout 2020. The integration of GBT is complex due to its operations in ten different countries and has been further complicated due to COVID-19 restrictions.

Throughout 2020, the Company has made organizational and restructuring changes including at the level of GBT's management team. The total cost related to restructuring activities, including severance, was $3,871 and is expected to decrease significantly going forward. Furthermore, the Company has also been implementing various processes and systems that would be essential in the integration process. During 2020 the Company initiated the implementation of a global ERP system with the intent to simplify and standardize the supply chain and finance functions. Knight's integration efforts during 2021 will include additional changes to the structure and teams as well as further global systems implementation, including customer relationship management, human resources, training, quality systems and pharmacovigilance. The Company expects that the integration of GBT will be substantially completed within the next 12 to 15 months.

FINANCIAL RESULTS

Section 4 – Results of Operations

Impact of Hyperinflation

The Company applies IAS 29, Financial Reporting in Hyperinflation Economies, as the Company's Argentine subsidiaries used the Argentine Peso as their functional currency. IAS 29 requires that the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy be adjusted based on an appropriate general price index to express the effects of inflation. After applying for the effects of translation, the statement of income is converted using the closing foreign exchange rate of the month. The Company restated the revenues and operating expenses of each of the following months as at December 31, 2020 used the following general price indexes:

January	February	March	April	May	June	July	August	September	October	November	December
1.33	1.31	1.26	1.25	1.23	1.20	1.18	1.15	1.11	1.07	1.04	1.00

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If the Company did not apply IAS 29, the effect on the Company's operating income would be as follows:

Q4-20

	Reported under IFRS	Excluding impact of IAS 29	Variance $[1]	Variance %[2]
Revenues	**55,191**	**56,676**	(1,485)	3%
Cost of goods sold	**35,131**	**33,769**	(1,362)	4%
Gross margin	**20,060**	**22,907**	(2,847)	12%
Gross margin (%)	**36%**	**40%**		
Expenses				
Selling and marketing	**8,657**	**9,287**	630	7%
General and administrative	**11,421**	**11,558**	137	1%
Research and development	**3,690**	**3,784**	94	2%
Amortization of intangible assets	**7,989**	**7,622**	(367)	5%
Impairment of intangible assets	**656**	**656**	—	0%
Operating loss	**(12,353)**	**(10,000)**	(2,353)	24%

[1] A positive variance represents a positive impact to net income due to the application of IAS 29 and a negative variance represents a negative impact to net income due to the application of IAS 29
[2] Percentage change is presented in absolute values

YTD-20

	Reported under IFRS	Excluding impact of IAS 29	Variance $[1]	Variance %[2]
Revenues	**199,519**	**202,536**	(3,017)	1%
Cost of goods sold	**117,829**	**112,561**	(5,268)	5%
Gross margin	**81,690**	**89,975**	(8,285)	9%
Gross margin (%)	**41%**	**44%**		
Expenses				
Selling and marketing	**35,585**	**36,309**	724	2%
General and administrative	**38,845**	**38,214**	(631)	2%
Research and development	**11,725**	**11,957**	232	2%
Amortization of intangible assets	**25,535**	**25,029**	(506)	2%
Impairment of intangible assets	**656**	**656**	—	0%
Operating Loss	**(30,656)**	**(22,190)**	(8,466)	38%

[1] A positive variance represents a positive impact to net income due to the application of IAS 29 and a negative variance represents a negative impact to net income due to the application of IAS 29
[2] Percentage change is presented in absolute values

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Impact of LATAM Foreign Exchange volatility

The Company records its transactions and balances in the respective functional currencies of its subsidiaries. Generally, for the LATAM subsidiaries, the functional currency is the local currency in the country where the entity operates. In order to convert a foreign-denominated transaction to the functional currency, the exchange rate prevailing at the date of the transaction is used. Furthermore, upon consolidation, for all subsidiaries with a functional currency other than CAD, the respective statements of income are translated using the average exchange rates for the period. The table below summarizes the average foreign exchange rates used for the conversion of selected LATAM currencies:

Rates	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19[1]
BRL	4.14	4.08	3.88	3.31	3.12
ARS	61.3	54.9	48.7	45.8	45.4
COP	2,809	2,801	2,778	2,632	2,564
CLP	584	587	594	599	584

[1]Average exchange for the one-month period due to the GBT Transaction which closed on November 29, 2019.

The below table summarizes the variances quarter over quarter for selected LATAM currencies:

Variance (%)[1]	Q4-20	Q3-20	Q2-20	Q1-20
BRL	-1%	-5%	-17%	-6%
ARS	-12%	-13%	-6%	-1%
COP	0%	-1%	-6%	-3%
CLP	1%	1%	1%	-3%

[1]Negative percentage represents a depreciation of the currency while a positive variance represents an appreciation of the currency (versus the past quarter).

The depreciation of LATAM currencies during 2020 has negatively impacted the Company's results in two ways: (i) Transactional impact – certain product purchases and operating expenses are denominated in foreign currencies (mainly USD, EURO and CHF); and, (ii) Translational impact: translation of local LATAM functional currency operating results to reporting currency in CAD.

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Consolidated Statement of Income

	Q4-20	Q4-19	Change $[1]	Change %[2]	YTD-20	YTD-19	Change $[1]	Change %[2]
Revenues	**55,191**	37,271	17,920	48%	**199,519**	47,461	152,058	320%
Cost of goods sold	**35,131**	18,872	(16,259)	86%	**117,829**	20,543	(97,286)	474%
Gross margin	**20,060**	18,399	1,661	9%	**81,690**	26,918	54,772	203%
Gross margin (%)	**36%**	49%			**41%**	57%		
Expenses								
Selling and marketing	**8,657**	4,448	(4,209)	95%	**35,585**	7,789	(27,796)	357%
General and administrative	**11,421**	12,121	700	6%	**38,845**	24,460	(14,385)	59%
Research and development	**3,690**	1,411	(2,279)	162%	**11,725**	3,913	(7,812)	200%
Amortization of intangible assets	**7,989**	2,140	(5,849)	273%	**25,535**	3,413	(22,122)	648%
Impairment of intangible assets	**656**	4,226	3,570	84%	**656**	4,226	3,570	84%
Operating loss	**(12,353)**	(5,947)	(6,406)	108%	**(30,656)**	(16,883)	(13,773)	82%
Interest income on financial instruments measured at amortized cost	**(1,635)**	(4,129)	(2,494)	60%	**(9,112)**	(18,780)	(9,668)	51%
Other interest income	**(1,172)**	(1,305)	(133)	10%	**(5,210)**	(4,762)	448	9%
Interest expense	**328**	370	42	11%	**3,398**	370	(3,028)	818%
Other income	**(36)**	(246)	(210)	85%	**(169)**	(2,195)	(2,026)	92%
Net gain on financial assets measured at fair value through profit or loss	**(25,418)**	(1,065)	24,353	2287%	**(48,060)**	(20,714)	27,346	132%
Net loss (gain) on mandatory tender offer liability	**—**	5,757	5,757	100%	**(12,072)**	5,757	17,829	N/A
Realized gain on sale of asset held for sale	**—**	—	—	N/A	**(2,948)**	—	2,948	N/A
Realized gain on automatic share purchase plan	**—**	—	—	N/A	**(4,168)**	—	4,168	N/A
Share of net income of associate	**—**	(458)	(458)	100%	**—**	(906)	(906)	100%
Foreign exchange loss (gain)	**4,490**	(1,926)	(6,416)	N/A	**14,156**	1,389	(12,767)	919%
Loss on hyperinflation	**239**	176	(63)	36%	**1,444**	176	(1,268)	720%
Income (loss) before income taxes	**10,851**	(3,121)	13,972	N/A	**32,085**	22,782	9,303	41%
Income tax								
Current	**951**	668	(283)	42%	**2,337**	3,836	1,499	39%
Deferred	**1,667**	(636)	(2,303)	N/A	**(2,012)**	913	2,925	N/A
Income tax expense (recovery)	**2,618**	32	(2,586)	8081%	**325**	4,749	4,424	93%
Net income (loss) for the period	**8,233**	(3,153)	11,386	N/A	**31,760**	18,033	13,727	76%
Attributable to:								
Shareholders of the Company	**8,233**	(6,669)	14,902	N/A	**42,067**	14,517	27,550	190%
Non-controlling interest[4]	**—**	3,516	(3,516)	100%	**(10,307)**	3,516	(13,823)	N/A
Attributable to shareholders of the Company								
Basic net earnings (loss) per share	**0.063**	(0.049)	0.112	N/A	**0.319**	0.104	0.215	207%
Diluted net earnings (loss) per share	**0.063**	(0.049)	0.112	N/A	**0.319**	0.104	0.215	206%
Adjusted earnings[3]	**4,174**	11,244	(7,070)	63%	**28,713**	25,999	2,714	10%

[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*
[3] *Adjusted earnings is a non-IFRS measures, refer to section "Adjusted earnings" for additional details*
[4] *Relates to income (loss) attributed to non-controlling shareholders of GBT prior to the completion of the Unified Tender Offer*

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Revenues

Q4-20 vs Q4-19

For the quarter ended December 31, 2020 revenues increased by $17,920 or 48% over prior year due to the recognition of a full quarter of revenues of GBT in 2020 compared to one month in 2019.

YTD-20 vs YTD-19

For the year ended December 31, 2020 revenues increased by $152,058 or 320% explained mainly by the consolidation of GBT's results.

The Company generated the following net revenues, excluding the impact of hyperinflation, for the following therapeutic areas during 2020:

Therapeutic Area	Q4-20 $	YTD-20 $
Oncology/Hematology	**26,630**	**94,859**
Infectious Diseases	**22,825**	**78,761**
Other Specialty	**7,221**	**28,916**
Total	**56,676**	**202,536**

Gross Margin

Q4-20 vs Q4-19

For the quarter ended December 31, 2020 gross margin decreased from 49% to 36% explained by the following:

- Overall decrease in gross margin (%) attributable to the consolidation of GBT's results with a lower gross margin for the complete quarter compared to one month in 2019.
- In addition, the Company recorded an inventory write-off of $3,249 mainly due to impact of COVID-19 on certain new product launches.
- The gross margin increased from 36% to 40% excluding the impact of IAS 29 ("Adjusted Gross Margin"). Refer to "Impact of Hyperinflation" above for further details.

YTD-20 vs YTD-19

For the year ended December 31, 2020 gross margin decreased from 57% to 41% explained by the following:

- Overall decrease in gross margin (%) attributable to the consolidation of GBT's results with a lower gross margin for the complete year compared to one month in 2019 as well a change in product mix.
- In addition, the Company recorded an inventory write-off of $10,046, of which $874 relates to inventory destroyed due to temperature excursions during transportation. The remaining $9,172 is primarily due to delays in certain new product launches and COVID-19.
- The gross margin increases from 41% to 44% excluding the impact of IAS 29 ("Adjusted Gross Margin"). Refer to "Impact of Hyperinflation" above for further details.

Due to the re-negotiation of certain license agreements and the depreciation of the LATAM currencies during 2020, Knight expects gross margin for 2021 to be between 40% and 43% excluding the impact of IAS 29 and any new business development transactions. The gross margin could be further eroded in 2021 due to macroeconomic risks in Latin America such as further depreciation of the LATAM currencies. For a detailed discussion of Knight's risk factors, please refer to the Company's latest Annual Information Form on SEDAR at www.sedar.com.

Management's Discussion and Analysis for the year ended December 31, 2020
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<table>
<tr><td>Selling and marketing</td><td>Q4-20 vs Q4-19
For the quarter ended December 31, 2020 selling and marketing expenses increased by $4,209, or 95%, explained by the following:
• The consolidation of GBT's financial results accounted for $4,131 of incremental selling and marketing expenses for Q4-20.

YTD-20 vs YTD-19
For the year ended December 31, 2020 selling and marketing expenses increased by $27,796, or 357%, explained by the following:
• The consolidation of GBT's financial results accounted for $27,389 of incremental selling and marketing expenses for 2020 which included an additional ECL of $2,983.</td></tr>
<tr><td>General and administrative</td><td>Q4-20 vs Q4-19
For the quarter ended December 31, 2020 general and administrative expenses decreased by $700, or 6%, explained by the following:

• No acquisition related expenses incurred in Q4-20, compared to expenses of $5,542 on legal, consulting and advisory fees related to the acquisition of GBT (refer to Section 3 for further details).
• Additional decrease related to cost saving measures put in place as a result of COVID-19.
• Decrease is partially offset by the consolidation of GBT's financial results which accounted for $5,933 of incremental general and administrative expenses for 2020.

YTD-20 vs YTD-19
For the year ended December 31, 2020 general and administrative expenses increased by $14,385, or 59%, explained by the following:

• The consolidation of GBT's financial results accounted for $22,052 of incremental general and administrative expenses for 2020.
• The increase from the GBT acquisition is offset by a decrease of certain one-time costs as following:
  o Expenses of $3,693 related to the completed of the Unified Tender offer in 2020 compared to $8,019 for the GBT Transaction in 2019
  o Costs related to the public proxy battle with dissident shareholder Meir Jakobsohn, Medison's CEO of $3,756 in 2019 (nil in 2020).</td></tr>
<tr><td>Research and development expenses</td><td>Q4-20 vs Q4-19
• For the quarter ended December 31, 2020 research and development expenses increased by $2,279, or 162%, mainly explained by the consolidation of GBT's financial results which accounted for $1,124 of incremental expenses and the continued investment in the Canadian product launches.

YTD-20 vs YTD-19
• For the year ended December 31, 2020 research and development expenses increased by $7,812, or 200%, mainly explained by the consolidation of GBT's financial results which accounted for $6,594 of the incremental expenses and the continued investment in the Canadian product launches.</td></tr>
</table>

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<table>
<tr><td>Amortization</td><td>Q4-20 vs Q4-19
• For the quarter ended December 31, 2020, amortization of intangible assets increased by $5,849, or 273%, mainly explained by the amortization of the definite-life intangible assets acquired in the acquisition of GBT. For further details on the purchase price accounting, refer to note 6 in the Annual Financial Statements.
YTD-20 vs YTD-19
• For the year ended December 31, 2020, amortization of intangible assets increased by $22,122, or 648%, mainly explained by the amortization of the definite-life intangible assets acquired in the acquisition of GBT. For further details on the purchase price accounting, refer to note 3 in the Annual Financial Statements.</td></tr>
<tr><td>Impairment of intangible assets</td><td>YTD-20 vs YTD-19 and Q4-20 vs Q4-19
• Due to change in commercial expectations of certain intangible assets.
• Refer to note 14 in the Annual Financial Statements for further information.</td></tr>
<tr><td>Interest income</td><td>• Includes "Interest income on financial instruments measured at amortized cost" and "Other interest income".
• Primarily from interest earned on loans, cash and cash equivalents, marketable securities and accretion on loans receivable.
Q4-20 vs Q4-19
• Interest income for Q4-20 was $2,807, a decrease of 48% or $2,627 compared to the same period in prior year due to a decrease in interest rates, the average cash and marketable securities balances and a lower average loan balance.
YTD-20 vs YTD-19
• Interest income for YTD-20 was $14,322 a decrease of 39% or $9,220 compared to the same period in prior year due to a decrease in interest rates, the average cash and marketable securities balances and a lower average loan balance.</td></tr>
<tr><td>Interest Expense</td><td>YTD-20 vs YTD-19 and Q4-20 vs Q4-19
• The consolidation of GBT's financial results accounted for $3,131 (Q4-20: $73) of incremental interest expense for YTD-20. GBT's interest expense mainly relates to interest on its bank loans. Refer to Section 7 for further information on the debt.</td></tr>
<tr><td>Net loss (gain) on financial assets measured at fair value through profit or loss</td><td>• As a result of the revaluation of financial assets measured at FVTPL.
• Net gain mainly attributed to unrealized gains on revaluation of the strategic fund investments and realized gains recorded on distributions received during the period.
• Refer to note 16 in the Annual Financial Statements for further information.</td></tr>
<tr><td>Net gain on mandatory tender offer liability</td><td>• Overall gain during the year ended December 31, 2020 of $12,072 (2019: loss of $5,757) composed of:
o Change in fair value of MTO liability: gain of $7,199 (2019: loss of $644)
o Foreign exchange revaluation of MTO liability: gain of $47,686 (2019: loss of $5,113)
o Change in fair value of FX Contracts: loss of $37,521
o Foreign exchange revaluation BRL cash, representing the FX impact on the cash balance held in BRL from the launch to the close of the Unified Tender Offer: loss of $5,292
• The change in the fair value of the MTO liability is mainly driven by the tender of 99.6% of the public shareholders of GBT using the Alternative Offer Price.
• Refer to Section 10 for further details.</td></tr>
<tr><td>Realized gain on sale of asset held for sale</td><td>• As a result of the disposal of the shares of Medison the Company recorded a gain of $2,948, representing the difference between the book value and the selling price of $77,000. Refer to note 19 in the Annual Financial Statements for further details.</td></tr>
<tr><td>Realized gain on automatic share purchase plan</td><td>• Refer to Section 15 for further details.</td></tr>
</table>

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Foreign exchange loss (gain)	• The foreign exchange loss is mainly driven by the depreciation of the LATAM currencies throughout the year. Included in the loss is $8,701 (Q4-20: gain of $320) related to unrealized losses on intercompany balances. • In addition to the foreign exchange loss recorded in the consolidated statement of income, the Company has recorded a loss of $22,427 in the statement of OCI related to the revaluation of the Company's entities from their respective functional currencies to the CAD.
Loss on hyperinflation	• Relates to loss on net monetary position (monetary assets less monetary liabilities) under hyperinflation accounting. Refer to "Impact of Hyperinflation" above for further details. • Refer to note 2.3 in the Annual Financial Statements for further details on hyperinflation accounting.
Income tax expense	***Q4-20 vs Q4-19*** • Increase mainly due to increase in deferred tax expense as a result of increase in gain on financial assets measured at fair value. ***YTD-20 vs YTD-19*** • Decrease mainly due to capital loss carry back which resulted in both current tax recovery and deferred tax recovery and recognition of deferred tax assets in respect of current year non-capital loss.

Non-IFRS measure: EBITDA and Adjusted earnings

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

The Company uses the following non-IFRS measures:

EBITDA: Operating (loss) income adjusted to exclude amortization and impairment of intangible assets, depreciation, PPA accounting adjustments, and the impact of IAS 29 (accounting under hyperinflation) but to include costs related to leases. In addition, EBITDA does not reflect the portion of GBT's adjusted earnings attributable to the non-controlling interests.

Adjusted EBITDA: EBITDA adjusted for acquisition costs and non-recurring expenses.

Adjusted earnings: Adjusted EBITA adjusted to include interest income earned and interest expenses on bank loans.

Explanation of adjustments

Acquisition costs	Acquisition costs relate to costs incurred on legal, consulting and advisory fees for the acquisition of GBT (refer to Section 3 for further details).
Other non-recurring expenses	Other non-recurring expenses relate to expenses incurred by the Company that are not due to, and are not expected to occur in, the ordinary course of business. For the year ended December 31, 2020, the Company incurred one-time costs of $5,383 and $2,603 for the three-month period explained as following: • $3,871 (Q4-20: $2,603) related to restructuring activities including severance to certain employees as part of restructuring and integration of GBT. • $874 (Q4-20: Nil) related to inventory destroyed due to a temperature excursion during transportation. The Company has initiated insurance claims for the loss and due to its contingent nature, the claim has not been recorded. • $638 (Q4-20: Nil) related to a bad debt against accounts receivable.

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	During YTD-19, the Company recorded an expense of $3,756 (Q4-19: nil) related to the activist campaign, public proxy battle and related litigations between Knight and dissident shareholder Meir Jakobsohn, Medison's CEO.
Interest income	Includes "Interest income on financial instruments measured at amortized cost" and "Other interest income". Primarily from interest earned on loans, cash and cash equivalents, marketable securities and accretion on loans receivable.
Interest expense on bank loans	Includes GBT's interest expense mainly related to interest on its bank loans.

For the three-month and twelve-month periods ended December 31, the Company calculated adjusted EBITDA and adjusted earnings as follows:

	Q4-20	Q4-19	**YTD-20**	YTD-19
Operating loss	**(12,353)**	(5,947)	**(30,656)**	(16,883)
Adjustments to operating loss:				
Amortization of intangible assets	**7,989**	2,140	**25,535**	3,413
Impairment of intangible assets	**656**	4,226	**656**	4,226
Depreciation of property, plant and equipment and ROU assets	**1,624**	552	**6,540**	857
Lease costs (IFRS 16 adjustment)	**(734)**	(336)	**(3,139)**	(564)
Impact of PPA accounting	—	(407)	**865**	(407)
Impact of IAS 29	**1,986**	—	**7,960**	—
EBITDA	**(832)**	228	**7,761**	(9,358)
Acquisition costs	—	5,542	**3,693**	8,019
Other non-recurring expenses	**2,603**	410	**5,383**	4,166
Adjusted EBITDA	**1,771**	6,180	**16,837**	2,827
Interest income	**2,807**	5,434	**14,322**	23,542
Interest expense on bank loans	**(404)**	(370)	**(2,446)**	(370)
Adjusted earnings	**4,174**	11,244	**28,713**	25,999

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

Upon the close of the Unified Tender Offer of GBT, Knight operated as a single business and operating segment. As a result, the Company is providing financial measures of performance for YTD-20 and Q4-20 for the consolidated activities of Knight. In the following analysis the Company will discuss certain key drivers of its financial performance which are aggregated as follows:

- International: This refers to the financial performance of the business acquired through the GBT Transaction as well as all other activities of Knight outside of Canada.
- Canada: This refers to the financial performance of the Canadian commercial activities of Knight. The Canadian operations is a start up with the recent launches of innovative products, Nerlynx® and Trelstar® as well as the preparation for the commercial launches of Ibsrela™, Imvexxy™ and Bijuva™.
- Corporate: This includes the costs of the corporate management team, business development & corporate finance functions and the expenses of a public company.

The adjusted EBIDTA for Q4-20 and YTD-20 is broken down by the following key drivers of financial performance:

	Q4-20	**YTD-20**	
	$	**$**	
International	**7,645**	**36,644**	Driven by the operational activities of the Company outside of Canada.
Canada	**(2,789)**	**(8,228)**	Driven by the operational activities related to the recently launched products and costs related to the preparation of new commercial launches.
Corporate	**(3,085)**	**(11,579)**	Driven by the corporate costs of Knight.
Adjusted EBITDA	**1,771**	**16,837**	

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FINANCIAL CONDITION

Section 5 – Consolidated Balance Sheets

Impact of LATAM Foreign Exchange volatility

The following table represents the quarter end closing rates used by Knight to convert the assets and liabilities on the balance sheet at the end of each reporting period. During 2020, the depreciation of the LATAM currencies led to a loss on translation of the Company's subsidiaries which is reflected in the statement of comprehensive income.

Rates	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19
BRL	4.08	4.22	4.00	3.66	3.10
ARS	66.0	57.0	51.6	45.4	46.0
COP	2,710	2,899	2,747	2,865	2,532
CLP	561	588	602	605	566

The below table summarizes the variances quarter over quarter for selected LATAM currencies:

Variance (%)[1]	Q4-20	Q3-20	Q2-20	Q1-20
BRL	3%	-5%	-9%	-18%
ARS	-16%	-10%	-14%	1%
COP	7%	-6%	4%	-13%
CLP	5%	2%	0%	-7%

[1]*Negative percentage represents a depreciation of the currency while a positive variance represents an appreciation of the currency.*

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Balance Sheets

	12-31-20	12-31-19	Change $	Change %[1]
ASSETS				
Current				
Cash, cash equivalents and restricted cash	**229,592**	174,268	55,324	32%
Marketable securities	**147,316**	235,045	(87,729)	37%
Trade receivables	**62,515**	85,845	(23,330)	27%
Other receivables	**12,413**	17,622	(5,209)	30%
Inventories	**56,505**	70,870	(14,365)	20%
Prepaids and deposits	**2,214**	3,306	(1,092)	33%
Other current financial assets	**34,431**	26,303	8,128	31%
Income taxes receivable	**7,115**	8,265	(1,150)	14%
Total current assets	**552,101**	**621,524**	(69,423)	11%
Marketable securities	**15,317**	126,869	(111,552)	88%
Trade receivables	**161**	4,715	(4,554)	97%
Prepaids and deposits	**4,047**	4,652	(605)	13%
Right-of-use assets	**4,035**	6,409	(2,374)	37%
Property, plant and equipment	**22,127**	22,639	(512)	2%
Investment properties	**1,539**	1,740	(201)	12%
Intangible assets	**156,547**	173,372	(16,825)	10%
Goodwill	**77,725**	88,262	(10,537)	12%
Other financial assets	**159,524**	132,848	26,676	20%
Deferred income tax assets	**2,432**	3,991	(1,559)	39%
Other long-term receivables	**41,582**	41,582	—	0%
	485,036	**607,079**	(122,043)	20%
Assets held for sale	**2,539**	76,700	(74,161)	97%
Total assets	**1,039,676**	**1,305,303**	(265,627)	20%

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

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			Change	
	12-31-20	12-31-19	**$**	**%[1]**
LIABILITIES AND EQUITY				
Current				
Accounts payable and accrued liabilities	**44,512**	94,406	(49,894)	53%
Lease liabilities	**1,875**	1,788	87	5%
Other liabilities	**1,291**	1,750	(459)	26%
Mandatory tender offer liability	—	184,023	(184,023)	N/A
Bank loans	**51,770**	50,557	1,213	2%
Income taxes payable	**13,559**	15,447	(1,888)	12%
Other balances payable	**1,053**	2,833	(1,780)	63%
Total current liabilities	**114,060**	350,804	(236,744)	67%
Accounts payable and accrued liabilities	**316**	—	316	N/A
Lease liabilities	**2,543**	4,812	(2,269)	47%
Bank loan	—	5,022	(5,022)	100%
Other balances payable	**14,900**	1,699	13,201	777%
Deferred income tax liabilities	**21,616**	27,860	(6,244)	22%
Total liabilities	**153,435**	390,197	(236,762)	61%
Equity				
Share capital	**694,351**	723,832	(29,481)	4%
Warrants	**117**	785	(668)	85%
Contributed surplus	**18,731**	16,463	2,268	14%
Accumulated other comprehensive income	**(1,503)**	17,405	(18,908)	N/A
Retained earnings	**174,545**	52,246	122,299	234%
Attributable to shareholders of the Company	**886,241**	810,731	75,510	9%
Non-controlling interests	—	104,375	(104,375)	N/A
Total equity	**886,241**	915,106	(28,865)	3%
Total liabilities and equity	**1,039,676**	1,305,303	(265,627)	20%

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	12-31-20 vs 12-31-19
Cash and cash equivalents and marketable securities (current and long term)	Refer to Section 7 – Liquidity and Capital Resources for further information.
Trade and other receivables (current and long term)	• Trade receivables decreased by $27,884, or 31% explained as follows: ○ Approximately $10,840 related to the depreciation of LATAM currencies. ○ Approximately $13,510 related to net collection of receivables (collections of receivables offset by increase due to sales). ○ $3,534 related to an additional ECL recorded in the consolidated statement of income as "Selling and marketing" and "General and administrative" expenses during YTD-20. • Refer to note 9 in the Annual Financial Statements for further details.
Other receivables (current)	• Other receivables decreased by $5,209, or 30% mainly due a decrease in the distribution receivable from a fund investment and a decrease in interest receivable due to lower cash, marketable securities and strategic loan balances. • Refer to note 10 in the Annual Financial Statements for further details.
Inventories	• Inventories decreased by $14,365 or 20% explained as follows: ○ Decrease of approximately $3,688 related to the depreciation of LATAM currencies partially offset by hyperinflation adjustments. ○ Decrease of $10,046 due to an additional inventory write-off recorded against inventory in YTD-20. Refer to discussion on gross margin for further details on the inventory write-off. ○ Decrease of approximately $631 related to net inventory purchases (purchases offset by cost of good sold). The net inventory purchases are driven by timing of purchases and new product launches.
Other financial assets (current and long term)	For the year ended December 31, 2020 other financial assets increased by $34,804, or 22%, explained by the following: **Loans and other receivables:** increase of $2,537 mainly attributable to net loans issued of $3,867 partially offset by a loss on foreign exchange revaluation and changes in fair value of $1,330. Refer to Section 9 for further information on Knight's strategic lending portfolio. **Equity investments, Warrants and Derivatives:** decrease of $3,408 driven by the disposal of equity investments during the period and the revaluation of equity investments, warrants and derivatives. Refer to note 16 in the Annual Financial Statements for further information. **Funds:** increase of $35,675 due to mark-to-market adjustments of $46,733, capital calls of $15,766 and foreign exchange gains of $1,069 offset by distributions received and receivable of $27,893. Refer to Section 10 for further information on Knight's strategic investments.
Income tax receivable	• Decrease mainly relates to timing of income tax installments.
Intangible assets	• Decrease mainly due to the depreciation of the LATAM currencies during the period and amortization, partially offset by additions of $26,368 mainly related to certain milestones payable under product license agreements.
Goodwill	• Decrease due to the depreciation of the LATAM currencies during the period. • Refer to note 15 in the Annual Financial Statements for further details.
Deferred income tax asset	• Decrease mainly due to additional valuation allowance recorded in respect of deferred tax assets related to prior year non-capital loss.

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	12-31-20 vs 12-31-19
Assets held for sale & Investment in associate	• Decrease due to the collection of the Knight and Medison settlement and purchase agreement pursuant to which Knight agreed to sell its 28.3% ownership for $77,000. • Refer to note 19 in the Annual Financial Statements for further details.
Accounts payable and accrued liabilities (current and long term)	• Decrease in accounts payable and accrued liabilities balance of $49,578, or 53%, mainly related to payments of inventory purchases, payments of GBT Transaction fees and the depreciation of LATAM currencies. • Refer to note 21 in the Annual Financial Statements for further details.
Mandatory tender offer liability	• The balance of $184,023 as at December 31, 2019 was related to the Unified Tender Offer required to acquire the remaining 48.8% of GBT. The Company completed the Unified Tender Offer during Q3-20 and therefore settled the liability. • Refer to note 16 in the Annual Financial Statements for further information.
Bank loans (current and long term)	• Decrease of $3,809 mainly due to loan repayments of $14,714 and a decrease due to foreign exchange revaluation of $14,178, partially offset by additional loans of $24,581 issued in March and December 2020. • For further details on the bank loans held by GBT, refer to Section 7.
Income tax payable	• Decrease mainly related to tax recovery generated by capital loss carry back.
Other balances payable (current and long term)	• The other balances payable are future payments related to obtaining regulatory approvals and / or reaching sales milestones which are pre-defined in certain license agreements which are Knight has assessed will become due. • Increase due to additional regulatory and sales milestones recorded on certain in-licensed products that Knight expects to pay in the future.
Deferred income tax liability	• Decrease mainly related to amortization of deferred tax liabilities in respect of intangible assets and foreign exchange variance.
Share capital	• Decrease mainly related to the purchase of Knight's common shares though the NCIB. • Refer to note 22 in the Annual Financial Statements for further information.
Warrants	• Decrease related to expired and surrendered warrants.
Contributed surplus	• Increase related to the expired and surrendered warrants and share-based compensation expense. • Refer to the statement of changes in equity in the Annual Financial Statements for further information.
Accumulated other comprehensive income	• Decrease related to other comprehensive income attributable to shareholders of the Company of $13,147 for the period and $5,761 related to other comprehensive income that was allocated to non-controlling interest prior to the complete acquisition of GBT. • Refer to the statement of changes in shareholders' equity in the Annual Financial Statements for further information.
Retained earnings	• Increase due to the net income attributable to shareholders of the Company of $42,067 for YTD-20 and $90,484 reclassified from NCI to retained earnings as a result of the acquisition of an additional 48.74% of GBT, partially offset by $10,252 which is the premium paid on Knight's common shares purchased through the NCIB. • Refer to the statement of changes in shareholders' equity in the Annual Financial Statements for further information.
Non-controlling interests	• Upon the acquisition of an additional 48.74% of GBT, the balance of non-controlling interests was reclassified to retained earning and accumulated other comprehensive income. • Refer to note 6 in the Annual Financial Statements for further information.

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Section 6 – Notices of Reassessment

Knight received notices of reassessment from the CRA and the QRA in July 2018 and January 2019 respectively. The notices relate to the disposition in 2014 of a PRV held by Knight's wholly-owned subsidiary, Knight Therapeutics (Barbados) Inc[1]. A PRV is a transferrable asset that entitles the holder to a priority review for a drug of its choice.

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

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

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

Section 7 – Liquidity and Capital Resources

The Company's Investment Policy governs the investment activities relating to cash resources. An Investment Committee composed of representatives from management and the Board of Directors monitors compliance with said policy. The 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 operating and investing activities are sufficient to finance its current operations, working capital requirements and future product and corporate acquisitions. The table below sets forth a summary of cash flow activity and should be read in conjunction with our consolidated statements of cash flows.

			Change		YTD		Change	
	Q4-20	Q4-19	**$**	**%[1]**	**2020**	2019	**$**	**%[1]**
Net cash from operating activities	**4,297**	7,504	(3,207)	43%	**(12,205)**	4,596	(16,801)	N/A
Net cash from investing activities	**8,200**	(144,134)	152,334	N/A	**101,353**	(11,860)	113,213	N/A
Net cash from financing activities	**4,625**	(9,012)	13,637	N/A	**(29,233)**	(62,795)	33,562	53%
Increase (decrease) in cash and cash equivalents during the period	**17,122**	(145,642)	162,764	N/A	**59,915**	(70,059)	129,974	N/A
Net foreign exchange difference	**(5,622)**	785	(6,407)	N/A	**(4,592)**	(458)	(4,134)	903%
Cash and cash equivalents, beginning of the period	**218,091**	319,125	(101,034)	32%	**174,268**	244,785	(70,517)	29%
Cash, cash equivalents and restricted cash, end of the period	**229,592**	174,268	55,324	32%	**229,592**	174,268	55,324	32%
Marketable securities, end of the period	**162,633**	361,914	(199,281)	55%	**162,633**	361,914	(199,281)	55%
Cash, cash equivalents, restricted cash, and marketable securities, end of the period	**392,225**	536,182	(143,957)	27%	**392,225**	536,182	(143,957)	27%
Cash, cash equivalents and restricted cash, net of bank loans	**177,822**	118,689	59,133	50%	**177,822**	118,689	59,133	50%

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

[1] *Knight Therapeutics (Barbados) Inc. has been domiciled to Uruguay as of January 14, 2021 and its name has been changed to Knight Therapeutics International S.A.*

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<table>
<tr><th></th><th>Q4-20 vs Q4-19</th><th>2020 vs 2019</th></tr>
<tr><td rowspan="2">Net cash from operating activities</td><td colspan="2">Primarily relates to cash generated through revenues and interest received, offset by operating expenses including salaries, research and development expenses, advertising and promotion costs, interest paid and other corporate expenses. Cash flows from operating activities exclude revenues and expenses not affecting cash, such as unrealized and realized gains or losses on financial assets, share based compensation expense, depreciation and amortization, foreign exchange gains or losses, hyperinflation losses, other income, deferred other income, and net changes in non-cash balances relating to operations.</td></tr>
<tr><td>For the three-month period ended December 31, 2020, cash inflows from operations were $4,297, driven by a decrease in non-cash working capital of $9,367 offset by a net loss adjusted for certain reconciling items of $4,422. Additionally, the cash outflows include an outflow of $283 related to fees paid for the GBT Transaction and Unified Tender Offer.</td><td>For the year ended December 31, 2020, cash outflows from operations were $12,205 driven by an increase in non-cash working capital of $21,607, interest payments on debt of $1,969 offset by net income generated adjusted for certain reconciling items of $11,371. The increase in working capital is mainly due to the reduction of accounts payable and accrued liabilities and an increase in inventories as discussed in Section 5. Additionally, the cash outflows includes an outflow of $7,557 related to fees paid for the GBT Transaction and Unified Tender Offer. For further details refer to consolidated statement of cash flows and note 29 in the Annual Financial Statements.</td></tr>
<tr><td>Net cash from investing activities</td><td>For the three-month period ended December 31, 2020, cash flows were mainly driven by:
• net proceeds on marketable securities of $10,264;
• net proceeds from distributions of funds of $1,376, offset by;
• acquisition of intangibles and property and equipment of $3,525.</td><td>For the year ended December 31, 2020, cash flows were mainly driven by:
• Net proceeds on marketable securities of $199,485;
• Proceeds on the sale of Medison of $77,000
• Net distributions from life science funds of $13,362;
• net proceeds from disposals of equity investments of $2,987 offset by;
• acquisition of an additional 48.74% of GBT of $170,855
• acquisition of intangibles and property and equipment of $20,668.</td></tr>
<tr><td>Net cash from financing activities</td><td colspan="2">Cash flows from financing activities were mainly due to the repurchase of common shares through the NCIB, principal repayments on bank loans, principal repayments on lease liabilities, proceeds from the repayment of share purchase loans, proceeds from new bank loans, proceeds from exercise of stock options and the participation of employees and directors in the Company's share purchase plan.</td></tr>
</table>

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Subsequent to the GBT Transaction, the Company has the following indebtedness as at December 31, 2020:

					2020		2019	
	Currency of debt	Interest rate	Effective annual interest rate	Maturity	Current	Non-Current	Current	Non-Current
					$	$		
Banks								
Citibank	ARS	18.40%	18.40%	November 2, 2020	**—**	—	2,991	—
Itaú Unibanco	BRL	1.65% +100% CDI	4.44%	December 8, 2023	**24,167**	—	42,532	—
Banco Santander	BRL	2.00% +100% CDI	4.73%	December 13, 2021	**3,815**	—	5,034	5,022
Banco Santander	BRL	1.39% +100% CDI	3.82%	March 4, 2021	**10,111**	—	—	—
Bancolombia	COP	2.10% + IBR	3.90%	December 14, 2021	**13,677**	—	—	—
Total Bank Loans					**51,770**	—	50,557	5,022

Citibank

The loan was issued to a subsidiary of GBT in November 2017 and is guaranteed by a First Demand Corporate Guarantee by GBT. The loan was an off-shore ARS-linked loan with Citibank N.A. (New York) at a fixed rate of 18.40% per annum (21.66% all-in after including withholding tax). The bank loan included customary representations, warranties, and affirmative and restrictive covenants, including covenants to attain and maintain certain financial metrics. One such covenant was the requirement to obtain consent prior to a change of control. A change of control waiver was obtained from Citibank in relation to the GBT transaction. During November 2020, the loan and all accrued interest was repaid.

Itaú Unibanco Brasil

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

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

Banco Santander

The Banco Santander loan was issued to a subsidiary of GBT in December 2018 and is guaranteed by a First Demand Corporate Guarantee from GBT. The principal repayment of BRL 7,771 and interest are due on a semi-annual basis.

In March 2020, Banco Santander loaned an additional $10,928 [BRL 40,132] to a subsidiary of GBT. The loan is guaranteed by a USD 10,000 deposit made by Knight to Banco Santander. The principal and interest are due on the maturity date of March 4, 2021. Subsequent to year end the loan and accrued interest were repaid on the maturity date.

The bank loans include customary representations, warranties, and affirmative and restrictive covenants, including covenants to attain and maintain certain financial metrics. As at of December 31, 2020, the Company is in compliance with all of the loan covenants.

Bancolombia

The Bancolombia loan was issued to a subsidiary of GBT in December 2020. The principal repayment of $13,653 [COL 37,000,000] is due on December 14, 2021, the maturity date, and interest payments are due on a semi-annual basis.

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PORTFOLIO STRATEGY

Section 8 – Products

The Company's focus is to market and sell innovative products and engage in the development, manufacturing and marketing of specialty pharmaceutical branded generic products in Latin America and Canada, as well as select international markets.

Knight expects to expand its product portfolio within existing therapeutic fields in Canada and LATAM, and intends to leverage its expertise in specialty sales and marketing, branded generic development, 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. In addition, Knight's wholly owned subsidiary, Knight Therapeutics International S.A., develops innovative pharmaceuticals including those used to treat neglected tropical diseases and rare pediatric diseases.

Following the completion of the GBT acquisition, the Company's priority is to leverage its existing infrastructure in LATAM and Canada by pursuing multiple avenues of growth that will further strengthen its platform and position Knight as a key player in the pan-American (ex-US) pharmaceutical market. The Company is pursuing a three-pronged strategy to build its product portfolio.

1. Acquisition of products, portfolios and companies

Knight is pursuing the acquisition of innovative products including portfolios that have been launched and marketed primarily by large pharmaceutical companies for a number of years. The acquisition of legacy products from global pharmaceutical is accretive to Knight's profitability and represents an opportunity to build a portfolio of owned assets with valuable and well-established brands. The Company is also pursuing bolt-on corporate acquisitions in certain key markets that would further optimize its footprint, capabilities, and portfolio.

2. In-licensing of innovative products

The Company is pursuing the in-licensing of innovative late-stage products in its key therapeutic areas that include oncology/hematology, infectious diseases, immunology, gastrointestinal and central nervous system. In addition, the Company remains open to considering the in-licensing of products in other specialty areas where Company believes that there may be an attractive market opportunity. The in-licensing strategy represents future growth opportunities as the Company launches innovative and unique treatments across its markets.

3. Development of branded generic products

Through the GBT acquisition, the Company's development efforts have been concentrated on developing branded generics for Argentina and other LATAM markets. The Company is focusing its near-term efforts on expanding the geographic reach of currently developed branded generics. In addition, the Company is working on optimizing its development efforts and capabilities to allow it to access larger opportunities for LATAM.

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Prescription Pharmaceutical Products

The Company 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 and marketing, and research and development expenses will increase. The following summarizes certain products from Knight's product portfolio.

Product	Indication	Canada	Brazil	Argentina	Colombia	Mexico	Others	Partner
				Oncology/Hematology				
Nerlynx®	Adjuvant breast cancer	Launched						Puma
Nerlynx®	Metastatic breast cancer	Submitted						Puma
Trelstar®	Advanced prostate cancer	Marketed						Debiopharm
Vidaza®	Myelodysplastic syndrome		Marketed					Celgene (BMS)
Abraxane®	Metastatic pancreatic, and metastatic breast cancer		Launched					Celgene (BMS)
Halaven ®	Metastatic breast cancer		Marketed	Launched	Submitted		Launched	Eisai
Halaven ®	Soft tissue sarcoma		Launched	Launched	Submitted		Launched	Eisai
Lenvima®	Differentiated thyroid cancer, Advanced renal cell cancer, and Unresectable hepatocellular carcinoma		Marketed	Launched	Submitted		Launched	Eisai
BGx								
Ladevina®	Multiple myeloma			Marketed	Launched		Marketed	Own
Zyvalix®	Metastatic prostate cancer			Marketed	Launched		Marketed	Own
Karfib®	Relapsed or refractory multiple myeloma			Launched				Own
Leprid®	Palliative treatment of advanced prostate cancer			Marketed				Own
				Infectious Diseases				
Ambisome®	Fungal infection		Marketed				Launched	Gilead
Cresemba®	Fungal infection		Launched	Launched	Launched	Launched	Launched	Basilea
Impavido®	Leishmaniasis						Launched	Own
				Other Specialty				
Ibsrela™	IBS-C	Launched						Ardelyx
Salofalk®	Ulcerative colitis				Marketed		Marketed	Dr. Falk
Ursofalk®	Primary biliary cirrhosis			Marketed	Marketed		Marketed	Dr. Falk
Imvexxy™	Moderate-to-severe dyspareunia	Approved						TXMD
Bijuva™	Moderate-to-severe vasomotor symptoms due to menopause	Approved						TXMD
BGx								
Fibridoner®	Idiopathic pulmonary fibrosis			Marketed				Own
Toliscrin®	Pseudomonas aeruginosa lung infection in patients with cystic fibrosis			Marketed			Marketed	Own
Toliscrin®	Severe acute or resistant chronic infections due to colistin sensitive strains of gram-negative pathogenic bacilli			Marketed			Marketed	Own
Tobradosa Haler®	Chronic lung infections due to Pseudomonas aeruginosa			Marketed			Marketed	Own

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Oncology/Hematology

NERLYNX®

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

Trelstar®

On January 8, 2020, Knight announced that the Company entered into an agreement with Debiopharm for the Canadian commercial rights of Trelstar®(tripotorelin), for the treatment of advanced prostate cancer and the management and relief of chronic pain associated with endometriosis. On April 20, 2020, the Company announced that it took over commercial activities from Debiopharm's previous partner, Allergan and is commercializing Trelstar® in Canada. According to IQVIA data, Trelstar® sales in Canada were $1,824 for the year ended December 31, 2020 (2019: $2,179).

Vidaza® and Vidaza® Gx

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

Abraxane®

Abraxane® (paclitaxel protein-bound particles for injectable suspension) is indicated for the first-line treatment of patients with metastatic pancreatic adenocarcinoma, in combination with gemcitabine. Abraxane® is licensed from Celgene (now BMS), and GBT holds the rights to commercialize the product in Brazil. The Company previously held the rights to commercialize the product in Mexico, which terminated on August 17, 2020.

Halaven®

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

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Lenvima®

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

Ladevina®

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

Zyvalix®

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

Karfib®

Karfib® (Carfilzomib) is indicated as a single agent for the treatment of patients with relapsed or refractory multiple myeloma who have received one or more previous lines of therapy. Karfib® in combination with dexamethasone or with lenalidomide plus dexamethasone is indicated for the treatment of patients with relapsed or refractory multiple myeloma who have received one to three previous lines of therapy. Karfib® is part of GBT's proprietary branded generic portfolio. The Company launched Karfib® in Argentina during 2020.

Leprid®

Leprid® is indicated for palliative treatment of advanced prostate cancer. Leprid® is part of GBT's proprietary branded generic portfolio and is currently marketed in Argentina.

Infections Diseases

AmBisome®

AmBisome® (amphotericin B) is a non-pyrogenic lyophilized sterile intravenous infusion of liposomal amphotericin B. It is indicated for (1) the empirical therapy of presumed fungal infections in febrile, neutropenic patients, (2) for the treatment of cryptococcal meningitis in HIV infected patients, (3) for the treatment of severe deep mycotic infections, endemic and opportunistic systemic mycosis, (4) for the treatment of persistent fever of undetermined origin in neutropenic patients who do not respond to antibiotic therapy after 96 hours which is highly indicative of systemic fungal infection caused by *Candida, Aspergillus* or *Cryptococcus*, and (5) treatment of visceral leishmaniasis in adults and immunocompetent children. AmBisome® is licensed from Gilead and has been part of GBT's Brazilian affiliate's portfolio for over twenty years. GBT is responsible for all commercial activities in Brazil as well as Bolivia, Paraguay and Peru. On October 26, 2020, the Company announced that they signed a new exclusive agreement with Gilead for the commercialization of AmBisome® in Brazil. The new agreement is effective starting January 1, 2021.

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Cresemba®

Cresemba® (isavuconazonium sulfate) is s an azole antifungal agent indicated for use in adults for the treatment of invasive aspergillosis and invasive mucormycosis. Cresemba® is licensed from Basilea Pharmaceutica Ltd, and GBT holds the rights to commercialize the product in Latin America. Cresemba® is commercialized in Argentina, Colombia, Mexico, Chile, Peru, and was launched in Brazil in Q1-20.

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.

Other Specialty Therapeutic Areas

Ibsrela™

On March 16, 2018, Knight entered into an exclusive licensing agreement with Ardelyx to commercialize Ibsrela™ in Canada. Ibsrela™ is a first-in-class small molecule treatment for IBS-C. Ardelyx received regulatory approval for Ibsrela™ from the US FDA in September 2019. On April 17, 2020, the Company announced that Ibsrela™ was approved by Health Canada. The Company announced the launch of Ibsrela™ in Canada in March 2021.

Salofalk®

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

Ursofalk™

Ursofalk™ is indicated for the treatment of the primary biliary cirrhosis. Ursofalk™ is licensed from Dr. Falk Pharma and GBT holds the rights to commercialize the product in Colombia, Argentina and Chile.

Imvexxy™ and Bijuva™

On July 31, 2018, Knight entered into an exclusive licensing agreement for the commercial rights of Imvexxy™ and Bijuva™ in Canada and Israel. Imvexxy™ is a TXMD FDA-approved product (estradiol vaginal inserts), for the treatment of moderate-to-severe dyspareunia (vaginal pain associated with sexual activity), a symptom of vulvar and vaginal atrophy (VVA), due to menopause. Bijuva™ was approved by the U.S. FDA on October 18, 2018, is a bio-identical hormone therapy combination of estradiol and progesterone in a single, oral softgel for the treatment of moderate-to-severe vasomotor symptoms due to menopause. Both Imvexxy™ and Bijuva™ were approved by Health Canada during Q3-20. The Company expects to launch both products in 2022.

Fibridoner®

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

Toliscrin®

Toliscrin® (Colistimethate sodium) for injection is indicated for the treatment of severe acute or resistant chronic infections due to colistin sensitive strains of gram-negative pathogenic bacilli. It is particularly indicated when the infection is caused by sensitive strains of Pseudomonas aeruginosa.

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The inhaled colistimethate sodium is used in the treatment of airway colonisation or infection due to Pseudomonas aeruginosa that is resistant to tobramycin. Toliscrin® is part of GBT's proprietary branded generic portfolio.

Tobradosa Haler®

Tobradosa Haler® is indicated for the treatment of chronic lung infections due to Pseudomonas aeruginosa in adults and children from 6 years of age with cystic fibrosis. Tobradosa Haler ® is part of GBT's proprietary branded generic portfolio.

Section 9 – Strategic Lending

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

	Nominal loan balance as at December 31, 2020	
Entity	**In Source Currency**	**In Canadian Dollars[1]**
Moksha8	US$11,993	$15,269
Synergy	US$7,500	$9,549
60P[2]	US$6,310	$8,033
Other strategic loan	US$2,738	$3,487
Total		**$36,338**

[1] *Converted at the Bank of Canada closing exchange rates on December 31, 2020*
[2] *Excludes 60P Convertible Debenture received as consideration for loans issued to 60P*

As at December 31, 2020, the nominal loan balance outstanding was $36,338 [US$28,541] (December 31, 2019: $37,409, [US$28,803]). The following table summarizes the movement in loans and other receivables during the year ended December 31.

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

	Carrying value as at January 1 $	Additions $	Loan repayments $	Net (loss) gain on FA[1] $	Foreign exchange[2] $	Carrying value end of year $	Current other financial assets $	Non-current other financial assets $
2020								
Amortized Cost	2,181	7,364	(68)	—	(630)	8,847	5,106	3,741
FVTPL	28,390	4,305	(7,734)	(654)	(46)	24,261	6,129	18,132
Total	**30,571**	**11,669**	**(7,802)**	**(654)**	**(676)**	**33,108**	**11,235**	**21,873**
2019								
Amortized Cost	2,964	2,061	(2,700)	—	(144)	2,181	—	2,181
FVTPL	24,711	21,844	(8,474)	(8,672)	(1,019)	28,390	13,439	14,951
Total	**27,675**	**23,905**	**(11,174)**	**(8,672)**	**(1,163)**	**30,571**	**13,439**	**17,132**

[1] *Net changes related to change in the fair value of loan receivables and recognition of day 1 gains*
[2] *Recorded a loss of $274 in the consolidated statement of income in "Foreign exchange loss (gain)" (2019: loss of $463) and a loss of $402 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2019: loss of $700)*

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 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 rights to commercialize Triumvira's future products in select countries. On April 16, 2020, Triumvira repaid the loan and all remaining accrued interest as at the date thereof.

Synergy

On August 9, 2017, Knight issued a secured loan of $12,705 [US$10,000] with an annual interest rate of 10.5% for a three-year term to Synergy. On May 8, 2020, the Company amended certain terms of the loan with Synergy and issued an additional loan of $3,457 [US$2,500] which bears interest at 12.5% per annum and matures on May 8, 2021. The loan was recorded at its nominal value which represents fair value and subsequently accounted for at amortized cost.

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 $159,150 [US$125,000] ("Financing Agreement"), of which $13,134 [US$10,000] was initially issued. The loan disbursed was recorded at a relative fair value of $13,449 [US$10,213] upon initial measurement and subsequently accounted for at FVTPL. The loan bears interest at 15% per annum and matures five years from the issuance date. Furthermore, Knight received warrants representing 5% of the fully diluted shares of Moksha8.

On September 30, 2019, the Company loaned an additional $1,987 [US$1,500] as an advance of a future loan commitment to Moksha8 at an interest rate of 15% per annum. The loan matures in 2021 and was recorded at its nominal value which represents fair value and is subsequently accounted for at amortized cost. As at December 31, 2020, the total nominal loan balance outstanding was $15,267 [US$11,993] (2019: $15,577 [US$11,993]).

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Under the terms of the Financing Agreement, Knight has a remaining loan commitment of $10,822 [US$8,500] which may be disbursed should Moksha8 meet pre-defined profitability targets. In addition, the Company may issue an additional $127,320 [US$100,000] at Knight's sole discretion for corporate development and the acquisition of product licenses.

60P

On December 10, 2015, the Company entered into a strategic loan relationship with 60P for the development of tafenoquine ("Arakoda™") for the prevention of malaria in adults and received the commercial rights of Arakoda™ for Canada, Latin America, Israel and Russia. As at December 31, 2019, the fair value of the loan was determined to be nil and the nominal loan balance was $8,034 [US$6,310]. There were no changes to the loan fair value or balances during 2020.

Medimetriks

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

Crescita

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

Section 10 – Strategic Investments

Fund Investments

Knight invests in life sciences venture capital funds in which the Company earns a return similar to any other limited partner in the fund and may receive preferential access to innovative healthcare products from around the world for Canada and select international markets. Since inception of the fund strategy, Knight has committed to invest with the following capital fund managers for approximately $126,653 of which $31,500 remains committed as at December 31, 2020. To date, the investments in venture capital funds have led to the Canadian in-license of Iluvien® from Alimera and a portfolio of products from Advaxis. Knight does not expect to invest in additional venture capital funds.

	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 exchange rates as of the commitment date (using the December 31, 2020 closing rates total fund commitment would be $136,086

[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

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Since the inception of the strategic fund investments, the Company invested $130,779 and received distributions of $87,540 on which a gain of $38,040 was realized. Furthermore, as at December 31, 2020, the fund investments were recorded at their fair value of $149,736 representing a cumulative unrealized gain of $68,457. The following table summarizes the movement in fund investments during the year ended December 31.

	Carrying value as at January 1	Additions[1]	Distributions[2,3]	Net gain on FA	Foreign exchange [4]	Carrying value end of period	Current other financial assets	Non-current other financial assets
	$	$	$	$	$	$	$	$
2020	**114,061**	**15,766**	**(27,893)**	**46,733**	**1,069**	**149,736**	**16,508**	**133,228**
2019	**87,054**	**20,175**	**(20,546)**	**32,230**	**(4,852)**	**114,061**	**2,832**	**111,229**

[1] Investments in equity or debt funds including US$4,203 and EUR 1,766 (2019: including US$4,176 and EUR 3,010)
[2] Distributions received from funds including US$4,338 and EUR 7,804 (2019: including US$8,430 and EUR 724)
[3] Includes distribution receivable of $1,221 (2019: $2,456)
[4] Recorded a gain of $2,877 in the consolidated statement of income in "Foreign exchange loss (gain)" (2019: loss of $1,690) and a loss of $1,808 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2019: loss of $3,162)

Sectoral Asset Management

In October 2020 Atea Pharmaceutics Inc ("Atea"), an investment held within Sectoral Asset Management ("Sectoral"), announced the closing of its initial public offering at a public offering price of USD 24 per share. The share held by Sectoral are subject to a 180-day lockup period. As at December 31, 2020, Atea's share price closed at USD 41.78 and as a result, the Company recorded a gain of approximately $13,670 [USD 10,376] related to this investment.

Other investments

Profound

During 2020, Knight sold its remaining 111,355 common shares of Profound at an average selling price of $16.39 for total proceeds of $1,825. The common shares sold were previously acquired by Knight at an average cost of $6.55 per share.

Medexus

During 2020, Knight sold 9,700 common shares of Medexus at an average selling price of $7.00 for total proceeds of $68, realizing a gain of $38. Subsequent to December 31, 2020, Knight sold an additional 315,600 shares of Medexus for total proceeds of $2,624 realizing a gain of $1,639. The common shares sold were previously acquired by Knight at an average cost of $3.12 per share.

MTO liability and Foreign Currency Contracts

On December 20, 2019, Knight Therapeutics Inc. submitted to B3, the authorization request to carry-out a Unified Tender Offer for the acquisition of the remaining 48.8% of GBT. As a result, Knight had a contractual obligation to the minority shareholders of GBT. On November 29, 2019, the Company recorded the initial liability at $178,266 [BRL 567,145] and an offset to equity which represents the net present value of the cash disbursement should all BDRs holders choose the same consideration as the controlling shareholders. On July 15, 2020, the Company launched the Unified Tender Offer to acquire the remaining 48.8% of GBT and completed the process on September 3, 2020 when the MTO liability was settled.

In connection with the Unified Tender Offer, the Company entered into foreign exchange contracts to mitigate its exposure to foreign currency risks. Prior to the completion of the Unified Tender Offer, the Company held foreign exchange forward contracts to sell CAD and buy USD $124,442 at a weighted average rate of 1.32 CAD/USD ("USD Contract"). In addition, the

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Company entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 510,873 at an average rate of 4.10 BRL per USD ("BRL Contract"). Along with the launch of the Unified Tender Offer, the Company settled the USD Contract and BRL Contract ("FX Contracts") and the Company converted $163,797 to BRL 510,873. Prior to the settlement of the FX Contracts, a derivative liability of $36,425 (December 31, 2019: derivative asset of $1,096) was recorded.

As a result of the settlement of the MTO liability and FX Contracts, the Company recorded the following net gain for the year ended December 31, 2020, in the consolidated statement of income as "Net gain on mandatory tender offer liability".

	Twelve months ended December 31
	$
Change in fair value of MTO liability	(7,199)
Foreign exchange revaluation of MTO liability	(47,686)
Change in fair value of FX Contracts	37,521
Foreign exchange revaluation BRL cash[1]	5,292
Net gain on mandatory tender offer liability	**(12,072)**

[1] *Represents FX impact on cash balance held in BRL from the launch to the close of the Unified Tender Offer*

As a result of the tender offer process, the Company paid an aggregate purchase price of $170,855 [BRL 537,523] and obtained 99.9% ownership of GBT.

For additional details regarding the movement in equities or derivatives held by Knight throughout the year, refer to note 16 "Other Financial Assets" of the Annual Financial Statements.

Section 11 – Rest of World Strategy

Knight's international strategy is focused on identifying potential products and companies that fit within its existing business model, but that are located in select areas such as Latin America, Middle East, Israel, Australia, Romania, Russia, Sub-Saharan Africa, and other countries excluding the U.S., Western Europe, Japan and China.

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

RISK MANAGEMENT

Section 12

12.1 Currency Risk

GBT Transaction

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

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costs denominated in currencies of developed markets (CHF, USD, EUR). The currency mismatch exposes GBT to foreign exchange risks which could result in significant fluctuations of the Company's gross margin or net income.

Currency risks in net financial assets

Knight holds a significant portion of its net financial assets in USD, EUR, BRL, and ARS which results in financial risk due to fluctuations in the value of the currencies relative to the Canadian dollar.

The Company has subsidiaries throughout LATAM whose functional currencies differ from the CAD. Knight does not believe that the foreign exchange impact in the consolidated statement of income represents its full currency exposure. The below analysis excludes intercompany balances but includes balances that get revaluated to CAD through other comprehensive income. Assuming all other variables remain constant, a 5% change, would have resulted a change in the consolidated statement of income or statement of other comprehensive income as follows:

For the year ended December 31,	2020 $	2019 $
Foreign Exchange Risk (5% change)		
USD	**8,650**	5,283
EUR	**1,967**	1,222
BRL	**351**	1,612
ARS	**192**	331
CLP	**186**	94
COP	**50**	689
CLP	**331**	331

12.2 Equity Price Risk

Equity price risk arises from changes in market prices of the equity and fund investments and derivatives. The carrying values of investments subject to equity price risk are $160,847 as at December 31, 2020 (December 31, 2019: $126,280). The Company monitors its equity investments for impairment on a periodic basis and at least every reporting period. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amounts realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company's Board of Directors regularly reviews and approves equity investment decisions.

12.3 Interest Rate Risk

The Company is subject to interest rate risk on the interest income generated on its cash, cash equivalents and marketable securities. Details regarding maturity dates and effective interest rates are described in note 8 of the Annual Financial Statement. Assuming that all other variables remain constant, a 1% decline on the interest rate generated on cash, cash equivalents and marketable securities would have resulted in a reduction of interest income of $3,922 over a one-year period.

In connection with debt held in GBT, the Company is exposed to interest rate risks arising from its loans with Itaú Brazil, Santander Brazil and Bancolombia. Details regarding maturity dates and effective interest rates are described in Section 7. The loans have a variable interest rate that fluctuates with the CDI rates. The applicable CDI is the average of the CDI rates applicable during each interest period and therefore the accrued interest at year end with the loans are not exposed to any changes related to variation of the respective floating rates. In the case of the IBR, the applicable rate is the one at the beginning of the interest period, so the accrued interest at year end is not exposed to any changes related to variation of

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the respective floating rates. The loan with Citibank New York is set at a fixed rate, thus not being exposed to interest rate risk. Assuming that all other variables remain constant, a 1% increase on the interest rate would have resulted in an increase of interest expense of $518 over a one-year period.

12.4 Liquidity Risk

The Company generates sufficient cash from operating activities to fulfill its obligations as they become due. The Company has sufficient funds available through its cash, cash equivalents and marketable securities should its cash requirements exceed cash generated from operations to cover all financial liability obligations. Periodically, the Company forecasts their projected cash flows both at the subsidiary and consolidated level. If any issues are identified, the corporate teams work with the local teams to provide liquidity support. The Company negotiates lines of credit with global and regional banks to diversify its options and ensure competitive financing rates.

As at December 31, 2020, there were no restrictions on the flow of these funds nor have any of these funds been committed in any way, except as set out in notes 7 and 32 of the Annual Financial Statements.

12.5 Credit Risk

The Company considers its maximum credit risk to be $254,485 (2019: $248,812) which is the total of the following assets: trade and accounts receivable, interest receivable, other receivables, 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:

- four Canadian financial institutions & one foreign affiliate of Canadian financial institution
- one large foreign bank
- three Canadian credit unions
- one foreign government

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

The credit risk on loans and interest receivable is due to the risk of insolvency or operational failure of the partners in the strategic lending transaction. The Company has assessed that loans measured at FVTPL have S&P credit ratings between CCC+ and CC. The Company also has a credit risk on its investment in funds and derivatives which are held through venture funds or issued by a counterparty.

12.6 COVID-19 Risk

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

As with much of the pharmaceutical industry, the Company's revenues from launch products and resulting prescription growth has been adversely affected by COVID-19. Knight suspended in-person promotional and medical activities in all

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countries in March 2020. The Knight field team continues to use digital means to interact with healthcare providers. These interactions tend to be less frequent and in the case of complex infectious disease and oncology product launches, potentially less impactful. While it is not possible at this time to estimate the impact that COVID-19 could have on the Company, the continued spread of COVID-19 and the measures taken by the governments of countries affected could disrupt the supply chain and the manufacture or shipment of product inventories and adversely impact the Company's business, financial condition or results of operations. Uncertainties related to the continued magnitude and duration of the COVID-19 pandemic, the extent to which it will impact our estimated future financial results, worldwide macroeconomic conditions including interest rates, employment rates, consumer spending, health insurance coverage, the speed of the anticipated recovery and governmental and business reactions to the pandemic, including any possible re-initiation of shutdowns or renewed restrictions, have increased the complexity of developing the potential impact of COVID-19. The extent to which the COVID-19 outbreak impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact.

Any future developments could have a material adverse effect on the Company's business and results. In addition, due to the severity and global nature of the COVID-19 pandemic, it is possible that the estimates used in the preparation of the Annual Financial Statements can change in the near term and may have a material impact. Potential impacts may include, but are not limited to, impairment of intangible assets, goodwill, property plant and equipment, and financial assets, write-downs on inventory and a change in the expected credit loss on accounts receivable. As at December 31, 2020, the Company assessed the possible impacts of COVID-19 on its financial results. The Company has evaluated its other financial assets, property, plant and equipment, intangible assets, and goodwill for impairment and no changes from the carrying amount were required in the reporting period related to COVID-19.

As of the approval date of these Annual Financial Statements, the outbreak has not had a material impact on the Company's results. The Company and its employees have transitioned to working remotely and steps have been taken to establish digital sales channels. Furthermore, the Company has sufficient liquidity to meet all operating requirements for the foreseeable future. The Company is developing return to field or office protocols on a country by country basis to ensure compliance with local regulations, ensuring safety of employees, patients and healthcare professionals.

12.7 Emerging Market Risk

As a result of the GBT Transaction, the Company is exposed to additional risks related to investing and operating in international locations including emerging markets. Operating in such markets carry substantial inherent financial, legal and political risks. If Knight cannot integrate its acquisition successfully, these changes could have a material adverse effect on the business, financial condition, results of operations and cash flows. In addition, operating in international jurisdictions are subject to risks inherent in conducting business abroad, including possible nationalization or expropriation, price and currency exchange controls, fluctuations in the relative values of currencies, political instability and restrictive governmental actions.

12.8 Risk Factors

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

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ADDITIONAL INFORMATION

Section 13 – Selected Annual Financial Information

This selected information is derived from our Annual Financial Statements.

	2020	**2019**	2018
Revenues	**199,519**	**47,461**	**12,500**
Net income	**31,760**	**18,033**	**24,079**
Adjusted EBITDA[1]	**16,837**	**2,827**	**(3,551)**
Adjusted earnings[1]	**28,713**	**25,999**	**17,383**
Basic earnings per share	**0.32**	**0.10**	**0.17**
Diluted earnings per share	**0.32**	**0.10**	**0.17**
Total assets	**1,039,676**	**1,305,303**	**1,051,832**
Total non-current liabilities	**39,375**	**39,393**	**4,615**

[1]Refer to definition in section 4.

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

Section 14 – Selected Quarterly Financial Information

This selected information is derived from our Annual Financial Statements.

	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19
Revenues	**55,191**	45,239	53,250	45,839	37,271	4,030	3,204	2,956
Net income (loss)	**8,233**	17,492	15,512	(9,477)	(3,153)	(2,959)	18,956	5,189
Adjusted EBITDA[1]	**1,771**	4,216	7,653	3,197	6,180	(496)	(1,596)	(1,261)
Adjusted Earnings[1]	**4,174**	6,925	10,579	7,034	11,244	5,562[1]	4,564[1]	4,629[1]
EPS								
Basic	**0.063**	0.138	0.133	(0.013)	(0.049)	(0.021)	0.133	0.036
Diluted	**0.063**	0.138	0.133	(0.013)	(0.049)	(0.021)	0.132	0.036
Cash, cash equivalents and marketable securities	**392,225**	392,352	566,837	592,578	536,182	700,092	745,272	748,411
Total assets	**1,039,676**	1,013,963	1,224,748	1,267,135	1,305,303	1,022,261	1,074,371	1,058,191
Total non-current liabilities	**39,375**	32,710	33,754	34,304	39,393	5,812	6,339	5,440

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

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Section 15 – Outstanding Share Data

The table below summarizes the share data:

As at	March 25, 2021	December 31, 2020
Common Shares	128,764,247	130,039,341
Stock Options	5,278,751	5,298,806
Warrants	174,228	174,228

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

Under the terms of the 2019 NCIB, Knight could have purchase for cancellation up to 12,053,693 common shares of the Company which represented 10% of its public float as at July 2, 2019. The NCIB commenced on July 11, 2019 and came to an end in April 2020, when the Company completed its maximum purchases under the NCIB. The Company purchased a total of 12,053,692 common shares at an average price of $7.14 per share.

Knight entered into an agreement with a broker to facilitate purchases of its common shares under the 2019 NCIB. Under Knight's ASPP, the broker was able to purchase common shares which would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods. Such purchases were made by the broker based on parameters and instructions communicated by the Company prior to any regulatory restrictions or self-imposed blackout periods. The Company was in a blackout period starting January 15, 2020 and remained in blackout until the completion of the 2019 NCIB. Therefore, an ASPP liability was recorded as at January 15, 2020 to reflect the obligation of Knight to repurchase its common shares under the NCIB.

Upon the completion of the 2019 NCIB, the Company purchased 4,804,443 common shares in 2020 ("Acquired Shares") for an aggregate cash consideration of $31,265 ("Purchase Price"). As a result of the purchases, the difference between the Purchase Price and the ASPP liability of the Acquired Shares was recorded as a gain $4,168 in the consolidated statement of income in "Realized gain on automatic share purchase plan" in 2020.

On July 10, 2020, the Company announced that the Toronto Stock Exchange approved its notice of intention to launch an additional NCIB ("2020 NCIB"). Under the terms of the 2020 NCIB, Knight may purchase for cancellation up to 10,856,710 common shares of the Company which represented 10% of its public float as at July 6, 2020. The 2020 NCIB commenced on July 14, 2020 and will end on the earlier of July 13, 2021 or when the Company completes its maximum purchases under the 2020 NCIB. Furthermore, Knight entered into an agreement with a broker to facilitate purchases of its common shares under the 2020 NCIB. Under Knight's automatic share purchase plan, the broker may purchase common shares which would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods.

During the year ended December 31, 2020, the Company purchased 944,273 common shares under the 2020 NCIB, for an aggregate cash consideration of $5,522. Subsequent to year end, the Company purchased an additional 2,895,456 common shares, of which 1,605,699 remain to be cancelled, for an aggregate cash consideration of $15,206.

Section 16 – Use of Proceeds from Financing

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

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As at December 31, 2020, Knight had deployed and invested or committed to deploy and invest over $700,000 for the purposes disclosed in the prospectuses, as described above. Knight anticipates that it has sufficient funds available to achieve its business objectives and milestones as listed in the prospectuses.

On December 23, 2020, the Company announced that it filed a short form base shelf prospectus which enables Knight to offer for sale and issue up to $360,000 in common shares, subscription receipts and debt securities from time to time during the 25-month period during which the shelf prospectus remains valid. Following the GBT Transaction, Knight has access to more growth opportunities, including acquisitions of products as well as bolt on acquisitions of specialty pharmaceutical companies for its pan-American (ex US) footprint. The shelf prospectus provides Knight the financing flexibility without any incumbent obligation to use the instrument as it pursues larger opportunities.

Section 17 – Payment of Dividends

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

Section 18 – Product Pricing Regulation on Certain Drug Products

Canada

All patented drug products sold in Canada that form part of Knight's portfolio of products are subject to pricing regulation by the PMPRB, a federal agency tasked with ensuring that prices of patented medicines are not excessive. For new patented products, the maximum non-excessive list price ("MLP") in Canada is will be set by the lower of the list price and the median international price ("MIP") for the same drug sold in a specified set of developed comparator countries. Otherwise, the MLP will be set by the lower of the list price and the top of the domestic prices of existing comparable drugs sold in Canada. For existing patented products, prices cannot be increased annually by more than a factor based on Statistics Canada's Consumer Price Index. The PMPRB monitors compliance through a review of the average transaction price of each patented drug product as reported by pharmaceutical companies like Knight on a semi-annual basis. The PMPRB may from time to time deem certain of Knight's existing or future patented products to be excessively priced based on the application of its empowering legislation and regulations, including those related to price increases, the comparative assessment of new products and reductions in the highest price in international reference countries. Such determinations by the PMPRB may have a material adverse effect on Knight's financial condition and results of operations or cash flows.

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

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

On August 21, 2019, the federal government published the final regulations governing the PMPRB. The new regulations include eleven countries as comparators and was expected to come into force on July 1, 2020. On November 21, 2019, the PMPRB published a draft set of new guidelines for the implementation of the final regulations. The PMPRB began seeking

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views of stakeholders and interested members of the public and extended their consultation period in connection with the guidelines through February 14, 2020. The PMPRB published final Guidelines on October 23, 2020. The implementation of the amended PMPRB regulations was delayed due to COVID-19 and are now expected to come into force on July 1, 2021.

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

LATAM

In certain countries in LATAM, the price of pharmaceuticals is subject to extensive government regulations, which may include the imposition of price controls, reference pricing and maximum price caps, mandated price reductions to battle hyper-inflation and limitations on price increases. Price negotiations with government agencies, HMOs and other buyers may take considerable time after the Company has received its marketing authorization for a product. Delays in pricing and reimbursement approvals may have a negative impact on the Company's cash flows and profitability. In addition, in certain countries Knight may be forced to reduce its pricing, offer discounts, forgive certain balances outstanding in order to comply with cost-containment measures. As pricing regulations evolve throughout the various countries, Knight may have a material adverse impact on its cash flows and profitability.

Section 19 – Financial Instruments

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

Section 20 – Off-balance Sheet Arrangements

The Company's off-balance sheet arrangements consist of contractual obligations and agreements for development, sales, marketing and distribution rights to innovative drug products. The effect of terminating these arrangements under normal operating circumstances consists of an effective transition of the remaining responsibilities and obligations to the licensor under agreed upon time frames and conditions. Please refer to note 32 of the Annual Financial Statements for the year ended December 31, 2020 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 21 – Commitments

In the normal course of business, the Company secures development, sales, marketing and distribution rights to innovative drug products requiring royalties or product payments considered normal operating commitments and as such not included herein. The Company has entered into various agreements which include contractual commitments extending beyond the current year. These commitments are classified into three major categories: Fund commitments, milestones and purchase commitments, and loan commitments. The commitments of the Company as at December 31, 2020 are as follows:

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[i] Fund commitments

As at December 31, 2020, under the terms of Company's agreements with life sciences venture capital funds, $31,500 (2019: $44,116), including $5,952 [US$4,675] and $7,101 [EUR 4,550] (2019: $11,452 [US$8,817] and $8,826 [EUR 6,052]), may be called over the life of the funds (based on the closing foreign exchange rates).

As at March 24, 2021, $29,908 remains to be called by life science venture capital funds.

[ii] Milestones and purchase commitments

Under certain agreements, Knight may have to pay additional consideration should the Company achieve certain sales volumes or if certain milestones are met, such as regulatory approval in Canada or LATAM. The Company may have to pay up to $314,768 including $43,486 [US$34,155], $142,677 [CHF 98,800] and $601 [EUR 385] upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to $1,151 [EUR 738], of inventory for pharmaceutical products during the five-year period after their respective commercial launch. For products that are currently launched, the Company has committed to inventory purchases of $301,622 [BRL 787,865, USD 63,960 and CHF 18,793], which will be purchased over the next 9 years.

	$
2021	43,262
2022	51,745
2023	60,536
2024	62,546
2025	52,229
2026 and beyond	31,304
Total	**301,622**

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] Loan commitments

Subject to the Moksha8 Financing Agreement, Knight has committed to loan up to an additional $10,822 [US$8,500] should the borrower meet certain pre-defined profitability targets over its 2020 to 2021 financial years.

Section 22 – Related Party Transactions

Pharmascience Inc., a company related to the Company's CEO, provided administrative services of approximately $19 (2019: $13) to the Company for year ended December 31, 2020.

Section 23 – Segment Reporting

Upon the acquisition of an additional 48.74% of GBT the Company had one reportable segment, namely the development, acquisition, in-licensing, out-licensing, marketing and distribution of innovative pharmaceutical products, consumer health products and medical devices in Canada and select international markets. This reflects the revised management structure and the way that the chief operating decision-maker evaluates the business.

Management's Discussion and Analysis for the year ended December 31, 2020
(In thousands of Canadian dollars, except for share and per share amounts)

Geographic Information

The following table represents the revenues per country, based on where the customer is located.

Year ended December 31, 2020	2020	2019
	$	$
Revenues		
Canada	**4,995**	2,371
Brazil	**78,708**	22,962
Argentina	**37,847**	3,192
Colombia	**34,817**	4,353
Rest of LATAM	**33,863**	3,414
Other[1]	**9,289**	11,169
Total	**199,519**	47,461

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

As at December 31, non-current operating assets consisting of property, plant and equipment, intangible assets, goodwill, assets held for sale and other long-term receivables were held in the following geographic areas.

As at December 31, 2020	Net book value of property, plant and equipment	Intangibles, net	Goodwill	Assets held for sale	Other long-term receivables
	$	$	$	$	$
Canada	106	27,392	—	—	41,582
Brazil	1,519	34,986	23,105	—	—
Argentina	19,966	10,129	11,270	—	—
Colombia	360	23,509	11,759	2,012	—
Rest of LATAM	176	60,531	31,591	—	—
Other	—	—	—	527	—
Total	**22,127**	**156,547**	**77,725**	**2,539**	**41,582**

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

Management's Discussion and Analysis for the year ended December 31, 2020
(In thousands of Canadian dollars, except for share and per share amounts)

Section 24 – Significant Accounting Estimates and Assumptions

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

Information about significant judgments and estimates used in applying accounting policies that have the most significant effect on the amounts recognized in the Annual Financial Statements relate to:

Goodwill, intangible assets and business combinations

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

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

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates and it's complemented by a case by case analysis to identify special circumstances related to individual customers and/or transactions, considering any relevant forward-looking information.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Inventory Provision

The Company adjusts the carrying value of inventory to consider any cost that cannot be recovered due to obsolescence or other factors. In order to perform this analysis, the Company considers estimates of future demand for each product, the expiration dates and the respective short-dated periods in the various countries defined for each product to determine appropriate inventory provision.

In the event of a sudden significant decrease or increase in demand for the Company's products, the Company may increase or decrease its inventory provision, which would directly impact the cost of goods sold and have an impact on the profitability of the Company.

Management's Discussion and Analysis for the year ended December 31, 2020
(In thousands of Canadian dollars, except for share and per share amounts)

Fair value measurement of financial assets

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

Investments in Funds

The Company records investments in funds at its NAV and judgment is used to determine if the NAV provided by the fund approximates fair value. The Company inspects all details provided from the fund managers related to the underlying investments and determines if the changes from one period to another are reasonable. The Company will corroborate the changes with external sources to the extent possible. If it is determined that the NAV represents fair value, the investment in fund is adjusted to reflect the NAV and unrealized gains or losses are recorded in the statement of income. Upon the sale of the funds' underlying assets, the Company does not record any potential milestone gains in its NAV, which are related to contingent events such as clinical, regulatory or commercial successes, until they are realized.

Loans receivable

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

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

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

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

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

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

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

Management's Discussion and Analysis for the year ended December 31, 2020
(In thousands of Canadian dollars, except for share and per share amounts)

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU or group of CGUs being tested. Discount rates are based on the Company's cost of capital, adjusted for asset-specific risks. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Future events could cause the assumptions used in the impairment review to change with a consequential adverse effect on the results of the Company.

Determination of CGUs and Groups of CGUs

The determination of the Company's CGUs, group of CGUs and their associated assets involves judgement and is based on the identification of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, considering various factors including how management monitors the operations of the Company (such as by product line, business, individual location, district or regional area) or how management makes decisions about continuing or disposing of the entity's assets and operations. The Company has determined that the lowest aggregation of assets that generate largely independent cash inflows include products, licenses, and intellectual properties. For purposes of the Company's goodwill impairment testing, the Company has grouped certain CGUs to test at the lowest level at which management monitors goodwill for internal management purposes, which is the cash flows generated by Biotoscana Investments S.A . The Company has used significant judgement in determining the groups of CGUs.

Other balances payable

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

Uncertain tax positions

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

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

Management's Discussion and Analysis for the year ended December 31, 2020
(In thousands of Canadian dollars, except for share and per share amounts)

Valuation of deferred tax assets

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

Functional currency

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

Section 25 – Accounting Pronouncements Adopted in 2020

IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendment is effective for annual reporting periods beginning on or after January 1, 2020. The adoption of this amendment did not have a material impact on the Annual Financial Statements

Section 26 – Recent Accounting Pronouncements

Various pronouncements have been issued by the International Accounting Standards Board or IFRS interpretations committee that will be effective for future accounting periods. The Company closely monitors new accounting standards as well as amendments to existing standards and assesses what impact, if any, they will have on the consolidated financial statements. None of the standards issued to date are expected to have a material effect on the Annual Financial Statements.

Section 27 – Disclosure Controls and Procedures

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

Management's Discussion and Analysis for the year ended December 31, 2020
(In thousands of Canadian dollars, except for share and per share amounts)

Management, after evaluating the effectiveness of the Company's DC&P as at December 31, 2020, have concluded that the Company's DC&P are adequate and effective to ensure that material information relating to the Company would have been known to them.

Section 28 – Internal Control Over Financial Reporting

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

During the year, the Company completed the design of the DC&P and ICFR of GBT. There have not been any other 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.

For the year ended December 31, 2020, management has evaluated the design and operating effectiveness of its ICFR as defined in NI 52-109. The evaluation was based on the criteria established in the "Internal Control-Integrated Framework" issued by the COSO. This evaluation was performed internally by the Company. Based on this evaluation, management concluded that the ICFR were appropriately designed and no material weaknesses or significant deficiencies were noted, as at December 31, 2020.

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.

Audited Annual Consolidated Financial Statements

Knight Therapeutics Inc.
December 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Knight Therapeutics Inc.

Opinion

We have audited the consolidated financial statements of **Knight Therapeutics Inc.** and its subsidiaries [the "Group"], which comprise the consolidated balance sheets as at December 31, 2020 and 2019, the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of investments in funds held at fair value	
As at December 31, 2020, the carrying value of investments in funds amounted to $149.7 million. As described in notes 2 and 3 of the consolidated financial statements, the Company invests in life sciences venture capital funds which are classified as financial assets measured at fair value through profit and loss ["FVPL"] and categorized within Level 3 of the fair value hierarchy given that fair value is measured using unobservable inputs. The Company uses the net asset value ["NAV"] provided by the funds to record its investments at fair value and uses judgment in determining whether the NAV represents fair value and whether any further adjustments to the NAV are to be recorded. Given the significance of the investment in funds and the level of net unrealized gains that are recorded in the consolidated statement of income, as well as the subjectivity with fair value measurement, we have determined the valuation of investments in funds to be a key audit matter.	Our audit procedures included, among others, the following: • Obtained external confirmation of NAV from the fund managers and reconciled confirmations to the NAV used by the Company at year-end; • Assessed the reasonableness of management's assessment of the NAV representing fair value by inspecting information provided by the fund managers, including details regarding the underlying investments and changes in investments quarter over quarter, and corroborating the information to external sources when available; • Assessed the reasonableness of any adjustments made by the Company to the NAV reported by the fund managers, as described above, based on public information relating to the invested companies of that fund when available, or to information obtained from the fund managers as described above; • Tested the capital calls and distributions of the funds made during the year by vouching cash disbursements or receipts; • Assessed the historical accuracy of the NAV estimates made in the prior years through a comparison of the prior year estimate to audited financial statements of the funds issued after the issuance of the audited consolidated financial statements of the Company; and • Evaluated management's disclosure in the notes to the consolidated financial statements of significant judgments in relation to this matter.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment (including identification of cash generating units) and estimation of the recoverable amount for the Biotoscana Investments S.A. group of Cash Generating Units	
As at December 31, 2020, the total carrying value of goodwill amounted to $77.7 million. Goodwill is allocated to Cash Generating Units ["CGU"] or a group of CGUs for which management is required to test the carrying value of goodwill for impairment annually or more frequently if there is a triggering event for testing. When performing impairment tests, the Company estimates the recoverable amount of the group of CGUs to which goodwill has been allocated using a discounted cash flow model. During the year ended December 31, 2020, management also completed its assessment of the CGUs and the goodwill allocated to those CGUs. The Company discloses significant judgments, estimates and assumptions and the result of their analysis in respect of impairment in notes 2.3, 3 and 15 to the consolidated financial statements. We have determined that auditing management's annual goodwill impairment test is a key audit matter given the complexity, degree of judgment, and subjectivity used in evaluating management's estimates and assumptions in determining the recoverable amount of the Biotoscana Investments S.A. group of CGUs. Significant assumptions included revenue growth rates, profit margin, operating expenses, perpetual growth rate and discount rates, which are affected by expectations about future market and economic conditions including macroeconomic factors and the global pandemic ["COVID-19"].	Our audit procedures included, among others, the following: • Obtained and evaluated management's impairment model and assessed the reasonableness of key assumptions used in the calculations, comprising revenue growth rates, profit margin, operating expenses, perpetual growth rate and discount rates. • We obtained an understanding of and evaluated management's basis for determining the assumptions, and compared them to economic growth forecasts, comparable companies, as well as internal evidence available; • Assessed the historical accuracy of the Company's estimates with respect to cash flow projections in previous periods by comparing to current results; • Evaluated the Group's discount rates and valuation methodologies with the assistance of our valuation specialists; • Performed sensitivity analysis on significant assumptions to assess the sensitivity of the estimate to change, and the impact on the results of the impairment assessment; • Evaluated management's disclosure in the notes to the consolidated financial statements of significant judgments in relation to this matter.

Other information

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

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

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

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Ernst & Young LLP[1]

Montréal, Canada
March 24, 2021

[1] CPA auditor, CA, public accountancy permit no. A123806

CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

As at December 31,	Notes	2020	2019
ASSETS			
Current			
Cash, cash equivalents and restricted cash	*7*	**229,592**	174,268
Marketable securities	*8*	**147,316**	235,045
Trade receivables	*9*	**62,515**	85,845
Other receivables	*10*	**12,413**	17,622
Inventories	*11*	**56,505**	70,870
Prepaids and deposits		**2,214**	3,306
Other current financial assets	*16, 17*	**34,431**	26,303
Income taxes receivable		**7,115**	8,265
Total current assets		**552,101**	621,524
Marketable securities	*8*	**15,317**	126,869
Trade receivables	*9*	**161**	4,715
Prepaids and deposits		**4,047**	4,652
Right-of-use assets	*12*	**4,035**	6,409
Property, plant and equipment	*13*	**22,127**	22,639
Investment properties		**1,539**	1,740
Intangible assets	*14*	**156,547**	173,372
Goodwill	*15*	**77,725**	88,262
Other financial assets	*16, 17*	**159,524**	132,848
Deferred income tax assets	*26*	**2,432**	3,991
Other long-term receivables	20	**41,582**	41,582
		485,036	607,079
Assets held for sale	*19*	**2,539**	76,700
Total assets		**1,039,676**	1,305,303

CONSOLIDATED BALANCE SHEETS (continued)

[In thousands of Canadian dollars]

As at December 31,	*Notes*	**2020**	2019
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	*21*	**44,512**	94,406
Lease liabilities	*12*	**1,875**	1,788
Other liabilities		**1,291**	1,750
Mandatory tender offer liability	*6*	**—**	184,023
Bank loans	*18*	**51,770**	50,557
Income taxes payable		**13,559**	15,447
Other balances payable		**1,053**	2,833
Total current liabilities		**114,060**	350,804
Accounts payable and accrued liabilities	*21*	**316**	—
Lease liabilities	*12*	**2,543**	4,812
Bank loan	*18*	**—**	5,022
Other balances payable		**14,900**	1,699
Deferred income tax liabilities	*26*	**21,616**	27,860
Total liabilities		**153,435**	390,197
Equity			
Share capital	*22 [i]*	**694,351**	723,832
Warrants	*22 [v]*	**117**	785
Contributed surplus		**18,731**	16,463
Accumulated other comprehensive income	*23*	**(1,503)**	17,405
Retained earnings		**174,545**	52,246
Attributable to shareholders of the Company		**886,241**	810,731
Non-controlling interests		**—**	104,375
Total equity		**886,241**	915,106
Total liabilities and equity		**1,039,676**	1,305,303

Commitments *[note 32]*

See accompanying notes

CONSOLIDATED STATEMENTS OF INCOME

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

	Notes	**2020**	2019
Revenues		**199,519**	47,461
Cost of goods sold		**117,829**	20,543
Gross margin		**81,690**	26,918
Expenses			
Selling and marketing		**35,585**	7,789
General and administrative		**38,845**	24,460
Research and development		**11,725**	3,913
Amortization of intangible assets	*14*	**25,535**	3,413
Impairment of intangible assets	*14*	**656**	4,226
Operating loss		**(30,656)**	(16,883)
Interest income on financial instruments measured at amortized cost		**(9,112)**	(18,780)
Other interest income		**(5,210)**	(4,762)
Interest expense		**3,398**	370
Other income		**(169)**	(2,195)
Net gain on financial instruments measured at fair value through profit or loss	*16*	**(48,060)**	(20,714)
Net (gain) loss on mandatory tender offer liability	*16 [iii]*	**(12,072)**	5,757
Realized gain on sale of asset held for sale	*19*	**(2,948)**	—
Realized gain on automatic share purchase plan	*22 [iv]*	**(4,168)**	—
Share of net income of associate	*19*	**—**	(906)
Foreign exchange loss		**14,156**	1,389
Loss on hyperinflation		**1,444**	176
Income before income taxes		**32,085**	22,782
Income tax			
Current	*26*	**2,337**	3,836
Deferred	*26*	**(2,012)**	913
Income tax (recovery) expense		**325**	4,749
Net income for the year		**31,760**	18,033
Attributable to:			
Shareholders of the Company		**42,067**	14,517
Non-controlling interests		**(10,307)**	3,516
Attributable to shareholders of the Company			
Basic earnings per share	*25*	**0.32**	0.10
Diluted earnings per share	*25*	**0.32**	0.10
Weighted average number of common shares outstanding			
Basic	*25*	**131,783,255**	139,758,522
Diluted	*25*	**131,985,025**	140,139,220

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of Canadian dollars]

	2020	2019
Net income for the year	**31,760**	18,033
Other comprehensive income (loss), net of taxes		
Items that may be reclassified subsequently to net income:		
Unrealized (loss) gain on translation of foreign operations	(22,427)	(1,910)
Items permanently in other comprehensive income or loss:		
Net (loss) gain on equity investments at fair value through other comprehensive income net of tax of $90 (2019: $217)	(65)	3,784
Share of other comprehensive loss of associate net of tax of $580	—	(1,840)
Other comprehensive (loss) income for the year	**(22,492)**	34
Total comprehensive income for the year	**9,268**	18,067
Attributable to:		
Shareholders of the Company	**28,920**	10,967
Non-controlling interests	**(19,652)**	7,100

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[In thousands of Canadian dollars]

		Equity attributable to shareholders of the Company							
	Notes	**Share capital**	**Warrants**	**Contributed surplus**	**Accumulated other comprehensive income**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at January 1, 2019		**761,844**	**785**	**14,326**	**20,955**	**232,122**	**1,030,032**	**—**	**1,030,032**
Net income for the year		—	—	—	—	14,517	14,517	3,516	**18,033**
Other comprehensive income for the year		—	—	—	(3,550)	—	(3,550)	3,584	**34**
Comprehensive income		—	—	—	(3,550)	14,517	10,967	7,100	**18,067**
Share-based compensation expense	*22 [ii]*	—	—	2,137	—	—	2,137	—	**2,137**
Issuance under share purchase plan	*22 [iii]*	274	—	—	—	—	274	—	**274**
Repayment of share purchase loans		425	—	—	—	—	425	—	**425**
Shares purchased under Normal Course Issuer Bid	*22 [iv]*	(38,711)	—	—	—	(16,127)	(54,838)	—	**(54,838)**
Mandatory tender offer	*6*	—	—	—	—	(178,266)	(178,266)	—	**(178,266)**
Non-controlling interest arising on a business combination	*6*	—	—	—	—	—	—	97,275	**97,275**
Balance as at December 31, 2019		**723,832**	**785**	**16,463**	**17,405**	**52,246**	**810,731**	**104,375**	**915,106**
Balance as at January 1, 2020		**723,832**	**785**	**16,463**	**17,405**	**52,246**	**810,731**	**104,375**	**915,106**
Net income (loss) for the year		—	—	—	—	42,067	42,067	(10,307)	**31,760**
Other comprehensive loss for the year		—	—	—	(13,147)	—	(13,147)	(9,345)	**(22,492)**
Comprehensive income		—	—	—	(13,147)	42,067	28,920	(19,652)	**9,268**
Share-based compensation expense	*22 [ii]*	—	—	1,950	—	—	1,950	—	**1,950**
Issuance under share option plan		945	—	(350)	—	—	595	—	**595**
Issuance under share purchase plan	*22 [iii]*	275	—	—	—	—	275	—	**275**
Shares purchased under Normal Course Issuer Bid	*22 [iv]*	(30,701)	—	—	—	(10,252)	(40,953)	—	**(40,953)**
Acquisition of shares through mandatory tender offer	*6*	—	—	—	(5,761)	90,484	84,723	(84,723)	—
Expired and surrendered warrants	*22 [iv]*	—	(668)	668	—	—	—	—	—
Balance as at December 31, 2020		**694,351**	**117**	**18,731**	**(1,503)**	**174,545**	**886,241**	**—**	**886,241**

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

	Notes	**2020**	2019
OPERATING ACTIVITIES			
Net income for the year		**31,760**	18,033
Adjustments reconciling net income to operating cash flows:			
Deferred income tax		**(2,012)**	913
Share-based compensation expense	*22 [ii]*	**1,950**	2,137
Depreciation and amortization		**32,075**	4,270
Impairment on intangible assets	*14*	**656**	4,226
Net gain on financial instruments	*16*	**(48,060)**	(20,714)
Net (gain) loss on mandatory tender offer liability	*16 [iii]*	**(12,072)**	5,757
Realized gain on sale of asset held for sale	*19*	**(2,948)**	—
Realized gain on automatic share purchase plan	*22 [iv]*	**(4,168)**	—
Interest Expense		**3,398**	370
Unrealized foreign exchange loss		**9,429**	1,389
Loss on hyperinflation		**1,444**	176
Share of net income of associate	*19*	**—**	(906)
Other adjustments		**(81)**	(809)
		11,371	14,842
Changes in non-cash working capital and other items	*29*	**(21,607)**	6,043
Other receivable	*20*	**—**	(18,242)
Dividends from associate	*19*	**—**	4,159
Interest payments on bank loans		**(1,969)**	(2,206)
Cash (outflow) inflow from operating activities		**(12,205)**	4,596
INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash acquired	*6*	**(170,855)**	(172,306)
Purchase of marketable securities		**(37,778)**	(223,507)
Purchase of intangibles		**(15,290)**	(2,839)
Purchase of property and equipment		**(5,378)**	(109)
Issuance of loans receivables		**(7,364)**	(20,046)
Purchase of equity investments and derivatives		**(397)**	(538)
Settlement of forward foreign exchange contracts		**—**	(3,447)
Investment in funds	*16 [iv]*	**(15,766)**	(20,175)
Proceeds on sale of asset held for sale	*19*	**77,000**	—
Proceeds on maturity of marketable securities		**237,263**	400,373
Proceeds from repayments of loans receivable		**7,803**	8,540
Proceeds from disposal of equity investments	*16 [ii]*	**2,987**	4,104
Proceeds from distribution of funds	*16 [iv]*	**29,128**	18,090
Cash inflow (outflow) from investing activities		**101,353**	(11,860)
FINANCING ACTIVITIES			
Proceeds from exercise of stock options		**595**	—
Proceeds from contributions to share purchase plan		**231**	230
Proceeds from repayment of share purchase loans	*22*	**—**	425
Proceeds from bank loans		**24,581**	—
Repurchase of common shares through Normal Course Issuer Bid	*22 [iv]*	**(36,787)**	(54,838)
Principal repayment of lease liabilities	*12*	**(3,139)**	(716)
Principal repayments on bank loans		**(14,714)**	(7,896)
Cash outflow from financing activities		**(29,233)**	(62,795)
Increase (decrease) in cash and cash equivalents during the year		**59,916**	(70,059)
Cash and cash equivalents, beginning of the year		**174,268**	244,785
Net foreign exchange difference		**(4,592)**	(458)
Cash and cash equivalents, end of the year		**229,592**	174,268
Supplemental cash flow information:			
Interest received		**16,012**	20,985
Interest paid		**(1,969)**	(2,206)
Net income taxes paid		**(6,644)**	(2,336)

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° Pharmaceuticals LLC
Crescita	Crescita Therapeutics Inc.
GBT	Biotoscana Investments S.A.
Knight or the Company	Knight Therapeutics Inc.
Medexus	Medexus Inc.
Medimetriks	Medimetriks Pharmaceuticals Inc.
Medison	Medison Biotech (1995) Ltd.
Moksha8	Moksha8, Inc.
Pediapharm	Pediapharm Inc.
Synergy	Synergy CHC Corp.
Triumvira	Triumvira Immunologics Inc.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
[In thousands of Canadian dollars, except for share and per share amounts]

Abbreviation	Other(continued)
FVTPL	Fair value through profit or loss
G&A	General and administrative
IBR	Incremental borrowing rate
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
ITC	Investment tax credit
LATAM	Latin America
NAV	Net asset value
NCIB	Normal Course Issuer Bid
NDA	New Drug Application
PRV	Priority Review Voucher
R&D	Research and development expenses
RE	Retained earnings
S&M	Selling and marketing
S&P	Standard and Poor’s
Selic	Monetary policy interest rate used by the Central Bank of Brazil
SR&ED	Scientific research and experimental development
VA	Valuation allowance

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. NATURE OF OPERATIONS

Description of business

Knight was incorporated on November 1, 2013 under the Canada Business Corporations Act. The Company is a specialty pharmaceutical company, and its principal business activity is acquiring, in-licensing, out-licensing, developing, manufacturing, marketing and distributing pharmaceutical products in Canada, Latin America and select international markets. The Company is located at 3400 de Maisonneuve Boulevard West, Suite 1055, Montreal, Quebec, H3Z 3B8. Knight is listed on Toronto Stock Exchange under the ticker symbol “GUD”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation and statement of compliance

These consolidated financial statements of the Company for the year ended December 31, 2020, have been prepared in accordance with IFRS. The policies set out below have been consistently applied to all the periods presented.

These consolidated financial statements were approved by the Company’s Board of Directors on March 24, 2021.

Impact of the COVID-19 Pandemic

The recent outbreak of the coronavirus, or COVID-19, which has been declared by the World Health Organization to be a pandemic, has spread across the globe and is impacting worldwide economic activity. There is significant uncertainty regarding the potential impact that the pandemic may have on the Company’s operations. The extent to which the impacts of COVID-19 affect the judgments and estimates described in note 3 depends on future developments, which are highly uncertain and cannot be predicted.

Uncertainties related to the continued magnitude and duration of the COVID-19 pandemic, the extent to which it will impact our estimated future financial results, worldwide macroeconomic conditions including interest rates, employment rates, consumer spending, health insurance coverage, the speed of the anticipated recovery and governmental and business reactions to the pandemic, including any possible re-initiation of shutdowns or renewed restrictions, have increased the complexity of developing these estimates, including the allowance for inventory obsolescence, expected credit losses and the carrying values of financial assets, property plant and equipment, goodwill, other intangible assets and deferred tax assets. Actual results may differ significantly from our estimates, including as a result of COVID-19. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these audited annual consolidated financial statements.

As at December 31, 2020, the Company assessed the possible impacts of COVID-19 on its financial results. The Company has evaluated its other financial assets, property, plant and equipment, intangible assets, and goodwill for impairment and no changes from the carrying amount were required in the reporting period related to COVID-19.

2.2 Basis of consolidation

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Name	Jurisdiction of incorporation	%
11718991 Canada Inc.	Canada	100%
Knight Therapeutics (Barbados) Inc.	Barbados	100%
Knight Therapeutics (USA) Inc.	Delaware, USA	100%
Abir Therapeutics Ltd.	Israel	100%
Biotoscana Investments S.A.[1,2]	Luxembourg	99.9%

[1]Biotoscana Investments S.A. directly and indirectly owns 26 companies, 6 of which are holding companies, 4 are non-operating companies and the remaining 15 are operating as LKM, United Medical and Biotoscana in 10 countries in LATAM
[2]Effective November 29, 2019 the Company owned a controlling stake in GBT through its majority voting rights and began consolidating GBT in its financial statements.

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

2.3 Summary of significant accounting policies

Financial Reporting in Hyperinflationary Economies

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

IAS 29, Financial Reporting in Hyperinflationary Economies, has been applied to these consolidated financial statements as the Company's Argentine subsidiaries ("Argentine Subsidiaries") use the Argentine Peso as their functional currency. IAS 29 requires that the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy be adjusted based on an appropriate general price index to express the effects of inflation, and shall be stated in terms of the measuring unit current at the end of the reporting period. To measure the impact of inflation on its financial position and results, the Company has elected to use the Retail Price Index (Indice de Precios al Consumidor or "IPC"). As at December 31, 2020 the IPC was 5,124 (2019: 3,761) which represented an increase of 36% compared to December 31, 2019.

All balance sheet items of Argentine subsidiaries should be segregated into monetary and non-monetary items. Monetary items are units of currency held, and assets and liabilities to be received or paid, in fixed or determinable number of units of currency. These monetary items are not restated because they are already expressed in terms of the current monetary unit. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, and an entity with an excess of monetary liabilities over monetary assets gains purchasing power, to the extent the assets and liabilities are not linked to a price level. The gain or loss on the net monetary position is included in the consolidated statement of income as "Loss on hyperinflation".

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Business combinations and Goodwill

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

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

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

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

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

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

The Company performs goodwill impairment tests on an annual basis. Indicators of impairment are assessed at each reporting period end and goodwill is tested for impairment if an indicator of impairment is identified at that time. An impairment loss is recognized in the event that the carrying value of the CGU or group of CGUs to which goodwill is assigned exceeds its recoverable amount. The recoverable amount of a CGU or group of CGUs is measured as the higher of value in use and fair value less costs of disposal. Goodwill impairment losses are not reversed.

Foreign currency translation

[a] Functional and presentation currency

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[b] Transactions and balances

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

[c] Foreign operations

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

Cash, cash equivalents and restricted cash

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

Marketable securities

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

Inventories

Inventories include raw material, packaging components, work-in-progress and finished goods, which are valued at the lower of cost (first-in, first-out basis) and net realizable value. With regards to inventories of a subsidiary whose functional currency is that of an economy considered hyperinflationary, the cost is adjusted and translated into the reporting currency following the criteria mentioned in the “Financial Reporting in Hyperinflationary Economies” policy. Manufactured inventory cost includes the cost of raw materials, direct labour, an allocation of overhead and the cost to acquire finished goods. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and applicable selling expenses.

Assets held for sale

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Financial Instruments

Initial classification

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Criteria for classification of financial assets

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

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

Measurement

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

Classification	Initial measurement	Subsequent measurement	Changes in fair value
Financial assets			
Amortized Cost	Fair value on the trade date less expected credit loss	Amortized cost using the effective interest method.	Reported in consolidated statement of income when realized or impaired. Interest accretion on loans is recorded in "Interest income on financial instruments measured at amortized cost" on the consolidated statement of income.
FVTPL	Fair value on the trade date	Re-measured at subsequent reporting dates to fair value using quoted market prices, if available. Re-measured using the Black-Scholes option pricing valuation model or other techniques if quoted market prices are not available.	Reported in "Net gain on financial instruments measured at FVTPL" on the consolidated statement of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Day 1 Gain on Initial Measurement

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

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

Impairment of financial assets

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

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

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

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

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

Derecognition

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

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

Fair value hierarchy

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

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

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

Derivative financial instruments and hedge accounting

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

Derivatives are initially recorded at fair value and are subsequently remeasured at fair value. Any gains or losses arising from

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

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

Right-of-use assets

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

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and/or accumulated impairment losses, if any. With regards to property, plant and equipment of a subsidiary whose functional currency is that of an economy considered hyperinflationary, the cost is adjusted and translated into the reporting currency following the criteria mentioned in the “Financial Reporting in Hyperinflationary Economies” policy. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to consolidated net income during the financial period in which they are incurred.

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

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

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

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

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Investment properties

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

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

Intangible assets

Intangible assets acquired are recorded at cost. With regards to intangible assets of a subsidiary whose functional currency is that of an economy considered hyperinflationary, the cost is adjusted and translated into the reporting currency following the criteria mentioned in the "Financial Reporting in Hyperinflationary Economies" policy. Intangible assets consist of license rights, intellectual property (pharmaceutical product rights, process know-how covered by certain patented and non-patented information, trademarks) and software related costs. In addition, in many cases the product licence agreements include contractual payments upon achieving specific regulatory or sales related milestones. These milestone payments are part of the total consideration to be paid for the license rights. Therefore, at the time when the Company enters in such agreements, the likelihood of attainment of these payments is analysed and a probability approach is used to determine the fair value of any future payment which are capitalized. The Company reassesses the probabilities used at each reporting period and any changes will impact the intangible assets and other balances payable accounts.

Intangible assets with finite lives are amortized on a straight-line basis over the lesser of the term of the agreement, the life of the patent or the expected useful life of the product once they are available for commercialization. The amortization terms range from 3 to 10 years. The Company periodically reviews the useful lives and the carrying values of its intangible assets. As a result, the useful life of intangible assets may be adjusted accordingly.

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

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

Investments in associates

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

The Company accounts for investments in associates using the equity method. Under the equity method, investments in associates are initially recognized at cost. The carrying amount of the investment is adjusted for the Company's share of the

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associates' net income, net of the amortization of fair value adjustments and dividends received. Goodwill relating to associates is included in the carrying amount of the investments and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associates.

The share of net income from associates is shown on the face of the consolidated statement of income less amortization and tax effect of fair value adjustments. This is the net income or loss attributable to shareholders of the associates and therefore is income after tax. When the Company's share of losses in associates equals or exceeds its interest in the associates the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associates. The share of other comprehensive income from associates is shown on the face of the consolidated statements of comprehensive income and is presented net of tax. The financial statements of the associates are prepared for the same reporting period as the Company. Where necessary, adjustments are made to the financial statements and results of the associate to bring the accounting policies and classifications in line with those of the Company.

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

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

Accruals and provisions

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

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

Lease liabilities

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

The Company uses the IBR to calculate the fair value of lease payments at the lease inception date if the interest rate implicit

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

Other balances payable

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

Share-based compensation plans

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

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

Share purchase plan

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

Equity instrument share issue costs

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

Non-controlling interests

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

Revenue Recognition

Revenue related to the sale of goods is recognized at the point in time when the Company has satisfied its performance obligations and control is transferred to the customer which is on shipment or delivery of the product. The Company generally has a right to receive payment in accordance with agreed payment terms at the time of delivery, as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due. Revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The normal credit term varies depending on the country in which the revenue is generated; credit terms will typically range between 30 and 45 days from the invoice date in all countries outside of LATAM, while they can

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typically range from 60 to 120 days from the invoice date in LATAM. In certain circumstances, returns or exchange of products are allowed under the Company's general terms and conditions or the Company may provide discounts or allowances, which gives rise to variable consideration. The variable consideration is estimated using the expected value method as this best predicts the amount of variable consideration to which the Company is entitled. Amounts are recognized as a reduction of revenue at the time the control of the products purchased is transferred to the customer. In certain situations, such as initial product launches for which the Company has limited comparable information or where the market or client acceptance has not been clearly established, the Company may determine that it has not met the requirements for recognition of revenue, such as the ability to reasonably determine provisions for product returns, as a result revenue will be constrained.

In certain cases, revenue from the sale of goods is recognized even when the corresponding goods have not been delivered to the extent that the transaction corresponds to a sale with a deferred delivery method (usually known as bill-and-hold arrangement). For bill-and-hold arrangements, revenue is recognized when the customer has obtained control of the goods and the customer has requested the arrangement, the goods are separately identified as belonging to the customer, the goods are ready for physical transfer to the customer and the Company does not have the ability to use the goods or direct it to another customer.

Performance obligations under bill-and-hold arrangement involve the transfer of ownership of the products sold and the custodian and transportation services until the customer request of physical delivery. At the time of invoicing, the related revenue is measured at the fair value of the consideration received or receivable, net of returns, allowances and discounts, after excluding from the sales price the portion related to custodian and transportation services. That portion of the sale's price is subsequently accrued during the time elapsed from invoicing to final physical delivery, jointly with the related costs.

Research and development

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

Interest income/expense

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

Borrowing costs

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

Other income

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

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Government assistance

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

Income taxes

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

[a] Current income tax

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

[b] Deferred tax

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

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

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

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

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

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Commodity tax

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

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

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

Earnings per share

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

3. USE OF JUDGMENTS AND ESTIMATES

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

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

Goodwill, intangible assets and business combinations

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

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

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates and it's complemented by a case by case analysis to identify special circumstances related to individual customers and/or transactions, considering any relevant forward-looking information.

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The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Inventory Provision

The Company adjusts the carrying value of inventory to consider any cost that cannot be recovered due to obsolescence or other factors. In order to perform this analysis, the Company considers estimates of future demand for each product, the expiration dates and the respective short-dated periods in the various countries defined for each product to determine appropriate inventory provision.

In the event of a sudden significant decrease or increase in demand for the Company's products, the Company may increase or decrease its inventory provision, which would directly impact the cost of goods sold and have an impact on the profitability of the Company.

Fair value measurement of financial assets

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

Investments in Funds

The Company records investments in funds at its NAV and judgment is used to determine if the NAV provided by the fund approximates fair value. The Company inspects all details provided from the fund managers related to the underlying investments and determines if the changes from one period to another are reasonable. The Company will corroborate the changes with external sources to the extent possible. If it is determined that the NAV represents fair value, the investment in fund is adjusted to reflect the NAV and unrealized gains or losses are recorded in the statement of income. Upon the sale of the funds' underlying assets, the Company does not record any potential milestone gains in its NAV, which are related to contingent events such as clinical, regulatory or commercial successes, until they are realized.

Loans receivable

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

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

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

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

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

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

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

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU or group of CGUs being tested. Discount rates are based on the Company's cost of capital, adjusted for asset-specific risks. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Future events could cause the assumptions used in the impairment review to change with a consequential adverse effect on the results of the Company.

Determination of CGUs and Groups of CGUs

The determination of the Company's CGUs, group of CGUs and their associated assets involves judgement and is based on the identification of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, considering various factors including how management monitors the operations of the Company (such as by product line, business, individual location, district or regional area) or how management makes decisions about continuing or disposing of the entity's assets and operations. The Company has determined that the lowest aggregation of assets that generate largely independent cash inflows include products, licenses, and intellectual properties. For purposes of the Company's goodwill impairment testing, the Company has grouped certain CGUs to test at the lowest level at which management monitors goodwill for internal management purposes, which is the cash flows generated by Biotoscana Investments S.A . The Company has used significant judgement in determining the groups of CGUs.

Other balances payable

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

Uncertain tax positions

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities

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of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

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

Valuation of deferred tax assets

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

Functional currency

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

4. ADOPTION OF NEW ACCOUNTING STANDARDS

IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendment is effective for annual reporting periods beginning on or after January 1, 2020. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

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5. RECENT ACCOUNTING PRONOUNCEMENTS

Various pronouncements have been issued by the International Accounting Standards Board or IFRS interpretations committee that will be effective for future accounting periods. The Company closely monitors new accounting standards as well as amendments to existing standards and assesses what impact, if any, they will have on the consolidated financial statements. None of the standards issued to date are expected to have a material effect on the consolidated financial statements.

6. BUSINESS COMBINATION

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

Fair value of consideration

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

Purchase consideration, net assets acquired, and goodwill

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Provisional accounting

As at December 31, 2019, due to the timing of the acquisition and the complexity associated with the valuation process, the measurement of the intangible assets, property, plant and equipment and assets-held-for-sale acquired, including deferred taxes, was subject to adjustment. During the year ended December 31, 2020, the Company concluded that there were no adjustments needed to the original valuations and therefore the purchase price allocation is considered final.

Goodwill

Goodwill is attributable primarily to the strategic and synergistic opportunities related to the pharmaceutical business, expected corporate synergies, the assembled workforce of GBT and other factors. The Company has allocated the goodwill to the group of CGUs that contains all of the Latin American entities. None of the goodwill recognized is expected to be deductible for income tax purposes.

Foreign Currency Contracts

The Company entered into foreign exchange forward contracts and foreign exchange non-deliverable forward contracts to mitigate its exposure to foreign currency risks for the acquisition of 51.2% of GBT in exchange for BRL 596,662. The Company entered into foreign exchange forward contracts to sell CAD and buy USD $85,000 at a weighted average rate of 1.31 CAD per USD. The Company also entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 595,662 at a weighted average rate of 4.08 BRL per USD. These contracts were settled on November 27, 2019 and the

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Company designated the effective portion of these contracts as cash flow hedges which resulted in an increase of the Purchase Consideration by $3,246. The ineffective portion resulted in a loss of $3,445 which was recorded in the consolidated statement of income as “Net gain on financial instruments measured at fair value through profit or loss”.

Acquisition-related costs

During the year ended December 31, 2019, the Company incurred transaction costs of $8,019 which were included in “General and administrative expenses” in the consolidated statements of income. During the year ended December 31, 2020, the Company incurred an additional $3,693, primarily related to the tender offer.

Measurement of non-controlling interests

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

Upon close of the tender offer process in the year ended December 31, 2020, the Company derecognized the non-controlling interest balance that was recognized prior to obtaining full ownership of GBT against its retained earnings.

Acquired receivables

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

Revenue and profit contribution

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

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

Mandatory Tender Offer

Subsequent to the GBT Transaction, the remaining 48.8% of GBT was publicly-held and traded on B3, Brazil’s main stock exchange, through BDRs. On July 15, 2020, the Company announced the launch of the tender offer for the acquisition and delisting of all outstanding BDR of Biotoscana Investments S.A (the "Unified Tender Offer").

In connection with the Unified Tender Offer, the Company entered into foreign exchange contracts to mitigate its exposure to foreign currency risks. Prior to the completion of the Unified Tender Offer, the Company held foreign exchange forward contracts to sell CAD and buy USD $124,442 at a weighted average rate of 1.32 CAD/USD (“USD Contract”). In addition, the Company entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 510,873 at an average rate of 4.10 BRL per USD (“BRL Contract”). Along with the launch of the Unified Tender Offer, the Company settled the USD Contract and BRL Contract (“FX Contracts”) and the Company converted $163,797 to BRL 510,873.

The public shareholders had the choice between the following two tender options:

- BRL11.23 per BDR with an amount equivalent to 20% deposited in an escrow account to secure the sellers' indemnification obligations under the purchase agreement for the GBT Transaction, provided that BRL 0.91 of the

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escrow amount shall be mandatorily paid on or at any time prior to November 29, 2022. The escrow amount releases equally over a period of three years from closing, net of claims in accordance with the terms and conditions of the Share Purchase Agreement.

- BRL10.40 per BDR in cash on the settlement date ("Alternative Offer Price").

Upon close of the tender offer process, 99.6% of the public shareholders tendered their BDRs through the Alternative Offer Price. The Company paid an aggregate purchase price of $170,855 [BRL 537,523] and obtained 99.9% ownership of GBT. As a result of the completion of the tender offer process, the Company derecognized its mandatory tender offer liability and the non-controlling interest which had been recorded since the GBT Transaction.

On October 23, 2020, the BDR program of GBT was cancelled by the Brazilian Securities and Exchange Commission. Refer to note 16 [iii] for further details.

7. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

As at December 31,	2020 $	2019 $
Cash in bank	**227,011**	163,931
Cash equivalents	**2,581**	5,337
Restricted cash	**—**	5,000
Total	**229,592**	174,268

As at December 31, 2019, the Company had restricted cash of $5,000 primarily in respect of cash held in escrow in accordance to the terms of an agreement and was disbursed during 2020.

8. MARKETABLE SECURITIES

As at December 31,	2020 $	2019 $
Current		
GICs earning interest at rates ranging from 1.25% to 3.30% and maturing from January 2021 to June 2021 (December 31, 2019: 2.16% to 3.25%, January 2020 to December 2020)	**118,711**	191,978
Term deposits of US$22,467 earning interest at rates ranging from 1.60% to 3.04% and maturing from February 2021 to April 2021 (December 31, 2019: US$22,331; 2.57% to 3.00%, January 2020 to July 2020)	**28,605**	29,003
GICs of US$7,000 earned interest at rates ranging from 3.14% to 3.24% and matured from January 2020 to February 2020	—	9,092
Corporate bond investment with a coupon rate of 1.57% and matured May 2020	—	4,972
Total current	**147,316**	235,045
Non-current		
GICs earning interest at rates ranging from 3.09% to 3.37% and maturing from January 2022 to March 2022 (December 31, 2019: 2.65% to 3.37%; January 2021 to March 2022)	**15,317**	111,146
Term deposits of US$12,106 earned interest at rates ranging from 2.82% to 3.04% and matured from February 2021 to April 2021	**—**	15,723
Total non-current	**15,317**	126,869
Total	**162,633**	361,914

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9. TRADE RECEIVABLES

As at December 31,	2020	2019
	$	$
Current	62,515	85,845
Non-Current	161	4,715
Total	**62,676**	90,560

The Company maintains an allowance for expected credit losses that represents its estimate of uncollectible amounts based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. During the year ended December 31, 2020, the Company recorded an expense due to ECL of $3,534 in the consolidated statement of income as operating expenses. With the acquisition of GBT on November 29, 2019 the trade and accounts receivable balance have been acquired at their fair value, which is net of the ECL. As a result, the Company had a minimal ECL balance as at December 31, 2019.

The aging analysis of trade and accounts receivables, net of the ECL of $3,534 (2019: nil), at each reporting date was as follows:

As at December 31,	2020	2019
	$	$
Not yet due	45,950	62,912
0-90 days overdue	10,212	18,935
Over 90 days	6,514	8,713
Total	**62,676**	**90,560**

10. OTHER RECEIVABLES

As at December 31,	2020	2019
	$	$
Interest receivable	4,270	7,534
Other receivables[1]	4,695	6,086
Commodity taxes receivable	3,448	4,002
Total	**12,413**	17,622

[1] *Includes a distribution receivable from a strategic fund investment of $1,221 (2019: $2,456)*

11. INVENTORIES

As at December 31,	2020	2019
	$	$
Raw materials	9,877	12,081
Work in progress	6,182	2,158
Finished goods	40,446	56,631
Total	**56,505**	70,870

During the year ended December 31, 2020, total inventory of $115,101 (2019: $19,518) was recognized as cost of goods sold including a write-down of inventories of $10,046 (2019: $324).

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12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

[i] Right-of-use assets

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

	$
Balance as at January 1, 2019	**—**
Impact of initial adoption of IFRS 16	1,121
Additions due to GBT Transaction (Note 6)	5,487
Additions	303
Depreciation	(508)
Foreign exchange	6
Balance as at December 31, 2019	**6,409**
Additions	1,474
Disposals and write offs	(699)
Depreciation	(2,653)
Foreign exchange	(496)
Balance as at December 31, 2020	**4,035**

[ii] Lease liabilities

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

	$
Balance as at January 1, 2019	**—**
Impact of initial adoption of IFRS 16	1,139
Additions due to GBT Transaction (Note 6)	5,487
Additions	287
Payments during the year	(716)
Interest expense during the year	87
Foreign exchange	316
Balance as at December 31, 2019	**6,600**
Additions	1,474
Cancellations	(712)
Payments during the year	(3,139)
Interest expense during the year	597
Foreign exchange	(402)
Balance as at December 31, 2020	**4,418**

Current	1,875
Non-current	2,543

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	$
Due within 1 year	**2,231**
Due between 1 and 3 years	**1,847**
Due between 3 and 5 years	**526**
Due after 5 years	**122**
Total	**4,726**

13. PROPERTY, PLANT AND EQUIPMENT

Cost	**Land** $	**Building** $	**Machinery and Equipment** $	**Computer and Office Equipment** $	**Other** $	**Total** $
Balance as at January 1, 2019	**—**	**749**	**—**	**211**	**—**	**960**
Additions	—	69	31	9		**109**
Additions due to GBT Transaction (Note 6)	921	5,863	12,331	1,853	1,243	**22,211**
Reclassified to asset-held-for-sale	—	(614)	—	—	—	**(614)**
Disposals and write-offs	—	—	—	(4)	(12)	**(16)**
Foreign exchange and hyperinflation adjustments	34	311	419	159	22	**945**
Balance as at December 31, 2019	**955**	**6,378**	**12,781**	**2,228**	**1,253**	**23,595**
Additions	—	476	5,200	528	346	**6,550**
Disposals and write-offs	—	(84)	(332)	(12)	(97)	**(525)**
Foreign exchange and hyperinflation adjustments	(69)	(474)	(2,031)	(205)	(147)	**(2,926)**
Balance as at December 31, 2020	**886**	**6,296**	**15,618**	**2,539**	**1,355**	**26,694**
Depreciation						
Balance as at January 1, 2019	**—**	**73**	**—**	**93**	**—**	**166**
Depreciation charge	—	90	107	144	8	**349**
Disposals and write-offs	—	(17)	—	—	—	**(17)**
Foreign exchange and hyperinflation adjustments	—	174	191	84	9	**458**
Balance as at December 31, 2019	**—**	**320**	**298**	**321**	**17**	**956**
Depreciation charge	—	1,207	2,034	560	86	**3,887**
Foreign exchange and hyperinflation adjustments	—	(147)	(74)	(45)	(10)	**(276)**
Balance as at December 31, 2020	**—**	**1,380**	**2,258**	**836**	**93**	**4,567**
Net book value as at December 31, 2019	955	6,058	12,483	1,907	1,236	22,639
Net book value as at December 31, 2020	**886**	**4,916**	**13,360**	**1,703**	**1,262**	**22,127**

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14. INTANGIBLE ASSETS

	Licenses $	Intellectual properties $	Software $	Total $
Balance as at January 1, 2019	**15,171**	**6,471**	**—**	**21,642**
Additions	3,673	—	10	**3,683**
Additions due to GBT Transaction (Note 6)	122,775	34,115	965	**157,855**
Disposals and write-offs	(1,638)	—	—	**(1,638)**
Foreign exchange and hyperinflation adjustments	3,350	173	(22)	**3,501**
Balance as at December 31, 2019	**143,331**	**40,759**	**953**	**185,043**
Additions	26,266	—	102	**26,368**
Disposals and write-offs	(192)	—	(87)	**(279)**
Foreign exchange and hyperinflation adjustments	(15,627)	(2,031)	(111)	**(17,769)**
Balance as at December 31, 2020	**153,778**	**38,728**	**857**	**193,363**
Amortization and Impairment				
Balance as at January 1, 2019	**1,798**	**2,369**	**—**	**4,167**
Amortization charge	1,574	1,811	28	**3,413**
Impairment	2,583	1,643	—	**4,226**
Foreign exchange and hyperinflation adjustments	7	(134)	(8)	**(135)**
Balance as at December 31, 2019	**5,962**	**5,689**	**20**	**11,671**
Amortization charge	19,322	6,072	141	**25,535**
Impairment	656	—	—	**656**
Disposals and write-offs	—	—	(28)	**(28)**
Foreign exchange and hyperinflation adjustments	(660)	(293)	(65)	**(1,018)**
Balance as at December 31, 2020	**25,280**	**11,468**	**68**	**36,816**
Net book value as at December 31, 2019	137,369	35,070	933	173,372
Net book value as at December 31, 2020	**128,498**	**27,260**	**789**	**156,547**

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

During the year ended December 31, 2020, the Company recorded additions to licenses of $26,266 (2019: $3,673, excluding the addition related to the GBT Transaction), related mainly to an upfront payment and certain milestones paid and payable under product license agreements.

Impairment

During the year ended December 31, 2020, the Company recorded an impairment loss of $656 (2019: $4,226) in the consolidated statement of income in "Impairment of intangibles". The loss represents a write-down of certain intangible assets to the recoverable amount as a result of a change in commercial expectations. The recoverable amount was determined based on value in use ("VIU") and was determined at the individual intangible asset level. The value-in-use calculations were performed using a discount rate of 10% (2019: 13%) and considers the forecasted cash flows of each intangible asset based on the current commercialization plans for these products.

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15. GOODWILL

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

	$
Balance as at January 1, 2019	—
Additions due to GBT Transaction (Note 6)	86,500
Foreign exchange and hyperinflation adjustments	1,762
Balance as at December 31, 2019	**88,262**
Foreign exchange and hyperinflation adjustments	(10,537)
Balance as at December 31, 2020	**77,725**

Impairment

For purposes of the Company's goodwill impairment testing, the Company has grouped certain CGUs to test at the lowest level at which management monitors goodwill for internal management purposes, which is the GBT level.

The Company performed its annual impairment test of goodwill at December 31, 2020. The recoverable amount was determined based on VIU and considered the cash flows of the group of CGUs based on the current commercialization plans. In assessing the VIU, estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGUs. The VIU calculations were performed using pre-tax discounts rates between 9.03% and 18.75%, depending on the country where the cash flows originate. The discount rates used represent the Company's current WACC. The Company determined the terminal value as an estimate of the present value of the future cash flows in the terminal period. The future cash flows were based on the final cash flows in the five-year budget period which was approved by the board of directors. For such purposes, the Company applied a terminal-growth rate of 3%. Based on the Company's assessment, the recoverable amount is higher than the carrying value and therefore no impairment loss was recorded during the year ended December 31, 2020.

16. OTHER FINANCIAL ASSETS

	Carrying amount	
As at December 31,	**2020**	2019
	$	$
Loans and other receivables *[i]*		
Measured at amortized cost	**8,847**	2,181
Measured at FVTPL	**24,261**	28,390
Equity Investments *[ii]*		
Measured at FVTPL	**5,154**	3,712
Measured at FVOCI	**4,464**	6,473
Derivatives *[iii]*		
Measured at FVTPL	**1,493**	4,334
Fund Investments *[iv]*		
Measured at FVTPL	**149,736**	114,061
Total	**193,955**	159,151

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

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For the year ended December 31, 2020	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]	700	(46)	**654**
Equity Investments *[ii]*	(2,492)	674	**(1,818)**
Derivatives *[iii]*[2]	1,193	36,165	**37,358**
Fund Investments *[iv]*	(30,089)	(16,644)	**(46,733)**
Total	**(30,688)**	**20,149**	**(10,539)**

[1]Realized (gain) loss on financial assets measured at FVTPL includes recognition of deferred day 1 gains and change in FMV related to early repayment.
[2]Includes a loss of $37,521 related to loss on forward contracts and non-deliverable forward contracts entered into for the acquisition of 51.2% of GBT which is recorded in the consolidated statement of income as "Net gain (loss) on mandatory tender offer liability". Refer to note 16 [iii] for additional details.

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

[1]Realized (gain) loss on financial assets measured at FVTPL includes recognition of deferred day 1 gains and change in FMV related to early repayment.
[2]Realized loss on derivatives relates to loss on forward contracts and non-deliverable forward contracts entered into for the acquisition of 51.2% of GBT. Refer to note 6 for further details.

[i] Loans and other receivables

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

	Carrying value as at January 1 $	Additions $	Loan repayments $	Net (loss) gain on FA[1] $	Foreign exchange[2] $	Carrying value end of year $	Current other financial assets $	Non-current other financial assets $
2020								
Amortized Cost	2,181	7,364	(68)	—	(630)	8,847	5,106	3,741
FVTPL	28,390	4,305	(7,734)	(654)	(46)	24,261	6,129	18,132
Total	**30,571**	**11,669**	**(7,802)**	**(654)**	**(676)**	**33,108**	**11,235**	**21,873**
2019								
Amortized Cost	2,964	2,061	(2,700)	—	(144)	2,181	—	2,181
FVTPL	24,711	21,844	(8,474)	(8,672)	(1,019)	28,390	13,439	14,951
Total	**27,675**	**23,905**	**(11,174)**	**(8,672)**	**(1,163)**	**30,571**	**13,439**	**17,132**

[1] Net changes related to change in the fair value of loan receivables and recognition of day 1 gains
[2] Recorded a loss of $274 in the consolidated statement of income in "Foreign exchange loss (gain)" (2019: loss of $463) and a loss of $402 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2019: loss of $700)

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

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 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 rights to commercialize Triumvira's future products in select countries. On April 16, 2020, Triumvira repaid the loan and all remaining accrued interest as at the date thereof.

Synergy

On August 9, 2017, Knight issued a secured loan of $12,705 [US$10,000] with an annual interest rate of 10.5% for a three-year term to Synergy. On May 8, 2020, the Company amended certain terms of the loan with Synergy and issued an additional loan of $3,457 [US$2,500] which bears interest at 12.5% per annum and matures on May 8, 2021. The loan was recorded at its nominal value which represents fair value and subsequently accounted for at amortized cost.

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 $159,150 [US$125,000] ("Financing Agreement"), of which $13,134 [US$10,000] was initially issued. The loan disbursed was recorded at a relative fair value of $13,449 [US$10,213] upon initial measurement and subsequently accounted for at FVTPL. The loan bears interest at 15% per annum and matures five years from the issuance date. Furthermore, Knight received warrants representing 5% of the fully diluted shares of Moksha8.

On September 30, 2019, the Company loaned an additional $1,987 [US$1,500] as an advance of a future loan commitment to Moksha8 at an interest rate of 15% per annum. The loan matures in 2021 and was recorded at its nominal value which represents fair value and is subsequently accounted for at amortized cost. As at December 31, 2020, the total nominal loan balance outstanding was $15,267 [US$11,993] (2019: $15,577 [US$11,993]).

Under the terms of the Financing Agreement, Knight has a remaining loan commitment of $10,822 [US$8,500] which may be disbursed should Moksha8 meet pre-defined profitability targets. In addition, the Company may issue an additional $127,320 [US$100,000] at Knight's sole discretion for corporate development and the acquisition of product licenses.

60P

On December 10, 2015, the Company entered into a strategic loan relationship with 60P for the development of tafenoquine ("Arakoda™") for the prevention of malaria in adults and received the commercial rights of Arakoda™ for Canada, Latin America, Israel and Russia. As at December 31, 2019, the fair value of the loan was determined to be nil and the nominal loan balance was $8,034 [US$6,310]. There were no changes to the loan fair value or balances during 2020.

Medimetriks

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Crescita

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

[ii] Equity investments

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

	Carrying value as at January 1 $	Additions[1] $	Disposals[2] $	Net gain (loss) on FA[3] $	Foreign exchange $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2020								
FVTPL	**3,712**	782	(1,162)	1,818	4	**5,154**	5,154	—
FVOCI	**6,473**	—	(1,825)	(132)	(52)	**4,464**	1,355	3,109
Total	**10,185**	**782**	**(2,987)**	**1,686**	**(48)**	**9,618**	**6,509**	**3,109**
2019								
FVTPL	4,736	405	(775)	(644)	(10)	**3,712**	3,712	—
FVOCI	6,074	—	(3,329)	3,888	(160)	**6,473**	3,442	3,031
Total	**10,810**	**405**	**(4,104)**	**3,244**	**(170)**	**10,185**	**7,154**	**3,031**

[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 consolidated statement of income (FVTPL) or statement of comprehensive income (FVOCI)

Equity investments measured at FVTPL

Medexus

During the year ended December 31, 2020, Knight sold 9,700 common shares of Medexus at an average selling price of $7.00 for total proceeds of $68, realizing a gain of $38. Subsequent to December 31, 2020, Knight sold an additional 315,600 shares of Medexus for total proceeds of $2,624 realizing a gain of $1,639. The common shares were acquired by Knight at an average cost of $3.12 per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[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 December 31,		2020		2019
	Number of common shares owned	FV $	Number of common shares owned	FV $
Crescita	**1,935,489**	**1,355**	1,935,489	1,800
Profound[1]	**—**	—	111,355	1,642
Synergy[2]	**17,645,812**	—	17,645,812	—
Medimetriks[3]	**2,315,007**	**3,109**	2,315,007	3,031
Total		**4,464**		6,473

[1] *On October 16, 2019, Profound completed a 10 to 1 share consolidation. As a result of the consolidation, Knight owned 276,555 common shares of Profound at that date.*
[2] *Valued using the quoted market price (closing share price on the OTCXD) less the day 1 gain on initial measurement that the Company deferred. FMV before considering the deferred day 1 gain is $899 [US$706]*
[3] *Valued using the income approach valuation technique less the day 1 gain on initial measurement that the Company deferred. FMV, net of the day 1 gain, in original currency is US$2,442*

Profound

During 2019, Knight sold 185,200 common shares of Profound for total proceeds of $2,413. During 2020, Knight sold its remaining 111,355 common shares of Profound at an average selling price of $16.39 for total proceeds of $1,825.

Crescita

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

[iii] Derivatives

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

	Carrying value as at January 1	Additions[1]	Disposals[2]	Net (loss) gain on FA[3]	Foreign exchange[4]	Carrying value end of period	Current other financial assets	Non-current other financial assets
	$	$	$	$	$	$	$	$
2020	**4,334**	**—**	**34,689**	**(37,358)**	**(172)**	**1,493**	**179**	**1,314**
2019	1,805	1,134	—	1,501	(106)	4,334	2,878	1,456

[1] *Derivatives recognized during the year*
[2] *Derivatives derecognized or disposed of during the year*
[3] *Includes a loss of $37,521 recorded on foreign exchange contracts, which is recorded in the consolidated statement of income as "Net (gain) loss on mandatory tender offer liability"*
[4] *Recorded a loss of $12 (2019: loss of $50) in the consolidated statement of income in "Foreign exchange loss (gain)" and a loss of $160 (2019: loss of $57) in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations"*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Moksha8

In conjunction with the Moksha8 Financing Agreement, Knight received 23,744 warrants at an exercise price of US$0.01 each representing 5% of the fully diluted shares of Moksha8. The warrants were initially recorded at a relative fair value of $497 [US$372] valued using the Black-Scholes model. As at December 31, 2020 the warrants were recorded at a fair value of $473 [US$372] (2019: $483 [US$372]) .

Triumvira

In conjunction with the Triumvira Loan Agreement, Knight received warrants to purchase 3.5% of Triumvira's fully diluted common shares. The warrants were initially recorded at their relative fair value of $321, valued using the Black-Scholes model. As at December 31, the warrants were recorded at a fair value of $259 (2019: $301).

Medimetriks

During the year ended December 31, 2017, pursuant to its loan agreement with Medimetriks, the Company recorded $496 [US$395] as a derivative for the right to obtain a cash payment subject to a future event. The cash payment fluctuates with the value of the common shares of Medimetriks which was determined using an income approach valuation technique. As at December 31, 2020, the derivative was recorded at a fair value of $457 [US$359] (2019: $466 [US$359]).

Synergy

During the year ended December 31, 2017, as consideration for a $12,705 [US$10,000] loan issued to Synergy, the Company received a success fee payable at maturity. The success fee is a derivative as its value fluctuates with the changes in market price of Synergy's common shares. The initial fair value of the success fee of $870 [US$685] was determined based on the present value of the expected payment. During 2020, the success fee was converted to a fixed amount, therefore the derivative was derecognized and recorded as part of loans and other receivables (2019: derivative of $1,204 [US$927]).

MTO liability and Foreign Currency Contracts

On December 20, 2019, Knight Therapeutics Inc. submitted to B3, the authorization request to carry-out a Unified Tender Offer for the acquisition of the remaining 48.8% of GBT. As a result, Knight had a contractual obligation to the minority shareholders of GBT. On November 29, 2019, the Company recorded the initial liability at $178,266 [BRL 567,145] and an offset to equity which represents the net present value of the cash disbursement should all BDRs holders choose the same consideration as the controlling shareholders. On July 15, 2020, the Company launched the Unified Tender Offer to acquire the remaining 48.8% of GBT and completed the process on September 3, 2020 when the MTO liability was settled.

In connection with the Unified Tender Offer, the Company entered into foreign exchange contracts to mitigate its exposure to foreign currency risks. Prior to the completion of the Unified Tender Offer, the Company held foreign exchange forward contracts to sell CAD and buy USD $124,442 at a weighted average rate of 1.32 CAD/USD ("USD Contract"). In addition, the Company entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 510,873 at an average rate of 4.10 BRL per USD ("BRL Contract"). As a result, a derivative asset of $1,096 was recorded as at December 31, 2019.

Along with the launch of the Unified Tender Offer, the Company settled the USD Contract and BRL Contract ("FX Contracts") and the Company converted $163,797 to BRL 510,873. Prior to the settlement of the FX Contracts, a derivative liability of $36,425 was recorded.

As a result of the settlement of the MTO liability and FX Contracts, the Company recorded the following net gain for the year ended December 31, 2020, in the consolidated statement of income as "Net gain on mandatory tender offer liability".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

December 31,	2020	2019
	$	$
Change in fair value of MTO liability	(7,199)	644
Foreign exchange revaluation of MTO liability	(47,686)	5,113
Change in fair value of FX Contracts	37,521	—
Foreign exchange revaluation BRL cash[1]	5,292	—
Net (gain) loss on mandatory tender offer liability	**(12,072)**	5,757

[1] Represents FX impact on cash balance held in BRL from the launch to the close of the Unified Tender Offer

[iv] Fund investments

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

	Carrying value as at January 1	Additions[1]	Distributions[2,3]	Net gain on FA	Foreign exchange[4]	Carrying value end of period	Current other financial assets	Non-current other financial assets
	$	$	$	$	$	$	$	$
2020	**114,061**	**15,766**	**(27,893)**	**46,733**	**1,069**	**149,736**	**16,508**	**133,228**
2019	**87,054**	**20,175**	**(20,546)**	**32,230**	**(4,852)**	**114,061**	**2,832**	**111,229**

[1] Investments in equity or debt funds including US$4,203 and EUR 1,766 (2019: including US$4,176 and EUR 3,010)
[2] Distributions received from funds including US$4,338 and EUR 7,804 (2019: including US$8,430 and EUR 724)
[3] Includes distribution receivable of $1,221 (2019: $2,456)
[4] Recorded a gain of $2,877 in the consolidated statement of income in "Foreign exchange loss (gain)" (2019: loss of $1,690) and a loss of $1,808 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2019: loss of $3,162)

17. MEASUREMENT OF FINANCIAL ASSETS

[i] Fair value hierarchy

As at December 31,	2020	Level 1	Level 2	Level 3
	$	$	$	$
Recurring fair value measurements				
Loans measured at FVTPL	**24,261**	**—**	**—**	**24,261**
Equity investments measured at FVTPL	**5,154**	**5,154**	**—**	**—**
Equity investments measured at FVOCI	**4,464**	**1,355**	**—**	**3,109**
Derivatives	**1,493**	**—**	**—**	**1,493**
Fund investments measured at FVTPL	**149,736**	**—**	**—**	**149,736**
Total	**185,108**	**6,509**	**—**	**178,599**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

There were no transfers between levels of the fair value hierarchy for the years ended December 31, 2020 or 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	**December 31, 2020**		December 31, 2019	
	US$	**$**	US$	$
Loans measured at FVTPL				
Triumvira	—	—	46	60
Equity investments measured at FVOCI				
Medimetriks	**730**	**929**	730	948
Synergy	**3,764**	**4,792**	3,764	4,889
Total	**4,494**	**5,721**	4,540	5,897

18. BANK LOANS

Subsequent to the GBT Transaction, the Company has the following indebtedness at December 31, 2020:

					2020		**2019**	
	Currency of debt	**Interest rate**	**Effective annual interest rate**	**Maturity**	**Current**	**Non-Current**	**Current**	**Non-Current**
					$	**$**		
Banks								
Citibank	ARS	18.40%	18.40%	November 2, 2020	**—**	**—**	2,991	—
Itaú Unibanco	BRL	1.65% +100% CDI	4.44%	December 8, 2023	**24,167**	**—**	42,532	—
Banco Santander	BRL	2.00% +100% CDI	4.73%	December 13, 2021	**3,815**	**—**	5,034	5,022
Banco Santander	BRL	1.39% +100% CDI	3.82%	March 4, 2021	**10,111**	**—**	—	—
Bancolombia	COP	2.10% + IBR	3.90%	December 14, 2021	**13,677**	**—**	—	—
Total Bank Loans					**51,770**	**—**	50,557	5,022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Citibank

The loan was issued to a subsidiary of GBT in November 2017 and is guaranteed by a First Demand Corporate Guarantee by GBT. The loan was an off-shore ARS-linked loan with Citibank N.A. (New York) at a fixed rate of 18.40% per annum (21.66% all-in after including withholding tax). The bank loan includes customary representations, warranties, and affirmative and restrictive covenants, including covenants to attain and maintain certain financial metrics. One such covenant is the requirement to obtain consent prior to a change of control. A change of control waiver was obtained from Citibank in relation to the GBT transaction. During November 2020, the loan and all accrued interest was repaid.

Itaú Unibanco Brasil

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

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

Banco Santander

The Banco Santander loan was issued to a subsidiary of GBT in December 2018 and is guaranteed by a First Demand Corporate Guarantee from GBT. The principal repayment of BRL 7,771 and interest are due on a semi-annual basis.

In March 2020, Banco Santander loaned an additional $10,928 [BRL 40,132] to a subsidiary of GBT. The loan is guaranteed by a USD 10,000 deposit made by Knight to Banco Santander. The principal and interest are due on March 4, 2021, the maturity date of the loan. Subsequent to year end the loan and accrued interest were repaid on the maturity date.

The bank loans include customary representations, warranties, and affirmative and restrictive covenants, including covenants to attain and maintain certain financial metrics. As at of December 31, 2020, the Company is in compliance with all of the loan covenants.

Bancolombia

The Bancolombia loan was issued to a subsidiary of GBT in December 2020. The principal repayment of $13,653 [COL 37,000,000] is due on December 14, 2021, the maturity date, and interest payments are due on a semi-annual basis.

19. INVESTMENT IN ASSOCIATE

On September 9, 2015, Knight acquired a 28.3% ownership interest in Medison, a privately-owned specialty pharmaceutical company based in Israel. The consideration given for the equity interest in Medison amounted to $83,131, which includes the fair value of 10,580,884 common shares of Knight issued to Medison and its controlling shareholder.

On November 21, 2019, Knight and Medison entered into a definitive settlement and purchase agreement ("Medison Agreement") pursuant to which Knight agreed to sell its 28.3% ownership for a cash consideration of $77,000. As part of the Medison Agreement, the parties agreed to release each other from all claims and withdraw all legal proceedings initiated by both parties. The transaction closed on March 16, 2020 and Knight recorded a gain of $2,948 on the sale of the investment in the consolidated statement of income in "Realized gain on sale of asset held for sale".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

As at December 31, 2019, the Company's ownership interest in Medison is presented as an asset held for sale. Prior to the reclassification, the investment in Medison was accounted for using the equity method of accounting. The investment was originally recorded at cost and subsequently adjusted to include the Company's share of Medison's net income and any dividends issued to the Company. The net income is adjusted to reflect the amortization of the fair value adjustments related to the Company's share of the net identifiable assets of Medison acquired and their tax impact.

	$
Carrying value, January 1, 2019	79,145
Share of net income for the year before fair value adjustments	5,806
Amortization of fair value adjustments	(4,900)
Share of net income for the year	906
Share of other comprehensive (loss) income	(1,840)
Dividends	(4,159)
Reclass to asset held for sale	(74,052)
Carrying value, December 31, 2019	—

20. 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.

21. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31,	**2020**	2019
	$	$
Trade and other payables	**30,076**	72,831
Accrued liabilities	**12,259**	18,293
Commodity tax payable	**2,493**	3,282
Total	**44,828**	94,406
Current	**44,512**	94,406
Non-current	**316**	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

22. 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]*	36,039	274
Repayment of share purchase loans		—	425
Shares purchased under NCIB	*[iv]*	(7,249,249)	(38,711)
Balance as at December 31, 2019		**135,637,302**	**723,832**
Issuance under share purchase plan	*[iii]*	45,755	275
Issuance under share options plan	*[ii]*	105,000	945
Shares purchased under NCIB	*[iv]*	(5,748,716)	(30,701)
Balance as at December 31, 2020		**130,039,341**	**694,351**

[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 $1,950 (2019: $2,137) for the year ended December 31, 2020 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 year, estimated by using the Black-Scholes option pricing model, was $2.68 (2019: $3.13). The fair value of the options was estimated on the date of grant based on the following weighted average assumptions:

	Year ended December 31,	
	2020	2019
Weighted average risk-free interest rate	**0.41%**	1.74%
Dividend yield	**Nil**	Nil
Weighted average volatility factor *[i]*	**39%**	40%
Unvested forfeiture rate	**2%**	2%
Weighted average expected life	**6.3 years**	6.0 years

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Year ended December 31,			
	2020		2019	
	Number of share options #	Weighted average exercise price $	Number of share options #	Weighted average exercise price $
Balance beginning of the year	**4,892,872**	**7.63**	4,129,843	7.64
Options granted	**937,778**	**7.00**	880,786	7.63
Options exercised	**(105,000)**	**5.67**	—	—
Options expired/forfeited	**(426,844)**	**8.25**	(117,757)	8.24
Balance at end of the year	**5,298,806**	**7.50**	4,892,872	7.63
Options exercisable at the end of the year	**3,587,717**	**7.47**	3,495,003	7.40

The following table summarizes information about outstanding stock options granted by the Company as at December 31, 2020:

	Options outstanding			Options exercisable		
Range of exercise $	Number of share options #	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of share options #	Weighted average remaining contractual life (years)	Weighted average exercise price $
5.20 to 5.71	1,312,220	0.43	5.62	1,312,220	0.43	5.62
5.72 to 8.02	2,487,308	5.00	7.41	986,172	3.63	7.61
8.03 to 9.18	698,990	2.13	8.59	651,683	1.94	8.62
9.19 to 10.25	800,288	5.61	9.92	637,642	5.74	9.89
	5,298,806	**3.58**	**7.50**	3,587,717	2.53	7.47

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

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

[iii] Share purchase plan

The Company has a Share Purchase Plan ("Purchase Plan") which allows employees and directors of the Company to purchase common shares at listed market prices from treasury. The Purchase Plan was re-approved by the Board of Directors and the shareholders on May 7, 2019. The plan allows for employees to contribute up to a maximum of 10% of their salary and directors to contribute up to $10 per year. Under the Purchase Plan, the Company will contribute 25% of employees' or directors' contributions in the form of common shares if the employee remains employed by the Company

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or director remains on the Board, and has held the original shares for two years from the original purchase date. The Company's contribution in common shares is calculated using the lesser of the original common share value at the original purchase date and at the date of the Company's contribution. During the year ended December 31, 2020, 45,755 shares (2019: 36,039 shares) were issued under the Purchase Plan for a total of $275 (2019: $274).

[iv] NCIB

On July 8, 2019, the Company announced that the Toronto Stock Exchange approved its notice of intention for a NCIB ("2019 NCIB"). Under the terms of the 2019 NCIB, Knight could have purchase for cancellation up to 12,053,693 common shares of the Company which represented 10% of its public float as at July 2, 2019. The 2019 NCIB commenced on July 11, 2019 and came to an end in April 2020, when the Company completed its maximum purchases under the NCIB. The Company purchased a total of 12,053,692 common shares at an average price of $7.14 per share.

Knight entered into an agreement with a broker to facilitate purchases of its common shares under the 2019 NCIB. Under Knight's ASPP, the broker was able to purchase common shares which would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods. Such purchases were made by the broker based on parameters and instructions communicated by the Company prior to any regulatory restrictions or self-imposed blackout periods. The Company was in a blackout period starting January 15, 2020 and remained in blackout until the completion of the 2019 NCIB. Therefore, an ASPP liability was recorded as at January 15, 2020 to reflect the obligation of Knight to repurchase its common shares under the NCIB.

During 2020, the Company purchased 4,804,443 common shares ("Acquired Shares") under the 2019 NCIB for an aggregate cash consideration of $31,265 ("Purchase Price"). As a result of the purchases, the difference between the Purchase Price and the ASPP liability of the Acquired Shares was recorded as a gain $4,168 in the consolidated statement of income in "Realized gain on automatic share purchase plan" in the year ended December 31,2020.

On July 10, 2020, the Company announced that the Toronto Stock Exchange approved its notice of intention to launch an additional NCIB ("2020 NCIB"). Under the terms of the 2020 NCIB, Knight may purchase for cancellation up to 10,856,710 common shares of the Company which represented 10% of its public float as at July 6, 2020. The 2020 NCIB commenced on July 14, 2020 and will end on the earlier of July 13, 2021 or when the Company completes its maximum purchases under the 2020 NCIB. Furthermore, Knight entered into an agreement with a broker to facilitate purchases of its common shares under the 2020 NCIB. Under Knight's automatic share purchase plan, the broker may purchase common shares which would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods.

During the year ended December 31, 2020, the Company purchased 944,273 common shares, for an aggregate cash consideration of $5,522 under the 2020 NCIB. Subsequent to year end, the Company purchased an additional 2,895,456 common shares, of which 1,605,699 remain to be cancelled, for an aggregate cash consideration of $15,206.

[v] Warrants

Pediapharm

On July 15, 2016, the Company acquired 11,470,920 common shares of Pediapharm in exchange of 221,126 common shares and 221,126 warrants of Knight which expired on July 15, 2020. On expiration the Company derecognized the warrants and recorded an offset of $623 to contributed surplus.

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The fair value of each Knight warrant issued in the Pediapharm Transaction was valued at $2.82 [$624 in aggregate], determined using the Black-Scholes model with the following assumptions and inputs:

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

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

Origin

On June 24, 2015, Knight acquired the assets related to Neuragen® pursuant to a default by Origin under its secured loan agreement with Knight. The Company issued 185,000 warrants on June 30, 2015 to several Origin stakeholders which are exercisable, in some instances subject to the achievement of certain prescribed financial benchmarks, at an exercise price of $10.00 per share expiring on June 30, 2025. The Company determined the value of the warrants issued based on the likelihood of certain financial benchmarks being achieved. Warrants that are unlikely to achieve their prescribed financial benchmark were assigned a value of zero. The remaining warrants were assigned a value of $4.14 per warrant ($161 in aggregate) using the Black-Scholes option pricing model and the following assumptions:

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

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

During 2020, one of the warrant holders surrendered their warrants, and as a result the Company derecognised the warrants and recorded an offset of $45 to contributed surplus.

Number of warrants outstanding

As at December 31,	2020	2019
Pediapharm	—	221,126
Origin	**174,228**	185,000
Total	**174,228**	406,126

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23. ACCUMULATED OTHER COMPREHENSIVE INCOME

As at December 31,	**2020**	2019
	$	$
Net losses on equities at FVOCI net of tax of $818 (2019: $1,168)	**(8,513)**	(8,448)
Share of other comprehensive income of an associate net of tax of $243	**767**	767
Unrealized gain on translation of foreign operations	**6,243**	28,670
Total	**(1,503)**	20,989
Non-controlling interest	—	(3,584)
Attributable to shareholders of the Company	**(1,503)**	17,405

24. EMPLOYEE BENEFIT EXPENSES

For the year ended December 31,	**2020**	2019
	$	$
Salaries	**43,691**	8,363
Bonuses	**952**	1,834
Share-based incentive plans	**1,991**	2,181
Total	**46,634**	12,378

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

For the year ended December 31,	**2020**	2019
	$	$
Salaries	**1,282**	1,312
Bonuses	—	1,029
Board fees	**144**	98
Share-based incentive plans	**1,672**	1,592
Total	**3,098**	4,031

25. EARNINGS PER SHARE

Basic

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

As at December 31,	**2020**	2019
	$	$
Net income attributable to shareholders of the Company	**42,067**	14,517
Weighted average shares outstanding	**131,783,255**	139,758,522
Basic earnings per share	**$0.32**	$0.10

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.

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	2020	2019
	$	$
Net income attributable to shareholders of the Company	**42,067**	14,517
Weighted average shares outstanding	**131,783,255**	139,758,522
Adjustment for share options	**201,770**	380,698
Weighted average shares outstanding	**131,985,025**	140,139,220
Diluted earnings per share	**$0.32**	$0.10

26. INCOME TAX

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

	2020	2019
	$	$
Earnings before income taxes	**32,085**	22,782
Applicable tax rate	**26.5%**	26.6%
Income taxes at applicable statutory rate	**8,503**	6,060
Increase (decrease) resulting from:		
Rate differential between jurisdictions	**(2,428)**	(4,902)
Effect of non-deductible expenses and other	**(15,840)**	2,564
Variation in tax rate	**191**	—
Impact on foreign exchange	**(858)**	1,141
Hyperinflation impact	**3,281**	—
Non-recognition of tax benefits related to tax losses and temporary differences	**6,198**	—
Non-recognition of capital loss over capital gain	**1,106**	
Others	**172**	(114)
Total income tax expense	**325**	4,749
Average effective tax rate	**1.0%**	20.8%

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

The details of income tax expense are as follows:

	2020	2019
	$	$
Current income tax		
Current income tax charge	**2,633**	3,836
Adjustments in respect of current tax of previous year	**(296)**	—
	2,337	3,836
Deferred tax		
Relating to the origination and reversal of temporary differences	**(2,252)**	913
Variation in tax rate	**240**	—
Adjustment for prior years	**—**	—
	(2,012)	913
Income tax expense reported in statement of income	**325**	4,749

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

	Balance December 31, 2019 $	Recognized in statement of income $	Recognized in statement of comprehensive income $	Recognized in shareholders' equity $	Exchange rate variation $	Balance December 31, 2020 $
Property and equipment	**(3,136)**	**(10)**	**—**	**(30)**	**197**	**(2,979)**
Right-of-use assets	**(341)**	**33**	**—**	**—**	**36**	**(272)**
Intangible assets	**(36,993)**	**3,253**	**—**	**1**	**4,541**	**(29,198)**
Trade receivables	**3,454**	**(64)**	**—**	**(243)**	**(127)**	**3,020**
Inventory	**1,551**	**594**	**—**	**145**	**(784)**	**1,506**
Provisions and contingencies	**586**	**(228)**	**—**	**(37)**	**(15)**	**306**
Stock option & others accrued salaries	**232**	**(152)**	**—**	**(4)**	**(30)**	**46**
Investment in subsidiaries	**(59)**	**10**	**—**	**—**	**8**	**(41)**
Loan and Financial assets	**307**	**(2,601)**	**124**	**—**	**—**	**(2,170)**
Financing fees	**896**	**(896)**	**—**	**—**	**—**	**—**
Tax losses, ITC and SR&ED expenditures	**27,980**	**4,106**	**—**	**—**	**(3,343)**	**28,743**
Tax losses, ITC and SR&ED expenditures - VA	**(19,422)**	**(3,231)**	**—**	**—**	**1,719**	**(20,934)**
Capital losses	**—**	**1,481**	**—**	**—**	**—**	**1,481**
Capital losses – VA	**—**	**(702)**	**—**	**—**	**—**	**(702)**
Other	**1,076**	**417**	**—**	**163**	**354**	**2,010**
Net deferred tax assets	**(23,869)**	**2,010**	**124**	**(5)**	**2,556**	**(19,184)**

	Balance December 31, 2018 $	Purchase price allocation $	Recognized in statement of income $	Recognized in statement of comprehensive income $	Exchange rate variation $	Balance December 31, 2019 $
Property and equipment	137	(1,087)	(2,081)	—	(105)	(3,136)
Right-of-use assets	—	(341)	—	—	—	(341)
Intangible assets	(343)	(35,765)	(148)	—	(737)	(36,993)
Trade receivables	—	1,260	2,194	—	—	3,454
Inventory	—	(51)	1,619	—	(17)	1,551
Provisions and contingencies	—	570	16	—	—	586
Stock option & others accrued salaries	—	72	160	—	—	232
Investment in subsidiaries	—	(40)	(19)	—	—	(59)
Loan and Financial assets	286	(136)	374	(217)	—	307
Financing fees	1,950	—	(1,054)	—	—	896
Tax losses, ITC and SR&ED expenditures	13,205	15,212	(437)	—	—	27,980
Tax losses, ITC and SR&ED expenditures - VA	(12,648)	(6,774)	—	—	—	(19,422)
Other	372	2,240	(1,536)	—	—	1,076
Net deferred tax assets	2,959	(24,840)	(912)	(217)	(859)	(23,869)

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The presentation in the consolidated balance sheet is as follows:

	2020	2019
	$	$
Deferred tax asset	**2,432**	3,991
Deferred tax liability	**(21,616)**	(27,860)
Net deferred tax liability	**(19,184)**	(23,869)

The Company has non-capital losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to $70,703 as at December 31, 2020 (2019: $63,302). Of these amounts, approximately $21,658 as at December 31, 2020 has no expiration date (2019: $19,976). Non-capital losses can be carried forward over 20 years in Canada and indefinitely for Brazil and can only be used against future taxable income. The Company also has scientific research & experimental development expenses of $21,800 as at December 31, 2020 (2019: $21,800) which have no expiration date and deferred tax assets have not been recognized. In addition, the Company has $1,673 of unused investment tax credits (2019: $1,673), which can be carried forward for 20 years in Canada. Deferred tax assets have not been recognised in respect of these amounts as they may not be used to offset taxable profits elsewhere in the Company, some of them have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future.

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

	2020	2019
	$	$
Tax losses	**13,905**	7,895
Investment tax credit	**1,230**	1,249
Scientific research and experimental development expenses	**5,799**	5,789
Unrecognized deferred tax assets	**20,934**	14,933

Net deferred tax assets of $6,468 were recognized as at December 31, 2020 (2019: $6,795) in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical taxable income, projections for future taxable income and prudent tax planning strategies, management believes it is probable the Company will realize the benefits of these deductible differences and operating tax losses carried forward. Refer to Note 3 for more information on how the Company determines the extent to which deferred income tax assets are recognized.

The non-capital losses incurred in various jurisdictions expire as follows:

	Recognized	**Unrecognized**
Expiry Date	**$**	**$**
2021-2025	**1,667**	**2,372**
2026-2030	**5,813**	**—**
2031-2035	**18,008**	**—**
2036-2040	**—**	**13,869**
No expiry date	**21,658**	**9,483**
	47,146	**25,724**

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27. SEGMENT REPORTING

Upon the acquisition of an additional 48.74% of GBT the Company had one reportable segment, namely the development, acquisition, in-licensing, out-licensing, marketing and distribution of innovative pharmaceutical products, consumer health products and medical devices in Canada and select international markets. This reflects the revised management structure and the way that the chief operating decision-maker evaluates the business.

Geographic Information

The following table represents the revenues per country, based on where the customer is located.

Year ended December 31, 2020	2020 $	2019 $
Revenues		
Canada	4,995	2,371
Brazil	78,708	22,962
Argentina	37,847	3,192
Colombia	34,817	4,353
Rest of LATAM	33,863	3,414
Other[1]	9,289	11,169
Total	**199,519**	47,461

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

As at December 31, 2020, non-current operating assets consisting of property, plant and equipment, intangible assets, goodwill, assets held for sale and other long-term receivables were held in the following geographic areas.

As at December 31, 2020	Net book value of property, plant and equipment $	Intangibles, net $	Goodwill $	Assets held for sale $	Other long-term receivables $
Canada	106	27,392	—	—	41,582
Brazil	1,519	34,986	23,105	—	—
Argentina	19,966	10,129	11,270	—	—
Colombia	360	23,509	11,759	2,012	—
Rest of LATAM	176	60,531	31,591	—	—
Other	—	—	—	527	—
Total	**22,127**	**156,547**	**77,725**	**2,539**	**41,582**

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

28. FINANCIAL RISK

Management of capital

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

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

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

Market risk

Currency risk

GBT Transaction

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

Currency risks in net financial assets

The Company maintains cash and cash equivalents, marketable securities, trade and other receivables, other financial assets, other balances payable and accounts payable and accrued liabilities in many currencies. The Company is primarily

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exposed to the USD, EUR, BRL and ARS and is therefore exposed to foreign exchange risk on these balances. The following table presents the significant net currency exposure on the foreign-denominated balances. The table includes the net financial assets whose revaluation effect goes though the consolidated statement of income, and therefore includes intercompany balances and excludes foreign currency balances that get revaluated to CAD through other comprehensive income.

2020	**USD**	**EUR**	**BRL**	**ARS**
Cash and cash equivalents	41,181	615	—	—
Marketable securities	10,000	—	—	—
Trade and other receivables	3,519	159	28,902	147,588
Other financial assets	40,046	25,869	—	—
Other balances payable	(380)	—	—	—
Accounts payable and accrued liabilities	(5,832)	(1,426)	(17,786)	—
Other financial liabilities	(15,789)	—	—	—
Net exposure	**72,745**	**25,217**	**11,116**	**147,588**

2019	**USD**	**EUR**	**BRL**	**ARS**
Cash and cash equivalents	12,270	230	—	—
Marketable securities	7,000	—	—	—
Trade and other receivables	8,256	404	86,783	74,383
Other financial assets	33,357	18,950	—	—
Other balances payable	(1,706)	—	—	—
Accounts payable and accrued liabilities	(7,760)	(382)	—	—
Mandatory tender offer	—	—	(569,155)	—
Other financial liabilities	(1,365)	—	—	—
Net exposure	**50,052**	**19,202**	**(482,372)**	**74,383**

The Company is also exposed to foreign exchange risk on the CLP, COP BOB, CHF, MXN, PEN, PYG and UYU. The total net exposure, in CAD, for these currencies is $1,137 (2019: $384).

Equity price risk

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

For the year ended December 31,	**2020**	2019
	$	$
Equity investments	**9,618**	10,185
Investments in funds	**149,736**	114,061
Derivatives	**1,493**	2,034
Total	**160,847**	126,280

The Company monitors its equity investments for impairment on a periodic basis and at least at every reporting period. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amounts realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company manages the equity price risk through the use of strict investment policies approved by the Board of Directors. The Company's Board of Directors regularly reviews and approves equity investment decisions.

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Interest rate risk

The Company is subject to interest rate risk on the interest income generated on its cash, cash equivalents and marketable securities. Details regarding maturity dates and effective interest rates are described in note 8 of the Annual Financial Statement. Assuming that all other variables remain constant, a 1% decline on the interest rate generated on cash, cash equivalents and marketable securities would have resulted in a reduction of interest income of $3,922 over a one-year period.

In connection with debt held in GBT, the Company is exposed to interest rate risks arising from its loans with Itaú Brazil, Santander Brazil and Bancolombia. The loans have a variable interest rate that fluctuates with the CDI rates. The applicable CDI is the average of the CDI rates applicable during each interest period and therefore the accrued interest at year end with the loans are not exposed to any changes related to variation of the respective floating rates. In the case of the IBR, the applicable rate is the one at the beginning of the interest period, so the accrued interest at year end is not exposed to any changes related to variation of the respective floating rates. The loan with Citibank New York is set at a fixed rate, thus not being exposed to interest rate risk. Assuming that all other variables remain constant, a 1% increase on the interest rate would have resulted in an increase of interest expense of $518 over a one-year period.

Credit risk

The Company considers its maximum credit risk to be $254,485 (2019: $248,812) which is the total of the following assets; trade and accounts receivable, interest receivable, other receivables, 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:

- four Canadian financial institutions & one foreign affiliate of Canadian financial institutions
- one large foreign bank
- three Canadian credit unions
- one foreign government

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

The credit risk on loans and interest receivable is due to the risk of insolvency or operational failure of the partners in the strategic lending transaction. The Company has assessed that loans measured at FVTPL have S&P credit ratings between CCC+ and CC. The Company also has a credit risk on its investment in funds and derivatives which are held through venture funds or issued by a counterparty.

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

For the year ended December 31,	**2020**	2019
	$	$
Trade receivables	**62,676**	90,560
Interest receivable	**4,270**	7,534
Other receivables	**4,695**	6,086
Loans receivable	**33,108**	30,571
Investments in funds	**149,736**	114,061
Total	**254,485**	248,812

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Management determines credit risk related to trade and accounts receivable based on customers who account for more than 5% of accounts receivable. As at December 31, 2020 and 2019, no customers represented more than 10% of the trade and accounts receivable balance. For the year ended December 31, 2020, no customers represented more than 10% (2019: one customer represented 16%) of revenues.

Liquidity risk

The Company generates sufficient cash from operating and investing activities to fulfill its obligations as they become due. The Company has sufficient funds available through its cash, cash equivalents and marketable securities should its cash requirements exceed cash generated from operations to cover all financial liability obligations. Periodically, the Company forecasts their projected cash flows both at the subsidiary and consolidated level. If any issues are identified, the corporate teams work with the local teams to provide liquidity support.

Sensitivity Analysis

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

For the year ended December 31,	**2020**	2019
	$	$
Foreign Exchange Risk (5% change)		
USD	**4,631**	3,250
EUR	**1,968**	1,400
BRL	**136**	(7,793)
ARS	**112**	81

The Company is also exposed to currency risk on the CLP, COP, BOB, CHF, MXN, PEN, PYG, and UYU. A 5% change in the Company's net exposure to the above-mentioned currencies would have resulted in a change in the consolidated statement of income of $55 (2019: ($19)).

For the year ended December 31,	**2020**	2019
	$	$
Equity Price Risk (5% change)[1, 2]		
Equity investments	**481**	509
Investments in funds	**7,487**	5,703
Derivatives	**75**	102

[1] *The adverse change above does not reflect what could be considered the best or worst case scenarios. Results could be worse due both to the nature of equity markets and the concentrations existing in the Company's equity investment portfolio, in particular where there is less liquidity available as in the case of the small capitalization companies included in the equity investment securities*

[2] *Change in the statement of comprehensive income of $122 (2019: $324) included in amount*

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29. STATEMENT OF CASH FLOWS

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

For the year ended December 31,	2020 $	2019 $
Changes in non-cash working capital:		
Decrease (increase) in		
Trade and other receivables	**20,106**	(10,403)
Prepaids and deposits	**(337)**	(2,750)
Inventories	**9,709**	8,146
Income taxes receivable	**(1,741)**	84
(Increase) decrease in		
Accounts payable and accrued liabilities	**(46,856)**	10,680
Other liabilities	**771**	301
Income tax payable	**(216)**	2,047
Other		
Other Financial Assets	**(3,043)**	(2,062)
Other operating items	**(21,607)**	6,043

30. PRODUCT PRICING REGULATION ON CERTAIN DRUG PRODUCTS

All patented drug products sold in Canada that form part of Knight's portfolio of products are subject to pricing regulation by the PMPRB, a federal agency tasked with ensuring that prices of patented medicines are not excessive. For new patented products, the maximum non-excessive list price ("MLP") in Canada is will be set by the lower of the list price and the median international price ("MIP") for the same drug sold in a specified set of developed comparator countries. Otherwise, the MLP will be set by the lower of the list price and the top of the domestic prices of existing comparable drugs sold in Canada. For existing patented products, prices cannot be increased annually by more than a factor based on Statistics Canada's Consumer Price Index. The PMPRB monitors compliance through a review of the average transaction price of each patented drug product as reported by pharmaceutical companies like Knight on a semi-annual basis. The PMPRB may from time to time deem certain of Knight's existing or future patented products to be excessively priced based on the application of its empowering legislation and regulations, including those related to price increases, the comparative assessment of new products and reductions in the highest price in international reference countries. Such determinations by the PMPRB may have a material adverse effect on Knight's financial condition and results of operations or cash flows.

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

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

On August 21, 2019, the federal government published the final regulations governing the PMPRB. The new regulations include eleven countries as comparators and was expected to come into force on July 1, 2020. On November 21, 2019, the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

PMPRB published a draft set of new guidelines for the implementation of the final regulations. The PMPRB began seeking views of stakeholders and interested members of the public and extended their consultation period in connection with the guidelines through February 14, 2020. The PMPRB published final Guidelines on October 23, 2020. The implementation of the amended PMPRB regulations was delayed due to COVID-19 and are now expected to come into force on July 1, 2021.

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

31. RELATED PARTY TRANSACTIONS

Pharmascience Inc., a company related to the Company's CEO, provided administrative services of approximately $19 (2019: $13) to the Company for year ended December 31, 2020.

32. COMMITMENTS

In the normal course of business, the Company secures development, sales, marketing and distribution rights to innovative drug products requiring royalties or product payments considered normal operating commitments and as such not included herein. The Company has entered into various agreements which include contractual commitments extending beyond the current year. These commitments are classified into three major categories: Fund commitments, milestones and purchase commitments, and loan commitments. The commitments of the Company as at December 31, 2020 are as follows:

[i] Fund commitments

As at December 31, 2020, under the terms of Company's agreements with life sciences venture capital funds, $31,500 (2019: $44,116), including $5,952 [US$4,675] and $7,102 [EUR 4,550] (2019: $11,452 [US$8,817] and $8,826 [EUR 6,052]), 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 or LATAM. The Company may have to pay up to $314,768 including $43,486 [US$34,155], $142,677 [CHF 98,800] and $601 [EUR 385] upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to $1,151 [EUR 738], of inventory for pharmaceutical products during the five-year period after their respective commercial launch. For products that are currently launched, the Company has committed to inventory purchases of $301,622 [BRL 787,865, USD 63,960 and CHF 18,793], which will be purchased over the next 9 years.

	$
2021	43,262
2022	51,745
2023	60,536
2024	62,546
2025	52,229
2026 and beyond	31,304
Total	**301,622**

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[iii] Loan commitments

Subject to the Moksha8 Financing Agreement, Knight has committed to loan up to an additional $10,822 [US$8,500] should the borrower meet certain pre-defined profitability targets over its 2020 to 2021 financial years.

33. RECLASSIFICATION OF COMPARATIVE FIGURES

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

Management Team

Jonathan Ross Goodman

Chief Executive Officer and Director

Mr. Goodman founded Knight in February 2014. Mr. Goodman was co-founder and President and CEO of Paladin Labs Inc. until its acquisition by Endo in 2014 for $3.2 billion. Under Mr. Goodman's leadership, Paladin grew to be a leading Canadian specialty pharmaceutical company with sales of over $150 million in Canada. Prior to co-founding Paladin Labs Inc. in 1995, Mr. Goodman was a consultant with Bain & Company and also worked in brand management for Procter & Gamble. Mr. Goodman holds a B.A. with Great Distinction from McGill University and the London School of Economics with 1st Class Honours. Additionally, Mr. Goodman holds an LL.B. and an M.B.A. from McGill University.

Samira Sakhia

President, Chief Operating Officer and Director

Ms. Sakhia joined Knight as President in August 2016 and was named President & Chief Operating Officer in June 2020. Additionally, Ms. Sakhia served as CFO from October 2017 to March 2020. Prior to Knight, Ms. Sakhia served as the CFO at Paladin from 2001 to 2015. At Paladin, Ms. Sakhia was responsible for the finance, operations, human resources and investor relations functions. During her employment with Paladin, Ms. Sakhia was instrumental in executing in-licensing and acquisition transactions of Canadian and international pharmaceutical products and businesses. Ms. Sakhia led several M&A and strategic lending transactions as well as equity rounds on the TSX and completed the sale of Paladin to Endo International for $3.2 billion. Ms. Sakhia serves on the board of the Montreal Society for the Prevention of Cruelty to Animals, the International Advisory Board of McGill's Desautels Faculty of Management, and is a member at large of the Board of Governors of McGill University and an independent Board member at the McGill University Health Center. Ms. Sakhia holds an MBA, a Bachelor of Commerce and a Graduate Diploma in Accountancy from McGill University.

Amal Khouri

Chief Business Officer

Ms. Khouri joined Knight as Vice-President of Business Development in August 2014 and was promoted to Chief Business Officer in March 2021. At Knight, Ms. Khouri leads the corporate and business development teams as well as corporate strategy. Ms. Khouri was a key player in the acquisition of Grupo Biotsocana in 2019 and led the mandatory tender offer process that successfully completed in 2020. Prior to Knight, Ms. Khouri worked at Novartis Pharma for over 7 years, where she held multiple positions within the global business development and licensing team in Basel, Switzerland. Ms. Khouri worked on several transactions including product divestments, strategic projects as well as in-licensing opportunities. Before joining Novartis, Ms. Khouri worked in business development at Paladin Labs in roles with increasing responsibilities. In addition, Ms. Khouri serves on the board of Antibe Therapeutics. Ms. Khouri holds a B.Sc. in Biochemistry from McGill University and an M.B.A. from the University of Ottawa.

Arvind Utchanah

Chief Financial Officer

Mr. Utchanah joined Knight as Director of Finance in June 2016 and was promoted to Vice-President of Finance in August 2019 and Chief Financial Officer in March 2020. At Knight, Mr. Utchanah is responsible for managing the finance and treasury functions as well as supply chain operations and IT. Mr. Utchanah played a key role in the acquisition of Grupo Biotoscana in 2019. Prior to joining Knight, Mr. Utchanah held a number of senior finance roles with increasing responsibilities with Paladin Labs Inc., most recently as Director of Finance, Accounting and Financial Planning & Analysis where he was instrumental in the integration with Endo Health Solutions Inc. Mr. Utchanah's move to Paladin Labs Inc. in 2012 after having spent 5 years with the global public accounting firm, Ernst & Young LLP, within the assurance services group. Mr. Utchanah is a Chartered Professional Accountant; he holds a Bachelor of Commerce degree from McGill University and a Graduate Diploma in Public Accountancy from Concordia University.

Jeff Martens

Vice-President, Commercial

Mr. Martens joined Knight as Vice President, Commercial in October 2020. Prior to joining Knight, Mr. Martens was president and owner of Compass Healthcare Strategies which supported commercial efforts of health science companies in Canada and Latin America. Mr. Martens held a number of executive roles at Novartis including VP of Neuroscience Canada, VP of Immunology & Dermatology Canada, Business Unit Head of Ophthalmology Australia/NZ and Head of Marketing Oncology Canada. During Mr. Martens' 7 years as an executive at Novartis, he had extensive experience in new product launches, and commercializing products in highly competitive specialty markets. Mr. Martens has over 20 years in the pharmaceutical space with a broad level of experience in multiple roles in addition to his executive level experience, including market access, marketing management, sales and sales management. Mr. Martens has an Honours, Bachelor of Science, specialized in Biophysics with a minor in Neuroscience from University of Guelph.

Board of Directors

James C. Gale*

Chairman of the Board of Directors

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

Jonathan Ross Goodman

Chief Executive Officer and Director

Refer to Management Team section.

Samira Sakhia

President, Chief Operating Officer and Director

Refer to Management Team section.

Robert N. Lande*†

Director

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

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

Janice Murray*†

Director

Ms. Murray has a wealth of pharmaceutical experience as well as leadership in general management, strategy, finance and sales & marketing. She served as the CFO of Novartis Pharmaceuticals Canada Inc., for several years before becoming Vice-President of the Ophthalmics Business Franchise. Ms. Murray then became the CFO of the Latin America & Canada Region responsible for 10 reporting units and $2B in sales. Before her retirement in 2019, she became President of Novartis Pharmaceuticals Canada Inc. leading multiple therapeutic areas, launching several innovative medicines and serving on the Innovative Medicines Canada Industry Board. Prior to working at Novartis, Ms. Murray held several roles at Canadian National Railways, including Vice-President Network Strategy Development, Vice-President of Sales and Market Development and Chief of Internal Audit where she led several strategic projects during key acquisitions and privatization. She completed her CPA, CA designation while working at KPMG where she became an Audit Manager. Ms. Murray holds a Bachelor of Commerce from University of Ottawa and a Graduate Diploma in Accounting from McGill University. Ms. Murray serves on the boards of Boondoc Technologies, the VOBOC Foundation, and the Teresa Dellar Palliative Care Residence Foundation. Ms. Murray holds a CPA designation from the Ordre des Comptables Professionnels Agréés du Quebec, as well as ICD.D designation from the Institute of Corporate Directors' program at the University of Toronto - Rotman School of Management.

Michael J. Tremblay†

Director

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

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

Board of Directors

Nicolas Sujoy

Director

Mr. Sujoy has more than 20 years of private equity experience in Latin America. He was a member of Biotoscana Investments S.A.'s board of directors. He is a founding partner of the Private Equity firm Clara Capital. Formerly, Mr. Sujoy worked for Advent International where he was a director and country manager, participating in transactions in the pharma, banking and business services sectors, and serving on the Board of Directors of several companies. With Advent, where he worked for 7 years, Nicolás led or co-led investments in Nuevo Banco Comercial and Pronto in Uruguay, and in Laboratorios LKM and Fada Pharma in Argentina, among others. He also participated in the acquisition of Biotoscana Farma in Colombia, and the assembly of the regional pharmaceutical company GBT. Prior to joining Advent, he was an investment manager at HSBC Private Equity Latin America, where he participated in transactions in telecommunications and energy sectors, among others. Mr. Sujoy has been member of the board of Biotoscana Investments S.A. since May 2017. Mr. Sujoy holds a degree in economics from the Torcuato di Tella University in Argentina.

Corporate Information

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Stock Exchange Listing
Toronto Stock Exchange
Trading Symbol: GUD

Shares Outstanding
130,039,341 Common Shares
(as at December 31, 2020)

Fiscal Year 2020 Trading Summary
High: $8.12
Low: $4.73
Close: $5.35
Average Daily Volume: 362,785

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

Auditors
Ernst & Young LLP

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

Ce document est également disponible en français.

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