KNIGHT THERAPEUTICS INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

The following is Management's Discussion and Analysis of the financial condition and operating results of Knight Therapeutics Inc. ("Knight" or the "Company") for the three months ended March 31, 2020. This document should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto for the three months ended March 31, 2020 and the audited consolidated financial statements and Management's Discussion and Analysis of financial condition and operating results in our annual report for the year ended December 31, 2019. Knight's unaudited interim condensed consolidated financial statements as at and for the three months ended March 31, 2020 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". All amounts herein are expressed in thousands of Canadian dollars (unless otherwise indicated) except for share and per share amounts. All other currencies are in thousands.

This discussion and analysis was prepared by management from information available as at June 25, 2020. Further information about Knight Therapeutics Inc., including the Annual Information Form, is available online on SEDAR at www.sedar.com.

Cautionary note regarding forward-looking statements

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

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

GLOSSARY OF ABBREVIATIONS

Abbreviation	Calendar
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
Q4-18	Fourth quarter of 2018
Q3-18	Third quarter of 2018
Q2-18	Second quarter of 2018

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

Abbreviation	Financial
Annual Financial Statements	Audited annual consolidated financial statements
ARS	Argentine Peso
BOB	Bolivian Boliviano
BRL	Brazilian Real
C$ or $	Canadian Dollar
CDI	Certificados de Depositos Interfinancieros (Brazil interbank lending rate)
CHF	Swiss Franc

Abbreviation	Financial (continued)
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
Interim Financial Statements	Unaudited interim condensed consolidated financial statements
MXN	Mexican Peso
PEN	Peruvian Sol
PPA	Purchase price allocation
PYG	Paraguayan Guarani
Selic	Monetary policy interest rate used by the Central Bank of Brazil
US$/USD	U.S. Dollar
UYU	Uruguayan Peso

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

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

OVERVIEW

Section 1 – About Knight Therapeutics Inc.

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

- Principal business activity is developing, acquiring, in-licensing, out-licensing, marketing and distributing pharmaceutical products 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 – Q1-20 Highlights

Financial Results

- Revenues were $45,839, an increase of $42,883 or 1,451% over prior year.
- Gross margin was $19,860 or 43% compared to $2,271 or 77% in prior year.
- Interest income generated of $4,649 a decrease of $1,241 or 21% over prior year.
- Net loss for the period was $9,477 compared to net income for the period of $5,189 in prior year.
- Adjusted earnings[1] of $6,435, an increase of $1,806 or 39% over prior year.

Corporate Developments

- Promoted Arvind Utchanah from VP Finance to CFO.
- Purchased 2,326,083 common shares through its NCIB for an aggregate cost of $14,286.
- Disposed the shares of Medison for a cash consideration of $77,000 and recorded a gain of $2,948.
- Ensuring supply of medicines and safety of our employees during the COVID-19 pandemic.

Products

- Launched Cresemba®, indicated for the treatment of invasive aspergillosis and invasive mucormycosis, in Brazil.

Strategic Investments

- Disposed of 111,355 common shares of Profound for total proceeds of $1,825.
- Received distributions of $2,090 from strategic fund investments and realized a gain of $907.

Subsequent to quarter-end

- Purchased an additional 2,478,360 common shares to complete the NCIB launched in July 2019. The Company purchased a total of 12,053,692 common shares at an average price of $7.14 per share.
- 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 $3,547 [US$2,500].
- Received regulatory approval from Health Canada for Ibsrela™ for the treatment of IBS-C.
- Obtained the exclusive Canadian commercial rights Trelstar®, approved for the treatment of advanced prostate cancer.
- Accepted the resignation of Nancy Harrison, Sylvie Tendler and Kevin Cameron and appointed Janice Murray and Nicolás Sujoy on the Board of Directors.

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

Section 3 – GBT Transaction

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

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

The remaining 48.8% ownership of GBT is publicly-held and traded on B3, Brazil's main stock exchange, through BDRs. Following the close of the GBT Transaction, Knight initiated the process of launching a mandatory public tender offer to acquire the BDRs from public shareholders (the "Unified Tender Offer") on similar terms as the GBT Transaction plus interest at the Selic rate calculated from November 29, 2019 until the settlement date. Alternatively, the public shareholders' may opt to be paid in cash on the settlement date an amount of BRL10.15 per BDR plus interest at the Selic rate calculated from November 29, 2019. On December 20, 2019, the Company submitted to B3 an authorization request to carry out the Unified Tender Offer, which is expected to take up to 9 months from launch to completion.

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

FINANCIAL RESULTS

Section 4 – Results of Operations

	Q1-20				Change	
	Knight[1]	GBT[1,2]	Total	Q1-19	$[3]	%[4]
Revenues	3,172	42,667	**45,839**	2,956	42,883	1,451%
Cost of goods sold	564	25,415	**25,979**	685	(25,294)	3,693%
Gross margin	2,608	17,252	**19,860**	2,271	17,589	775%
Gross margin (%)	*82%*	*40%*	***43%***	*77%*	*34%*	*44%*
Expenses						
Selling and marketing	1,196	8,918	**10,114**	847	(9,267)	1,094%
General and administrative	2,518	5,900	**8,418**	3,695	(4,723)	128%
Research and development	768	1,981	**2,749**	626	(2,123)	339%
Amortization of intangible assets	322	5,717	**6,039**	426	(5,613)	1,318%
Operating loss	(2,196)	(5,264)	**(7,460)**	(3,323)	(4,137)	124%
Interest income on financial instruments measured at amortized cost	(3,383)	—	**(3,383)**	(4,925)	(1,542)	31%
Other interest income	(1,266)	—	**(1,266)**	(965)	301	31%
Interest expense	2,016	1,140	**3,156**	—	(3,156)	N/A
Other income	—	(25)	**(25)**	(353)	(328)	92%
Net loss (gain) on financial assets measured at fair value through profit or loss	6,730	—	**6,730**	(4,777)	(11,507)	N/A
Net gain on mandatory tender offer liability	(1,522)	—	**(1,522)**	—	1,522	N/A
Realized gain on sale of asset held for sale	(2,948)	—	**(2,948)**	—	2,948	N/A
Realized gain on automatic share purchase plan	(2,869)	—	**(2,869)**	—	2,869	N/A
Share of net income of associate	—	—	—	(692)	(692)	N/A
Foreign exchange (gain) loss	(4,609)	9,516	**4,907**	1,653	(3,254)	197%
Loss on hyperinflation	—	277	**277**	—	(277)	N/A
Income (loss) before income taxes	5,655	(16,172)	**(10,517)**	6,736	(17,253)	N/A
Income tax						
Current	808	2,193	**3,001**	1,531	(1,470)	96%
Deferred	(1,598)	(2,443)	**(4,041)**	16	4,057	N/A
Income tax (recovery) expense	(790)	(250)	**(1,040)**	1,547	2,614	N/A
Net income (loss) for the period	6,445	(15,922)	**(9,477)**	5,189	(14,666)	N/A
Attributable to:						
Shareholders of the Company	6,445	(8,154)	**(1,709)**	5,189	(6,898)	133%
Non-controlling interests	—	(7,768)	**(7,768)**	—	(7,768)	N/A
Attributable to shareholders of the Company						
Basic net earnings (loss) per share	0.05	(0.06)	**(0.01)**	0.04	(0.05)	N/A
Diluted net earnings (loss) per share	0.05	(0.06)	**(0.01)**	0.04	(0.05)	N/A
Adjusted earnings[5]	3,011	3,424	**6,435**	4,629	1,806	39%

[1] *Refer to operating segment disclosure in Section 22 for definition of "Knight" and "GBT"*
[2] *Includes fair value adjustments recorded on the business combination*
[3] *A positive variance represents a positive impact to net income and a negative variance represents a negative impact to net income*
[4] *Percentage change is presented in absolute values*
[5] *Adjusted earnings is a non-IFRS measures, refer to section "Adjusted earnings" for additional details*

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

	Q1-20 vs Q1-19
Revenues	For the quarter ended March 31, 2020 revenues increased by $42,883, or 1,451%, explained by the following: • The consolidation of GBT's financial results accounted for $42,667 of incremental revenues for Q1-20, which is broken down per country as follows: • Brazil: $14,006 • Argentina: $10,505 • Colombia: $9,092 • Rest of LATAM: $9,064 • Historically GBT's first quarter revenues are negatively impacted by seasonality due to reduced economic activity as a result of the new year & summer holidays and carnival events in Latin America. The revenues (excluding impact of IAS 29) reported by GBT in Q1-19 represented 20% of its annual 2019 revenues and a 27% decline vs. Q4-18. Comparatively, GBT reported revenues (excluding impact of IAS 29) in Q1-20 represented a 28% decline vs. Q4-19 • Increase in Knight's revenues of $216, or 7%, mainly attributable to growth in Movantik® and Probuphine® sales.
Gross margin	For the quarter ended March 31, 2020 gross margin decreased from 77% to 43% explained by the following: • Overall decrease in gross margin (%) attributable to the consolidation of GBT's results which have a lower gross margin than Knight. • In addition, the Company recorded an inventory provision of $3,288, of which $874 relates to inventory destroyed due to a temperature excursion during transportation. The remaining $2,414 is primarily due to delays in certain new product launches and COVID-19. • The gross margin of GBT increases from 43% to 45% excluding the impact of IAS 29 ("Adjusted Gross Margin"). Refer to "Impact of Hyperinflation" below for further details. In addition, the Adjusted Gross Margin of GBT increases from 45% to 46% excluding the PPA adjustment of $632. • The increase in Knight's gross margin (%) is attributable to a change in product mix.
Selling and marketing	For the quarter ended March 31, 2020 selling and marketing expenses increased by $9,267, or 1,094%, explained by the following: • The consolidation of GBT's financial results accounted for $8,918 of incremental selling and marketing expenses for Q1-20. • Increase in Knight's selling and marketing expenses of $349, or 41%, due to commercial activities related to the launch of Nerlynx® and Trelstar®.
General and administrative	For the quarter ended March 31, 2020 general and administrative expenses increased by $4,723, or 128%, explained by the following: • The consolidation of GBT's financial results accounted for $5,900 of incremental general and administrative expenses for Q1-20. • Decrease in Knight's general and administrative expenses of $1,177, or 32%, mainly due to $1,615 of non-recurring expenses in Q1-19 on professional fees related to the activist campaign, public proxy battle and related litigations between the Company and dissident shareholder Meir Jakobsohn, Medison's CEO, partially offset by additional expenses incurred due to the growth of the Company.
Research and development expenses	For the quarter ended March 31, 2020 research and development expenses increased by $2,123, or 339%, explained by the following: • The consolidation of GBT's financial results accounted for $1,981 of incremental research and development expenses for Q1-20. • Increase in Knight's research and development expense of $142, or 23%, mainly due to the growth of the Company's scientific affairs department.

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

	Q1-20 vs Q1-19
Amortization	For the quarter ended March 31, 2020 amortization of intangible assets increased by $5,613, or 1,318%, explained by the following: • The amortization of the definite-life intangible assets acquired in the acquisition of GBT represents $5,717. For further details on the purchase price accounting refer to note 3 in the Interim Financial Statements. • No significant variance in Knight's amortization.
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 income for Q1-20 was $4,649, a decrease of 21% or $1,241 compared to the same period in prior year due to a decrease in the average cash and marketable securities balances partially offset by a higher average loan balance.
Interest Expense	• The consolidation of GBT's financial results accounted for $1,140 of incremental interest expense for Q1-20. GBT's interest expense mainly relates to interest on its bank loans. Refer to Section 7 for further information on the debt. • Knight's portion of interest expense is mainly related to interest accretion on the MTO liability of $2,009. Refer to refer to note 9 in the Interim Financial Statements.
Net loss (gain) on financial assets measured at fair value through profit or loss	• As a result of the revaluation of financial assets measured at FVTPL. • Net loss mainly attributed to unrealized losses on revaluation of the strategic fund and equity investments. • Refer to note 9 in the Interim Financial Statements for further information.
Net gain on mandatory tender offer liability	• Overall gain of $1,522 composed of: o Unrealized gain of $28,614 related to the foreign exchange revaluation of the MTO liability as a result of the devaluation of the BRL, partially offset by; o Unrealized loss of $27,092 recorded on the forward contracts and non-deliverable forward contracts to purchase the BRL required to fund the Unified Tender Offer. • Refer to Section 10 for further details.
Realized gain on sale of asset held for sale	• 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 12 in the Interim Financial Statements for further details.
Realized gain on automatic share purchase plan	• Relates to the gain on the ASPP liability as the Company completed its NCIB purchases while in a blackout period • Refer to Section 14 for further details.
Foreign exchange loss (gain)	• The consolidation of GBT's financial results accounted for a foreign exchange loss of $9,516, of which $7,545 relates to unrealized losses on intercompany balances and $1,971 relates to losses on third party balances. • Knight's foreign exchange gain of $4,609 is largely due to gains on certain USD dollar denominated net assets.
Loss on hyperinflation	• Relates to loss on net monetary position (monetary assets less monetary liabilities) under hyperinflation accounting. Refer to "Impact of Hyperinflation" below for further details. • Refer to note 2.3 in the Annual Financial Statements for further details on hyperinflation accounting.
Income tax (recovery) expense	• Deferred income tax recovery mainly due to reduction of deferred tax liability recorded on the definite-life intangible assets acquired as part of the GBT Transaction offset by current income tax expense.

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

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

	Reported under IFRS	Excluding impact of IAS 29	Variance $[1]	Variance %[2]
Revenues	**45,839**	**45,488**	351	1%
Cost of goods sold	**25,979**	**25,015**	(964)	4%
Gross margin	**19,860**	**20,473**	(613)	3%
Gross margin (%)	***43%***	*45%*		
Expenses				
Selling and marketing	**10,114**	**9,988**	(126)	1%
General and administrative	**8,418**	**8,334**	(84)	1%
Research and development	**2,749**	**2,721**	(28)	1%
Amortization of intangible assets	**6,039**	**5,559**	(480)	9%
Operating Loss	**(7,460)**	**(6,129)**	(1,331)	22%

[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*

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 earnings: Operating (loss) income adjusted to exclude amortization and impairment of intangible assets, depreciation, acquisition costs, non-recurring expenses incurred but to include interest income earned net of interest expenses and costs related to leases. In addition, the adjusted earnings does not reflect the portion of GBT's adjusted earnings attributable to the non-controlling interests.

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

Explanation of adjustments

Acquisition costs	Acquisition costs relate to expenses of $216 for the quarter on legal and consulting fees related to the acquisition of GBT.
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 three-month period ended March 31, 2020, the Company incurred one-time costs of $1,764 explained as following: • $252 related to restructuring activities. • $874 related to inventory destroyed due to a temperature excursion during transportation. The Company has initiated an insurance claim for the loss and due to its contingent nature, the claim has not been recorded. • $638 related to a bad debt against accounts receivable. During Q1-19, the Company recorded an expense of $1,615 related to the activist campaign, public proxy battle and related litigations between Knight and dissident shareholder Meir Jakobsohn, Medison's CEO.
Interest income	Includes "Interest income on financial instruments measured at amortized cost" and "Other interest income". Primarily from interest earned on loans, cash and cash equivalents, marketable securities and accretion on loans receivable.
Interest expense on bank loans	Includes GBT's interest expense mainly related to interest on its bank loans and excludes Knight's interest accretion.

For the three-month period ended March 31, 2020, the Company calculated adjusted operating income as follows:

	Q1-20			
	KNIGHT[1]	**GBT[1,2]**	**TOTAL**	Q1-19
Operating loss	(2,196)	(5,264)	**(7,460)**	(3,323)
Adjustments to operating (loss) income:				
Amortization of intangible assets	322	5,717	**6,039**	426
Depreciation of property, plant and equipment	101	1,623	**1,724**	97
Lease costs (IFRS 16 adjustment)	(81)	(753)	**(834)**	(76)
Impact of PPA accounting	—	632	**632**	—
Impact of IAS 29	—	851	**851**	—
EBITDA	(1,854)	2,806	**952**	(2,876)
Acquisition costs	216	—	**216**	—
Other non-recurring expenses	—	1,764	**1,764**	1,615
Interest income	4,649	—	**4,649**	5,890
Interest expense on bank loans	—	(1,146)	**(1,146)**	—
Adjusted earnings	3,011	3,424	**6,435**	4,629

[1] Refer to operating segment disclosure in Section 22 for definition of "Knight" and "GBT"
[2] Not adjusted for the non-controlling interest of 48.8%

Adjusted earnings variances

For the three-month period ended March 31, 2020, adjusted earnings was $6,435, an increase of $1,806 or 39% compared to the same period last year. The consolidation of GBT's financial results accounted for $3,424 of the increase which is partially offset by an increase in Knight's selling and marketing activities due to product launches, an increase in certain administrative expenses and a decrease in Knight's interest income.

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

FINANCIAL CONDITION

Section 5 – Balance Sheets

			Change	
	03-31-20	12-31-19	**$**	**%[3]**
ASSETS				
Current				
Cash and cash equivalents	**286,942**	174,268	112,674	65%
Marketable securities	**246,575**	235,045	11,530	5%
Trade receivables	**78,691**	85,845	(7,154)	8%
Other receivables	**19,767**	17,622	2,145	12%
Inventories	**72,125**	70,870	1,255	2%
Prepaids and deposits	**2,878**	3,306	(428)	13%
Other current financial assets	**22,450**	26,303	(3,853)	15%
Income taxes receivable	**5,588**	8,265	(2,677)	32%
Total current assets	**735,016**	621,524	113,492	18%
Marketable securities	**59,061**	126,869	(67,808)	53%
Trade receivables	**2,212**	4,715	(2,503)	53%
Prepaids and deposits	**4,606**	4,652	(46)	1%
Right-of-use Asset	**5,831**	6,409	(578)	9%
Property, plant and equipment	**23,289**	22,639	650	3%
Investment Property	**1,456**	1,740	(284)	16%
Intangible assets	**164,439**	173,372	(8,933)	5%
Goodwill	**84,341**	88,262	(3,921)	4%
Other financial assets	**138,629**	132,848	5,781	4%
Deferred income tax assets	**4,133**	3,991	142	4%
Other receivable	**41,582**	41,582	—	0%
	529,579	607,079	(77,500)	13%
Assets held for sale	**2,540**	76,700	(74,160)	97%
Total assets	**1,267,135**	1,305,303	(38,168)	3%

[1] *Refer to operating segment disclosure in Section 22 for definition of "Knight" and "GBT"*
[2] *Includes fair value adjustments recorded on the business combination*
[3] *Percentage change is presented in absolute values*

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

			Change	
	03-31-20	12-31-19	**$**	**%[3]**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	**79,770**	94,406	(14,636)	16%
Lease liabilities	**1,746**	1,788	(42)	2%
Other liabilities	**1,688**	1,750	(62)	4%
Automatic share purchase plan liability	**18,278**	—	18,278	N/A
Other financial liabilities	**183,413**	184,023	(610)	0%
Bank loans	**54,207**	50,557	3,650	7%
Income taxes payable	**14,039**	15,447	(1,408)	9%
Other balances payable	**3,329**	2,833	496	18%
Total current liabilities	**356,470**	350,804	5,666	2%
Lease liabilities	**4,447**	4,812	(365)	8%
Accounts payable and other liabilities	**278**	—	278	N/A
Bank loan	**4,246**	5,022	(776)	15%
Other balances payable	**1,947**	1,699	248	15%
Deferred income tax liabilities	**23,386**	27,860	(4,474)	18%
Total liabilities	**390,774**	390,197	577	0%
Shareholders' equity				
Share capital	**698,249**	723,832	(25,583)	4%
Warrants	**785**	785	—	0%
Contributed surplus	**16,933**	16,463	470	3%
Accumulated other comprehensive income	**26,834**	17,405	9,429	54%
Retained earnings	**40,760**	52,246	(11,486)	22%
Attributable to shareholders of the Company	**783,561**	810,731	(27,170)	3%
Non-controlling interests	**92,800**	104,375	(11,575)	11%
Total equity	**876,361**	915,106	(38,745)	4%
Total liabilities and shareholders' equity	**1,267,135**	1,305,303	(38,168)	3%

[1] *Refer to operating segment disclosure in Section 22 for definition of "Knight" and "GBT"*
[2] *Includes fair value adjustments recorded on the business combination*
[3] *Percentage change is presented in absolute values*

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

	03-31-20 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 receivables (current and long term)	• Trade receivables decreased by $9,657, or 11%. The decrease is mainly related to the depreciation of LATAM currencies when converted to Canadian dollars. • During Q1-20 the company recognized an additional ECL of $1,133. • Refer to note 6 in the Interim Financial Statements for further details.
Other receivables (current and long term)	• Other receivables increased by $2,145, or 12% mainly due an increase in the distribution receivable from a fund investment of $1,928. • Refer to note 7 in the Interim Financial Statements for further details.
Inventories	• Overall increase due to the timing of inventory purchase, partially offset by the depreciation of LATAM currencies which led to a decline in the balance when converted to Canadian dollars. • An additional inventory provision of $3,288 was recorded against inventory in Q1-20, of which $874 relates to inventory destroyed due to a temperature excursion during transportation. The remaining $2,414 is due to delays in certain new product launches and COVID-19.
Other financial assets (current and long term)	• Increase of $1,928 driven by: **Loans and other receivables:** increase of $3,043 mainly attributable to foreign exchange revaluation of $2,827. Refer to Section 9 for further information on Knight's strategic lending portfolio. **Equity investments, Warrants and Derivatives:** decrease of $5,160 driven by the disposal of equity investments during the period and the revaluation of equity investments, warrants and derivatives. Refer to note 9 in the Interim Financial Statements for further information. **Funds:** increase of $4,045 due to capital calls of $5,555 and foreign exchange gains of $7,675 offset by distributions received of $2,090, increase in distributions receivable of $1,928 and mark-to-market adjustments of $5,167. • Refer to Section 10 for further information on Knight's strategic investments.
Income tax receivable	• Decrease relates to timing of income tax installments.
Intangible assets	• Decrease mainly due to the depreciation of the LATAM currencies during the quarter and amortization, partially offset by additions of $4,737 related mainly to certain milestones payable under product license agreements. • Refer to note 9 in the Interim Financial Statements for further details.
Goodwill	• Decrease due to the depreciation of the LATAM currencies during the quarter. • Refer to Section 3 for further details.
Other receivable	• Refer to Section 6 for further information.
Assets held for sale & Investment in associate	• Decrease due to the closing 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 12 in the Interim Financial Statements for further information.
Accounts payable and accrued liabilities	• Decrease in accounts payable and accrued liabilities balance of $14,636, or 16%, mainly due to less expenses incurred related to the GBT Transaction, the timing of purchases and payments.
Automatic share purchase plan liability	• Balance related to the obligation to repurchase common shares of Knight under the NCIB and through the ASPP. • Refer to Note 14 in the Interim Financial Statements for further information

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

	03-31-20 vs 12-31-19
Other Financial liabilities	• Balance of $183,413 is comprised of; ○ MTO liability of $157,418 which relates to the Unified Tender Offer required to acquire the remaining 48.8% of GBT, partially offset by; ○ A derivative liability of $25,995 (December 31, 2019: asset of 1,097) on the forward contracts and non-deliverable forward contracts to purchase the BRL required to fund the Unified Tender Offer. • Refer to Note 9 in the Interim Financial Statements for further details.
Bank loans (current and long term)	• Increase of $2,874 due to an additional loan issued to a subsidiary of GBT in March 2020, partially offset by a depreciation of the BRL. • For further details on the bank loans held by GBT, refer to Section 7.
Other balances payable (current and long term)	• Increase due to additional regulatory and sales milestones recorded on in-licensed products.
Deferred income tax liability	• Decrease mainly related to the recognition of deferred income tax recovery on the definite-life intangible assets as a result of the GBT Transaction.
Share capital	• Decrease due to the purchase of Knight's common shares though the NCIB and the recognition of the ASPP liability. • Refer to note 14 in the Interim Financial Statements for further information.
Contributed surplus	• Increase related to share-based compensation expense. • Refer to the statement of changes in equity in the Interim Financial Statements for further information.
Accumulated other comprehensive income	• Increase related to other comprehensive loss attributable to shareholders' of the Company of $9,429 for the period. • Refer to the statement of changes in shareholders' equity in the Interim Financial Statements for further information.
Retained earnings	• Decrease due to Knight's common shares purchased through the NCIB and a net loss attributable to shareholders of the Company of $1,709 for Q1-20. • Refer to the statement of changes in shareholders' equity in the Interim Financial Statements for further information.
Non-controlling interests	• Relates to the non-controlling interest acquired as part of the GBT transaction plus the comprehensive income earned since the acquisition attributable to the minority shareholders of GBT.

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

Section 6 – Notices of Reassessment

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

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

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

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

Section 7 – Liquidity and Capital Resources

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

The Company believes that its existing cash, cash equivalents and marketable securities as well as cash generated from operations are sufficient to finance its current operations, working capital requirements and future product and corporate acquisitions. The table below sets forth a summary of cash flow activity and should be read in conjunction with our consolidated statements of cash flows.

	Three months ended March 31,		Change	
	2020	2019	**$**	**%**[1]
Net cash from operating activities	**(21,167)**	(9,388)	(11,779)	125%
Net cash from investing activities	**136,030**	(3,542)	139,572	3,940%
Net cash from financing activities	**(2,874)**	(7)	(2,867)	40,957%
Increase (decrease) in cash and cash equivalents during the period	**111,989**	(12,937)	124,926	966%
Net foreign exchange difference	**685**	(738)	1,423	193%
Cash and cash equivalents, beginning of the period	**174,268**	244,785	(70,517)	29%
Cash, cash equivalents and restricted cash, end of the period	**286,942**	231,110	55,832	24%
Marketable securities, end of the period	**305,636**	517,301	(270,726)	52%
Cash, cash equivalents, restricted cash, and marketable securities, end of the period	**592,578**	784,411	(191,833)	24%
Cash, cash equivalents and restricted cash, net of bank loans	**228,489**	244,785	(16,296)	7%

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

	Q1-20 vs Q1-19
Net cash from operating activities	Primarily relates to cash generated through revenues, dividends from associates and interest received, offset by operating expenses including salaries, research and development expenses, advertising and promotion costs, and other corporate expenses. Cash flows from operating activities exclude revenues and expenses not affecting cash, such as unrealized and realized gains or losses on financial assets, share based compensation expense, depreciation and amortization, foreign exchange gains or losses, hyperinflation losses, share of net income and dividends from associate, other income, deferred other income, and net changes in non-cash balances relating to operations.

	Q1-20 vs Q1-19
Net cash from investing activities	For the three-month period ended March 31, 2020, cash flows were mainly driven by: • Proceeds on the sale of Medison of $77,000; • net proceeds on marketable securities of $63,031; • net proceeds from disposals of equity investments of $2,522, offset by; • acquisition of intangible assets and property, plant and equipment of $2,690; • net investments in funds of $3,465;
Net cash from financing activities	Cash flows from financing activities were mainly due to the repurchase of common shares through the NCIB, principal repayments and interest payments on bank loans, proceeds from new loans, principal repayments on lease liabilities, proceeds from the repayment of share purchase loans and the participation of employees and directors in the Company's share purchase plan.

As at March 31, 2020, the Company had restricted cash of $24,319 (2019: $5,000). The balance includes $19,250 held by a trustee related to the disposal of the shares of Medison. The cash is expected to be released to Knight upon the issuance of a tax certificate by the Israel Tax Authority. The remaining restricted cash is mainly comprised of $5,000 held in escrow in accordance to the terms of an agreement. Subsequent to the quarter end, the terms of the agreement were met and the Company paid out the $5,000

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

	Currency of debt	Interest rate	Maturity	Current	Non-Current
				$	$
Banks					
Citibank	ARS	18.40%	November 2, 2020	2,333	—
Itaú Unibanco	BRL	1.65% +100% CDI	December 8, 2023	36,525	—
Banco Santander	BRL	2.00% +100% CDI	December 13, 2021	4,381	4,246
Banco Santander	BRL	1.39% +100% CDI	March 4, 2021	10,968	—
Total Bank Loans				**54,207**	**4,246**

Banco Santander

In March 2020, Banco Santander loaned an additional BRL 40,132 to a subsidiary of GBT. The loan is guaranteed by a USD 10M deposit to Banco Santander. The principal and interest are due on the maturity date of March 4, 2021.

PRODUCT ACQUISITION STRATEGY

Section 8 – Products

8.1 Knight Products

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

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

Prescription Pharmaceutical Products

Product	Indication	Canada	Brazil	Argentina	Colombia	Mexico	Others	Partner
Pain/Gastrointestinal								
Movantik®	OIC	Launched					Launched	AstraZeneca
Probuphine®	Opioid addiction	Launched						Titan
Ibsrela™	IBS-C	Approved						Ardelyx
Salofalk®	Ulcerative colitis				Marketed		Marketed	Dr. Falk
Women's Health								
Imvexxy™	Moderate-to-severe dyspareunia	Submitted						TXMD
Bijuva™	Moderate-to-severe vasomotor symptoms due to menopause	Submitted						TXMD
Specialty								
Impavido®	Leishmaniasis						Launched	Own
Oncology								
Nerlyinx®	Adjuvant breast cancer	Launched						Puma
Nerlyinx®	Metastatic breast cancer	Pending submission						Puma
Trelstar®	Advanced prostate cancer	Launched						Debiopharm
Vidaza®	Myelodysplastic syndrome		Marketed					Celgene (BMS)
Abraxane® / Abraxus®	Metastatic pancreatic, and metastatic breast cancer		Launched			Launched		Celgene (BMS)
Halaven ®	Metastatic breast cancer		Marketed	Launched	Submitted		Launched	Eisai
Halaven ®	Soft tissue sarcoma		Launched	Launched	Submitted		Launched	Eisai
Ladevina	Multiple myeloma			Marketed	Launched		Marketed	Own
Lenvima®	Differentiated thyroid cancer, Advanced renal cell cancer, and Unresectable hepatocellular carcinoma		Marketed	Launched	Submitted		Launched	Eisai
Zyvalix	Metastatic prostate cancer			Marketed	Launched		Marketed	Own
Nilotinib	Chronic myeloid leukemia			Submitted				Own
Anti-infective								
Ambisome®	Fungal infection		Marketed				Launched	Gilead
Epclusa®	Chronic hepatitis C		Launched		Launched		Launched	Gilead
Cresemba®	Fungal infection		Launched	Launched	Launched	Launched	Launched	Basilea
CNS								
Inovelon®	Lennox-Gastaut syndrome		Launched	Submitted	Submitted	Launched	Submitted	Eisai
Fycompa®	Partial-onset seizures,and primary generalized tonic-clonic seizures		Launched	Submitted	Submitted	Launched	Submitted	Eisai
Respiratory								
Selexipag	Pulmonary arterial hypertension			Launched				Own
Fibridoner	Idiopathic pulmonary fibrosis			Marketed				Own

Launched: product has been on the market under 5 years
Marketed: product has been on the market over 5 years

Movantik®

In December 2016, Knight entered into an agreement with AstraZeneca for the rights to Movantik® in Canada and Israel under which Knight is responsible for all commercial, regulatory and certain supply chain activities. Movantik® is the first once-daily oral peripherally-acting mu-opioid receptor antagonist for the treatment of OIC in adult patients with non-cancer pain who have had an inadequate response to laxatives. According to the Canadian Family Physician Practice Guideline, it is estimated that at least 26% of chronic opioid users suffer from OIC. According to IQVIA data, Movantik® sales in Canada were $447 for the three-month period ended March 31, 2020 (2019: $358).

Probuphine®

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

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

Tenapanor

On March 16, 2018, Knight entered into an exclusive licensing agreement with Ardelyx to commercialize tenapanor in Canada. Tenapanor is a first-in-class small molecule treatment that has completed Phase 3 development for IBS-C (marketed as Ibsrela™) and is in an ongoing Phase 3 study for hyperphosphatemia. Ardelyx received regulatory approval for Ibsrela™ from the US FDA in September 2019. On April 17, 2020, the Company announced that Ibsrela™ was approved by Health Canada. The Company expects to launch Ibsrela™ in Canada in early 2021.

Jaguar

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

Antibe family

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

Iluvien®

On July 21, 2015, Knight entered into an agreement with Alimera pursuant to which Knight acquired the exclusive Canadian distribution rights to Iluvien®, a sustained release intravitreal implant for the treatment of diabetic macular edema. Iluvien® was approved by Health Canada on November 26, 2018 for the treatment of diabetic macular edema. In September 2019 CADTH published their final report recommending that Iluvien® should not be reimbursed through the public insurance plans. Knight is working with Alimera to assess the resubmission process.

Netildex®

On August 2, 2016, Knight entered into a license agreement for the exclusive rights in Canada to commercialize Netildex®, a fixed combination of netilmicin and dexamethasone, that is indicated in adult patients (including the elderly) for the treatment of inflammatory ocular conditions of the anterior segment of the eye following cataract surgery where adjunct topical therapy to reduce the risk of bacterial infection is appropriate. Netildex® was approved by Health Canada on October 23, 2019.

NERLYNX®

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

Triumvira family

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

TXMD

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

Impavido®

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

Arakoda™

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

Burinex®

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

Trelstar®

On January 8, 2020, Knight announced that the Company entered into an agreement with Debiopharm for the Canadian commercial rights of Trelstar®, for the treatment of advanced prostate cancer. 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.

8.2 GBT Products

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

AmBisome®

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

Vidaza® and Vidaza® GX

Vidaza® (azacytidine) is indicated for the treatment of patients with Myelodysplastic Syndrome of the subtypes: Refractory anemia (RA) or refractory anemia with ringed sideroblasts (if accompanied by neutropenia or thrombocytopenia or requiring transfusions), refractory anemia with excess blasts, refractory anemia with excess blasts in transformation, and chronic myelomonocytic leukemia. 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®/Abraxus®

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

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.

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.

Lenvima®

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

Inovelon®

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

Fycompa®

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

Salofalk®

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

Gilead Anti-Infective Portfolio

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

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

Ladevina®

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

Fibridoner®

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

Zyvalix®

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

Section 9 – Strategic Lending

Knight finances other life sciences companies in all geographic markets with the goal of strengthening relationships in the life sciences industry and securing product distribution rights for Canada and select international markets. Typically, loans have low double-digit interest rates and may come with additional consideration to the Company. Loans often come with product rights or product options for Canada and select international markets. These loans strengthen Knight's ties within the life sciences industry and, in doing so, helped secure product rights for Knight either on a direct or indirect basis. As of the date hereof, Knight has four secured loans outstanding to life sciences companies as outlined in the table below. To date, the strategic lending portfolio has led to the acquisition or in-licensing of Knight's consumer health products (as described in Section 8), the Antibe family, the 60P family, TULSA-PRO® and the Triumvira family.

	Nominal loan balance as at March 31, 2020	
Entity	**In Source Currency**	**In Canadian Dollars[1]**
Moksha8	US$11,993	$17,014
Synergy	US$5,500	$7,803
60P[2]	US$6,310	$8,952
Triumvira	US$5,000	$7,094
Total		**$40,863**

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

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

As at March 31, 2020, the nominal loan balance outstanding was $40,863 [US$28,803] (December 31, 2019: $37,409, including $24,296 [US$17,810]). The following table summarizes the movement in loans and other receivables during the three-month period ended March 31, 2020.

	Carrying value as at January 1 $	Additions $	Loan repayments $	Net loss on FA[1] $	Foreign exchange[2] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
Amortized Cost	2,181	—	(18)	—	218	2,381	—	2,381
FVTPL	28,390	605	—	(371)	2,609	31,233	14,728	16,505
Total	**30,571**	**605**	**(18)**	**(371)**	**2,827**	**33,614**	**14,728**	**18,886**

[1] Net changes related to change in the fair value of loan receivables and recognition of day 1 gains
[2] Recorded a gain of $2,190 in the statement of loss in "Foreign exchange loss" and a gain of $637 in the statement of other comprehensive loss in "Unrealized gain (loss) on translation of foreign operations"

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 $39,874 remains committed as at March 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 noon exchange rates as of the commitment date (using the March 31, 2020 closing rates total fund commitment would be $143,256)
[2] Knight received a full return of capital from its US$13,000 investment in Sectoral's NEMO II and subsequently committed to reinvest US$10,000 into Sectoral's NEMO III
[3] Represents an investment in a debt fund

Since the inception of the strategic fund investments, the Company invested $120,568 and received distributions of $63,340 on which a gain of $22,303 was realized. Furthermore, as at March 31, 2020, the fund investments were recorded at their

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

fair value of $118,106 representing a cumulative unrealized gain of $38,575. The following table summarizes the movement in fund investments during the three-month period ended March 31, 2020.

Carrying value as at January 1 $	Additions[1] $	Distributions[2,3] $	Net (loss) gain on FA $	Foreign exchange[4] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
114,061	5,555	(4,018)	(5,167)	7,675	118,106	3,089	115,017

[1] Investments in equity or debt funds including US$2,500 and EUR 790 (2019: including US$1,114 and EUR 1,153)
[2] Distributions received from funds including US$1,405 (2019: including US$0)
[3] Includes distribution receivable of $1,928
[4] Recorded a gain of $949 in the statement of loss in "Foreign exchange loss" (2019: loss of $811) and $6,726 in the statement of other comprehensive loss in "Unrealized gain (loss) on translation of foreign operations" (2019: loss of $1,107)

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.

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 48.2% of GBT. The offer will be at similar terms as the GBT Transaction plus interest at the Selic rate calculated from November 29, 2019 until the settlement date. Alternatively, the public shareholders may choose to be paid BRL10.15 per BDR in cash on the settlement date plus interest at the Selic rate calculated from November 29, 2019.

As a result of the above, Knight has a contractual obligation to the minority shareholders of GBT. On November 29, 2019, the Company recorded the initial liability at $178,266 [BRL 567,145] and an offset to equity which represents the net present value of the cash disbursement should all BDRs holders choose the same consideration as the controlling shareholders. For the three-month period ended March 31, 2020, Knight recorded an additional $2,009 [BRL 6,647] to the mandatory tender offer liability with an offset to interest expense. As at March 31, 2020, the MTO liability was $157,418 [BRL576,202] (December 31, 2019: $184,023 [BRL569,155]) and the Company recorded a foreign exchange gain of $28,614 upon its revaluation to the Canadian Dollar in the statement of loss in "Net gain on mandatory tender offer liability".

In connection with the Unified Tender Offer, the Company entered into foreign exchange contracts to mitigate its exposure to foreign currency risks. As at March 31, 2020 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 510,791 at an average rate of 4.10 BRL per USD ("BRL Contract"). As at March 31, 2020, the Company has an obligation to purchase an BRL 510,791 at an average rate of 3.12 BRL per CAD based on the USD Contract and BRL Contract. Those contracts will be exercised upon the launch of the Unified Tender Offer. As a result, a derivative liability of $25,995 was recorded as at March 31, 2020 (December 31, 2019: derivative asset of $1,096). Due to the currency fluctuation, the Company recorded a loss of $27,092 in the statement of loss in "Net gain on mandatory tender offer liability".

As a result of changes in the fair value of the USD Contract and BRL Contract ("FX Contracts") and the foreign exchange revaluation of the MTO liability the Company recorded the following net gain in the consolidated statement of loss as "Net gain on mandatory tender offer liability".

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

	$
Change in fair value of FX Contracts	27,092
Foreign exchange revaluation of MTO liability	(28,614)
Net gain on mandatory tender offer liability	**(1,522)**

For additional details regarding the movement in equities or derivatives held by Knight throughout the quarter, refer to note 9 "Other Financial Instruments" of the Interim 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 costs denominated in currencies of developed markets (CHF, USD, EUR). The currency mismatch exposes GBT to foreign exchange risks which could result in significant fluctuations of the Company's gross margin or net income.

Currency risks in net financial assets

Knight holds a significant portion of its net financial assets in USD, EUR, BRL, ARS, CLP and COP which results in financial risk due to fluctuations in the value of the currencies relative to the Canadian dollar. Assuming all other variables remain constant, a 5% change, would have resulted in a change in the statement of loss or other comprehensive loss for the three-month period ended March 31, 2020 as follows:

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

	$
Foreign Exchange Risk (5% change)	
USD	**5,906**
EUR	**1,145**
BRL	**9,667**
ARS	**121**
COP	**628**
CLP	**108**

The Company is also exposed to currency risk on the BOB, CHF, MXN, PEN, PYG and UYU. A 5% change in the Company's net exposure to the above-mentioned currencies would have resulted in a change in the statement of loss or other comprehensive loss of $97.

In connection with the Unified Tender Offer, the Company entered into FX Contracts to mitigate its exposure to foreign currency risks. As at March 31, 2020 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"). The Company entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 510,791 at an average rate of 4.10 BRL per USD ("BRL Contract"). As at March 31, 2020, the Company has an obligation to purchase an BRL 510,791 at an average rate of 3.12 BRL per CAD based on the USD Contract and BRL Contract. Those contracts will be exercised upon the launch of the Unified Tender Offer. A 5% change in the BRL/CAD exchange rate would have resulted in a change in the statement of loss of $7,798.

12.2 Equity Price Risk

Equity price risk arises from changes in market prices of the equity and fund investments and derivatives. The carrying values of investments subject to equity price risk are $126,108 as at March 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 4 of the Interim Financial Statement. Assuming that all other variables remain constant, a 1% decline on the interest rate generated on cash, cash equivalents and marketable securities would have resulted in a reduction of interest income of $5,926 over a one-year period.

The Company is also subject to interest rate risk on the interest expense incurred on its bank loans and MTO liability. Details regarding maturity dates and effective interest rates as well as the MTO offers are described in Sections 7 and 10. Assuming that all other variables remain constant, a 1% increase on the interest rate would have resulted in an increase of interest expense of $2,116 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 March 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 note 21 of the Interim Financial Statements.

12.5 Credit Risk

The Company considers its maximum credit risk to be $239,201 (December 31, 2019: $248,812) which is the total of the following assets; trade and accounts receivable, interest receivable, loans receivable and investment in funds.

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

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

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

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.

While it is not possible at this time to estimate the impact that COVID-19 could have on the Company, the continued spread of COVID-19 and the measures taken by the governments of countries affected could disrupt the supply chain and the manufacture or shipment of product inventories and adversely impact the Company's business, financial condition or results of operations. The COVID-19 outbreak and mitigation measures may also have an adverse impact on global economic conditions which could have an adverse effect on the Company's business and financial condition, including continued interest rate volatility. 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 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 estimated credit loss on accounts receivable.

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

For the period ended March 31, 2020, the Company assessed the possible impacts of COVID-19 on its financial results. The Company has evaluated its 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.

As of the approval date of these financial statements, the outbreak has not had a material impact on the Company's results. The Company and its employees have transitioned to working remotely and steps 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 Risk Factors

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

ADDITIONAL INFORMATION

Section 13 – Selected Quarterly Financial Information

This selected information is derived from our Annual Financial Statements.

	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18
Revenues	**45,839**	37,271	4,030	3,204	2,956	3,888	3,220	2,238
Net (loss) income	**(9,477)**	(3,153)	(2,959)	18,956	5,189	221	12,930	4,019
Adjusted earnings	**6,435**	11,651	5,562[1]	4,564[1]	4,629[1]	5,607	4,296[1]	3,245[1]
EPS								
Basic	**(0.013)**	(0.049)	(0.021)	0.133	0.036	0.002	0.091	0.028
Diluted	**(0.013)**	(0.049)	(0.021)	0.132	0.036	0.002	0.090	0.028
Cash, cash equivalents and marketable securities	**592,578**	536,182	700,092	745,272	748,411	787,062	775,046	806,746
Total assets	**1,267,135**	1,305,303	1,022,261	1,074,371	1,058,191	1,051,832	1,041,506	1,029,133
Total non-current liabilities	**34,304**	39,393	5,812	6,339	5,440	4,615	3,261	1,127

[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.

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

Section 14 – Outstanding Share Data

The table below summarizes the share data:

As at	June 25, 2020	March 31, 2020
Common Shares	130,938,418	133,480,041
Stock Options	4,435,246	4,870,676
Warrants	406,126	406,126

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

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

During the three-month period ended March 31, 2020, the Company purchased 2,326,083 common shares, for an aggregate cash consideration of $14,286, of which $975 remains to be settled as at March 31, 2020. The Company completed its purchases while in a blackout period and as a result recorded a gain $2,869 in the statement of loss in "Realized gain on automatic share purchase plan".

Subsequent to the period end, the Company purchased an additional 2,478,360 common shares to complete its NCIB launched in July 2019. The Company purchased a cumulative total of 12,053,692 common shares at an average price of $7.14 per share.

Section 15 – Use of Proceeds from Financing

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

As at March 31, 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. Pending the application of the remainder of the net proceeds, Knight has invested part of the net proceeds in short-term investment-grade securities and bank deposits, and, holds the remainder in cash. Knight anticipates that it has sufficient funds available to achieve its business objectives and milestones as listed in the prospectuses.

Section 16 – 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 17 – Product Pricing Regulation on Certain Patented Drug Products

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

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

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

On August 21, 2019, the federal government published the final regulations governing the PMPRB. The new regulations include eleven countries as comparators and 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 views of stakeholders and interested members of the public and extended their consultation period in connection with the guidelines through February 14, 2020. The implementation of the amended PMPRB regulations was delayed due to COVID-19 and are now expected to come into force on January 1, 2021. The PMPRB will move forward with the issuance of a revised set of Draft Guidelines, followed by another written consultation period. The revised Draft Guidelines were published on June 19, 2020, and the consultation period will be for 30 days.

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

Section 18 – 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.

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

Section 19 – Off-balance Sheet Arrangements

The Company's off-balance sheet arrangements consist of contractual obligations and agreements for development, sales, marketing and distribution rights to innovative drug products. The effect of terminating these arrangements under normal operating circumstances consists of an effective transition of the remaining responsibilities and obligations to the licensor under agreed upon time frames and conditions. Please refer to note 31 of the Annual Financial Statements for the year ended December 31, 2019 for additional information. Other than these contractual obligations and commitments, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, changes in revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to investors.

Section 20 – Commitments

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

[i] Fund commitments

As at March 31, 2020, under the terms of Company's agreements with life sciences venture capital funds, $39,874 (December 31, 2019: $44,116), including $8,962 [US$6,317] and $8,200 [EUR 5,261] (December 31, 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 June 26, 2020, $33,845 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 $329,435 including $48,739 [US$34,355], $145,599 [CHF 99,000] and $600 [EUR 385] upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to $2,172 [EUR 738 and US$721], of inventory for pharmaceutical products during the five-year period after their respective commercial launch. For products that are currently launched, the Company has committed to inventory purchases of $139,848 [BRL 66,817, USD 66,226 and CHF 18,793], which will be purchased over the next 8 years.

	$
2020	21,468
2021	9,234
2022	14,474
2023	20,033
2024	21,210
2025 and beyond	53,429
Total	**139,848**

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

[iii] Equity and loan commitments

Subject to a loan agreement with a borrower, Knight has committed to up to a maximum equity investment of $3,547 [US$2,500] to participate in the initial public offering of the borrower.

Subject to the Moksha8 Financing Agreement, Knight has committed to loan up to an additional $14,896 [US$10,500] should the borrower meet certain pre-defined profitability targets over its 2020 to 2021 financial years.

Section 21 – Related Party Transactions

Pharmascience Inc., a company related to the Company's CEO, provided administrative services of approximately $4 to the Company for three-month period ended March 31, 2020.

Section 22 – Segment Reporting

Prior to the close of the GBT Transaction, the Company had one reportable segment, namely the development, acquisition, in-licensing, out-licensing, marketing and distribution of innovative pharmaceutical products, consumer health products and medical devices in Canada and select international markets. As at March 31, 2020, and considering the timing of the GBT Transaction, the operations of GBT were managed and reviewed as one component and therefore the Company presents its financial information in two separate operating segments as follows:

- **Knight Canada and rest of world excluding LATAM ("Knight"):** Principal business activity is focused on developing, acquiring, in-licensing, out-licensing, marketing and distributing innovative pharmaceutical products, consumer health products and medical devices in Canada and select international markets (excluding the LATAM region). Knight carries out business primarily in Canada with certain operating revenue streams in Europe, United States of America, Barbados, Israel and select international countries (excluding the LATAM region).
- **LATAM ("GBT"):** Principal business activity is focused on in-licensing, marketing and distributing innovative products as well as developing, manufacturing and marketing of specialty pharmaceutical branded generic products. GBT carries out its operations across ten countries in Latin America.

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

Information on reportable segments

Three-month period ended March 31, 2020	Knight	GBT	Consolidated
	$	$	$
Revenues	3,172	42,667	**45,839**
Cost of goods sold	564	25,415	**25,979**
Gross Margin	2,608	17,252	**19,860**
Selling and marketing	1,196	8,918	**10,114**
General and administrative	2,518	5,900	**8,418**
Research and development	768	1,981	**2,749**
Amortization of intangible assets	322	5,717	**6,039**
Interest (income)/expense	(2,633)	1,140	**(1,493)**
Other income	—	(25)	**(25)**
Net gain on financial instruments measured at FVTPL	6,730	—	**6,730**
Income tax recovery	(790)	(250)	**(1,040)**
Segment loss	(5,503)	(6,129)	**(11,632)**
Net gain on mandatory tender offer liability			**(1,522)**
Realized gain on sale of asset held for sale			**(2,948)**
Realized gain on automatic share purchase plan			**(2,869)**
Foreign exchange (gain) loss			**4,907**
Loss on hyperinflation			**277**
Net loss for the period			**(9,477)**
Total segment assets	**1,019,464**	**248,411**	**1,267,875**
Total segment liabilities	**231,408**	**160,106**	**391,514**

Geographic Information

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

Three-month period ended March 31, 2020	$
Revenues	
Canada	684
Brazil	14,006
Argentina	10,505
Colombia	9,092
Rest of LATAM	9,064
Other[1]	2,488
Total	**45,839**

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

For the quarter ended March 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.

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

As at March 31, 2020	Non-current operating assets
	$
Canada	54,856
Brazil	70,192
Argentina	46,446
Colombia	38,423
Rest of LATAM	105,441
Other	833
Total	**316,191**

For the quarter ended March 31, 2019, revenues from products sold in Canada and internationally were $559 and $2,397 respectively. Furthermore, non-current operating assets consisting of property and equipment, intangible assets, investment in associate and other receivables held in Canada and internationally were $136,339 and $1,758 respectively.

Section 23 – Significant Accounting Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts or revenues and expenses during the reporting period. Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. Actual results could differ materially from those estimates. Our significant accounting estimates and assumptions are reported in note 3 of our 2019 Annual Financial Statements.

Section 24 – Disclosure Controls and Procedures

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

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

Section 25 – Internal Control Over Financial Reporting

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

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

During the quarter ended March 31, 2020, there was no significant changes in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect the Company's internal controls over financial reporting.

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

Section 26 – Subsequent Events

Triumvira loan repayment

On February 20, 2019, the Company entered into a $6,585 [US$5,000] secured loan with Triumvira for the development of its novelty T cell therapies and obtained the exclusive rights to commercialize Triumvira's future products in select countries. On April 16, 2020, Triumvira repaid the loan and all remaining accrued interest as at the date thereof.

Synergy loan amendment

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 in its loan agreement with Synergy. The Company has issued an additional loan of $3,547 [US$2,500] to Synergy which bears interest at 12.5% per annum and matures on May 8, 2021.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

KNIGHT THERAPEUTICS INC.

March 31, 2020

INTERIM CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

[Unaudited]

As at	*Notes*	**March 31, 2020**	December 31, 2019
ASSETS			
Current			
Cash, cash equivalents and restricted cash	*4*	**286,942**	174,268
Marketable securities	*5*	**246,575**	235,045
Trade receivables	*6*	**78,691**	85,845
Other receivables	*7*	**19,767**	17,622
Inventories	*8*	**72,125**	70,870
Prepaids and deposits		**2,878**	3,306
Other current financial assets	*9, 10*	**22,450**	26,303
Income taxes receivable		**5,588**	8,265
Total current assets		**735,016**	621,524
Marketable securities	*5*	**59,061**	126,869
Trade receivables	*6*	**2,212**	4,715
Prepaids and deposits		**4,606**	4,652
Right-of-use assets		**5,831**	6,409
Property, plant and equipment		**23,289**	22,639
Investment properties		**1,456**	1,740
Intangible assets		**164,439**	173,372
Goodwill		**84,341**	88,262
Other financial assets	*9, 10*	**138,629**	132,848
Deferred income tax assets		**4,133**	3,991
Other long-term receivable	*13*	**41,582**	41,582
		529,579	607,079
Assets held for sale		**2,540**	76,700
Total assets		**1,267,135**	1,305,303

INTERIM CONSOLIDATED BALANCE SHEETS (continued)

[In thousands of Canadian dollars]

[Unaudited]

As at	*Notes*	**March 31, 2020**	December 31, 2019
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities		**79,770**	94,406
Lease liabilities		**1,746**	1,788
Other liabilities		**1,688**	1,750
Automatic share purchase plan liability	*14 [iv]*	**18,278**	—
Other financial liabilities	*9*	**183,413**	184,023
Bank loans	*11*	**54,207**	50,557
Income taxes payable		**14,039**	15,447
Other balances payable		**3,329**	2,833
Total current liabilities		**356,470**	350,804
Lease liabilities		**4,447**	4,812
Long-term accounts payable and other liabilities		**278**	—
Bank loans	*11*	**4,246**	5,022
Other balances payable		**1,947**	1,699
Deferred income tax liabilities		**23,386**	27,860
Total liabilities		**390,774**	390,197
Equity			
Share capital	*14 [i]*	**698,249**	723,832
Warrants		**785**	785
Contributed surplus		**16,933**	16,463
Accumulated other comprehensive income	*15*	**26,834**	17,405
Retained earnings		**40,760**	52,246
Attributable to shareholders of the Company		**783,561**	810,731
Non-controlling interests		**92,800**	104,375
Total equity		**876,361**	915,106
Total liabilities and equity		**1,267,135**	1,305,303

Commitments *[note 21]*
Subsequent events *[note 23]*

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF (LOSS) INCOME

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

[Unaudited]

		Three months ended March 31,	
	Notes	**2020**	2019
Revenues		**45,839**	2,956
Cost of goods sold		**25,979**	685
Gross margin		**19,860**	2,271
Expenses			
Selling and marketing		**10,114**	847
General and administrative		**8,418**	3,695
Research and development		**2,749**	626
Amortization of intangibles		**6,039**	426
Operating loss		**(7,460)**	(3,323)
Interest income on financial instruments measured at amortized cost		**(3,383)**	(4,925)
Other interest income		**(1,266)**	(965)
Interest expense		**3,156**	—
Other income		**(25)**	(353)
Net loss (gain) on financial instruments measured at fair value through profit or loss	*9*	**6,730**	(4,777)
Net gain on mandatory tender offer liability	*9 [iii]*	**(1,522)**	—
Realized gain on sale of asset held for sale	*12*	**(2,948)**	—
Realized gain on automatic share purchase plan	*14 [iv]*	**(2,869)**	—
Share of net income of associate	*12*	—	(692)
Foreign exchange loss		**4,907**	1,653
Loss on hyperinflation		**277**	—
(Loss) Income before income taxes		**(10,517)**	6,736
Income tax			
Current		**3,001**	1,531
Deferred		**(4,041)**	16
Income tax (recovery) expense		**(1,040)**	1,547
Net (loss) income for the period		**(9,477)**	5,189
Attributable to:			
Shareholders of the Company		**(1,709)**	5,189
Non-controlling interests		**(7,768)**	—
Attributable to shareholders of the Company			
Basic (loss) earnings per share	*16*	**(0.01)**	0.04
Diluted (loss) earnings per share	*16*	**(0.01)**	0.04
Weighted average number of common shares outstanding			
Basic	*16*	**135,144,152**	142,852,246
Diluted	*16*	**135,436,500**	143,245,443

See accompanying note

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

[In thousands of Canadian dollars]

[Unaudited]

	Three months ended March 31,	
	2020	2019
Net (loss) income for the period	**(9,477)**	5,189
Other comprehensive income (loss), net of taxes		
Items that may be reclassified subsequently to net income:		
Unrealized gain (loss) on translation of foreign operations	5,810	(4,331)
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 $34 (2019: $114)	(188)	1,411
Share of other comprehensive (loss) of associate net of tax of $580 (2019: $87)	—	(276)
Other comprehensive (loss) income for the period	5,622	(3,196)
Total comprehensive (loss) income for the period	(3,855)	1,993
Attributable to:		
Shareholders of the Company	7,720	1,993
Non-controlling interests	(11,575)	—

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[In thousands of Canadian dollars]

[Unaudited]

		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 period		—	—	—	—	5,189	5,189	—	**5,189**
Other comprehensive loss for the period		—	—	—	(3,196)	—	(3,196)	—	**(3,196)**
Comprehensive (loss) income		—	—	—	(3,196)	5,189	1,993	—	**1,993**
Share-based compensation expense	*14 [ii]*	—	—	457	—	—	457	—	**457**
Issuance under share purchase plan	*14 [iii]*	69	—	—	—	—	69	—	**69**
Balance as at March 31, 2019		**761,913**	**785**	**14,783**	**17,759**	**237,311**	**1,032,551**	**—**	**1,032,551**
Balance as at January 1, 2020		**723,832**	**785**	**16,463**	**17,405**	**52,246**	**810,731**	**104,375**	**915,106**
Net loss for the period		—	—	—	—	(1,709)	(1,709)	(7,768)	**(9,477)**
Other comprehensive income (loss) for the period		—	—	—	9,429	—	9,429	(3,807)	**5,622**
Comprehensive income (loss)		—	—	—	9,429	(1,709)	7,720	(11,575)	**(3,855)**
Share-based compensation expense	*14 [ii]*	—	—	470	—	—	470	—	**470**
Issuance under share purchase plan	*14 [iii]*	73	—	—	—	—	73	—	**73**
Shares purchased under Normal Course Issuer Bid	*14 [iv]*	(12,421)	—	—	—	(4,734)	(17,155)	—	**(17,155)**
Automatic share purchase plan pursuant to Normal Course Issuer Bid	*14 [iv]*	(13,235)	—	—	—	(5,043)	(18,278)	—	**(18,278)**
Balance as at March 31, 2020		**698,249**	**785**	**16,933**	**26,834**	**40,760**	**783,561**	**92,800**	**876,361**

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

[Unaudited]

		Three months ended March 31,	
	Notes	**2020**	2019
OPERATING ACTIVITIES			
Net (loss) income for the period		**(9,477)**	5,189
Adjustments reconciling net income to operating cash flows:			
Deferred income tax (recovery) expense		**(4,041)**	16
Share-based compensation expense	*14 [ii]*	**470**	457
Depreciation and amortization		**7,763**	523
Net loss (gain) on financial instruments	*9*	**6,730**	(4,777)
Net gain on mandatory tender offer liability		**(1,522)**	—
Realized gain on sale of Asset held for sale		**(2,948)**	—
Realized gain on automatic share purchase plan		**(2,869)**	—
Interest expense on MTO		**2,009**	—
Foreign exchange loss		**4,907**	1,653
Loss on hyperinflation		**277**	—
Share of net income of associate		—	(692)
Deferred other income		—	(170)
Other adjustments		**167**	—
		1,466	2,199
Changes in non-cash working capital and other items	*18*	**(22,472)**	2,496
Other long-term receivable	*13*	—	(18,242)
Dividends from associate		—	4,159
Interest payments on bank loans		**(161)**	—
Cash (outflow) from operating activities		**(21,167)**	(9,388)
INVESTING ACTIVITIES			
Purchase of marketable securities		**(13,415)**	(98,893)
Purchase of intangible assets		**(2,314)**	(1,989)
Purchase of property and equipment		**(376)**	—
Exercise of warrants	*9 [iii]*	**(386)**	—
Issuance of loans receivables		—	(17,850)
Purchase of equity investments		**(397)**	—
Investment in funds	*9 [iv]*	**(5,555)**	(1,707)
Proceeds on sale of Asset held for sale	*12*	**77,000**	—
Proceeds on maturity of marketable securities		**76,446**	120,964
Proceeds from repayments of loans receivable	*9 [i]*	**18**	657
Proceeds from disposal of equity investments	*9 [ii]*	**2,919**	—
Proceeds from distribution of funds	*9 [iv]*	**2,090**	676
Cash inflow (outflow) from investing activities		**136,030**	(3,542)
FINANCING ACTIVITIES			
Proceeds from contributions to share purchase plan		**73**	60
Proceeds from bank loans		**11,922**	—
Repurchase of common shares through Normal Course Issuer Bid	*14 [iv]*	**(13,311)**	—
Principal repayment of lease liabilities		**(827)**	(67)
Principal repayments on bank loans		**(731)**	—
Cash outflow from financing activities		**(2,874)**	(7)
Increase (decrease) in cash and cash equivalents during the period		**111,989**	(12,937)
Cash and cash equivalents, beginning of the period		**174,268**	244,785
Net foreign exchange difference		**685**	(738)
Cash and cash equivalents, end of the period		**286,942**	231,110
Supplemental cash flow information:			
Interest received		**7,320**	4,171
Interest paid		**161**	—
Net income taxes paid		**(3,377)**	(988)

See accompanying notes

GLOSSARY OF ABBREVIATIONS

Abbreviation	Company
60P	60^{o} Pharmaceuticals LLC
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.
Synergy	Synergy CHC Corp.
Triumvira	Triumvira Immunologics Inc.
TXMD	TherapeuticsMD, Inc

Abbreviation	Currency
ARS	Argentine Peso
BRL	Brazilian Real
CHF	Swiss Franc
EUR	Euro
US$/USD	U.S. Dollar

Abbreviation	Other
AOCI	Accumulated other comprehensive income
B3	B3 S.A. – Brasil, Bolsa, Balcão
BDR	Brazilian Depository Receipts
CDI	Certificados de Depositos Interfinancieros (Brazil interbank lending rate)
CEO	Chief Executive Officer
CGU	Cash generating unit
CRA	Canada Revenue Agency
ECL	Expected credit loss
FA	Financial Assets
FDA	Food and Drug Administration (United States)
FV/FMV	Fair value
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
IFRS	International Financial Reporting Standards
LATAM	Latin America
MTO	Mandatory public tender offer
PRV	Priority Review Voucher
RE	Retained earnings
Selic	Monetary policy interest rate used by the Central Bank of Brazil

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. NATURE OF OPERATIONS

Description of business

The Company was incorporated on November 1, 2013 under the Canada Business Corporations Act. Knight is a specialty pharmaceutical company and its principal business activity is acquiring, in-licensing, developing out-licensing, 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".

The GBT Transaction

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. GBT is a specialty pharmaceutical company incorporated in Luxembourg and headquartered in Montevideo, Uruguay, operating in 10 countries in Latin America. GBT markets and sells licensed innovative products and engages in development, manufacturing and marketing of innovative specialty pharmaceuticals and branded generic products. GBT's business model focuses on therapeutic areas covering infectious diseases, oncology and onco-hematology, and certain other specialty therapeutics. This transformational acquisition establishes Knight as a premiere pan-American (ex-US) specialty pharmaceutical company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in note 2 "Summary of significant accounting policies" of the Company's consolidated financial statements for the year ended December 31, 2019. These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

The Company's interim condensed consolidated financial statements for the three months ended March 31, 2020 and 2019 were authorized for issue by the Board of Directors on June 25, 2020.

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 to the Company's 2019 consolidated financial statements depends on future developments, which are highly uncertain and cannot be predicted. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these condensed interim consolidated financial statements. 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 estimated credit loss on accounts receivable.

For the period ended March 31, 2020, the Company assessed the possible impacts of COVID-19 on its financial results. The Company has evaluated its 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.

3. BUSINESS COMBINATION

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

The remaining 48.8% ownership of GBT is publicly-held and traded on B3, Brazil's main stock exchange, through BDRs. Following the close of the Transaction, Knight initiated the process of launching a mandatory public tender offer to acquire the BDRs from public shareholders (the " Unified Tender Offer") on similar terms as the GBT Transaction plus interest at the Selic rate calculated from November 29, 2019 until the settlement date. Alternatively, the public shareholders may choose to be paid BRL10.15 per BDR in cash on the settlement date plus interest at the Selic rate calculated from November 29, 2019. On December 20, 2019, the Company submitted to B3 an authorization request to carry out the Unified Tender Offer, which is expected to take up to 9 months from launch to completion.

Fair value of consideration

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

Purchase consideration, net assets acquired, and goodwill

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

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

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

Provisional accounting

Due to the timing of the acquisition and the complexity associated with the valuation process, the measurement of the intangible assets, property, plant and equipment and assets-held-for-sale acquired, including deferred taxes, is subject to adjustment. Furthermore, the Company has not yet determined its allocation of goodwill to stand-alone CGUs. The Company will conclude on the allocation in 2020.

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

Foreign Currency Contracts

The Company entered into foreign exchange forward contracts and foreign exchange non-deliverable forward contracts to mitigate its exposure to foreign currency risks for the acquisition of 51.2% of GBT in exchange for BRL 596,662. The Company entered into foreign exchange forward contracts to sell CAD and buy USD $85,000 at a weighted average rate of 1.31 CAD per USD. The Company also entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 595,662 at a weighted average rate of 4.08 BRL per USD. These contracts were settled on November 27, 2019 and the Company designated the effective portion of these contracts as cash flow hedges which resulted in an increase of the Purchase Consideration by $3,246.

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

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

As at	March 31, 2020 $	December 31, 2019 $
Cash in bank	**251,968**	163,931
Cash equivalents	**10,655**	5,337
Restricted cash	**24,319**	5,000
Total	**286,942**	174,268

As at March 31, 2020, the Company had restricted cash of $24,319 (2019: $5,000). The balance includes $19,250 held by a trustee related to the disposal of the shares of Medison. The cash is expected to be released to Knight upon the issuance of a tax certificate by the Israel Tax Authority. The remaining restricted cash balance is mainly comprised of $5,000 held in escrow in accordance to the terms of an agreement and was disbursed subsequent to the end of the quarter.

5. MARKETABLE SECURITIES

As at	March 31, 2020 $	December 31, 2019 $
Current		
GIC earning interest at rates ranging from 2.16% to 3.30% and maturing from April 2020 to March 2021 (December 31, 2019: 2.16% to 3.25%, January 2020 to December 2020)	202,630	191,978
Term deposits of US$27,458 earning interest at rates ranging from 1.60% to 3.04% and maturing from April 2020 to March 2021 (December 31, 2019: US$22,331; 2.57% to 3.00%, January 2020 to July 2020)	38,955	29,003
GIC of US$7,000 earning interest at rates ranging from 3.14% to 3.24% and maturing from January 2020 to February 2020	—	9,092
Corporate bond investment with a coupon rate of 1.57% and maturing May 2020	4,990	4,972
Total current	**246,575**	235,045
Non-current		
GIC earning interest at rates ranging from 2.65% to 3.37% and maturing from May 2021 to March 2022 (December 31, 2019: 2.65% to 3.37%; January 2021 to March 2022)	51,108	111,146
Term deposit of US$5,606 earning interest at a rate of 2.82% and maturing April 2021 (December 31, 2019: US$12,106; 2.82% to 3.04%; February 2021 to April 2021)	7,953	15,723
Total non-current	**59,061**	126,869
Total	**305,636**	361,914

6. TRADE RECEIVABLES

As at	March 31, 2020 $	December 31, 2019 $
Current	**78,691**	85,845
Non-Current	**2,212**	4,715
Total	**80,903**	90,560

The Company maintains an allowance for ECL 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 three-month period ended March 31, 2020, the Company has recorded an additional ECL of $1,133 in the statement of loss in "Selling and marketing".

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

7. OTHER RECEIVABLES

As at	**March 31, 2020**	December 31, 2019
	$	$
Interest receivable	**6,578**	7,534
Other receivables[1]	**9,552**	6,086
Commodity taxes receivable	**3,637**	4,002
Total	**19,767**	17,622

[1] Includes a distribution receivable from a strategic fund investment of $4,384 (2019: $2,456)

8. INVENTORIES

As at	**March 31, 2020**	December 31, 2019
	$	$
Raw materials	**12,551**	12,081
Work in progress	**10,905**	5,744
Finished goods	**48,669**	53,045
Total	**72,125**	70,870

During the quarter ended March 31, 2020, the Company recorded an increase in inventory provision of $3,288 in the statement of loss in "Cost of goods sold".

9. OTHER FINANCIAL INSTRUMENTS

	Carrying amount	
As at	**March 31, 2020**	December 31,2019
	$	$
Loans and other receivables *[i]*		
Measured at amortized cost	**2,381**	2,181
Measured at FVTPL	**31,233**	28,390
Equity Investments *[ii]*		
Measured at FVTPL	**2,098**	3,712
Measured at FVOCI	**4,317**	6,473
Derivatives *[iii]*		
Assets measured at FVTPL	**2,944**	4,334
Liabilities measured at FVTPL	**(25,995)**	—
MTO liability *[iii]*		
Measured at amortized cost	**(157,418)**	(184,023)
Fund Investments *[iv]*		
Measured at FVTPL	**118,106**	114,061
Total	**(22,334)**	(24,872)
Total other financial assets	**161,079**	159,151
Total other financial liabilities	**(183,413)**	(184,023)

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

As a result of changes in fair value and the disposal of financial assets during the three-month period ended March 31 the Company recorded the following net gains on financial instruments in the consolidated statement of loss as "Net loss (gain) on financial instruments measured at fair value through profit or loss".

2020	Unrealized loss on financial assets measured at FVTPL $	Realized (gain) loss on financial assets measured at FVTPL $	Total $
Loans and other receivables *[i]*[1]	417	(46)	**371**
Equity Investments *[ii]*	598	712	**1,310**
Derivatives *[iii]*[2]	27,234	(260)	**26,974**
Fund Investments *[iv]*	6,074	(907)	**5,167**
Total	**34,323**	**(501)**	**33,822**

[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]The unrealized loss of $27,234 includes a loss of $27,092 recorded on foreign exchange contracts, which is recorded in the consolidated statement of loss as "Net gain on mandatory tender offer liability". Refer to Note 9 [iv] for additional details.

2019	Unrealized loss (gain) on financial assets measured at FVTPL $	Realized gain on financial assets measured at FVTPL $	Total $
Loans and other receivables *[i]*[1]	6,034	(303)	5,731
Equity Investments *[ii]*	417	—	417
Derivatives *[iii]*	(35)	—	(35)
Fund Investments *[iv]*	(10,758)	(132)	(10,890)
Total	**(4,342)**	**(435)**	**(4,777)**

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

[i] Loans and other receivables

As at March 31, 2020, the nominal loan balance outstanding was $40,863 [US$28,803] (December 31, 2019: $37,409, including $24,296 [US$17,810]). The following table summarizes the movement in loans and other receivables during the three-month period ended March 31.

	Carrying value as at January 1 $	Additions $	Loan repayments $	Net loss on FA[1] $	Foreign exchange[2] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2020								
Amortized Cost	2,181	—	(18)	—	218	2,381	—	2,381
FVTPL	28,390	605	—	(371)	2,609	31,233	14,728	16,505
Total	**30,571**	**605**	**(18)**	**(371)**	**2,827**	**33,614**	**14,728**	**18,886**
2019								
Amortized Cost	2,964	15	(2,634)	—	(99)	246	—	246
FVTPL	24,711	19,941	(657)	(5,731)	(139)	38,125	10,050	28,075
Total	**27,675**	**19,956**	**(3,291)**	**(5,731)**	**(238)**	**38,371**	**10,050**	**28,321**

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

[2] Recorded a gain of $2,190 in the statement of (loss) income in "Foreign exchange loss" (2019: $184) and a gain of $637 in the statement of other comprehensive (loss) income in "Unrealized gain (loss) on translation of foreign operations" (2019: loss of $422)

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

[ii] Equity investments

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

	Carrying value as at January 1 $	Additions[1] $	Disposals[2] $	Net (loss) gain on FA[3] $	Foreign exchange $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2020								
FVTPL	3,712	782	(1,094)	(1,310)	8	2,098	2,098	—
FVOCI	6,473	—	(1,825)	(611)	280	4,317	998	3,319
Total	**10,185**	**782**	**(2,919)**	**(1,921)**	**288**	**6,415**	**3,096**	**3,319**
2019								
FVTPL	4,736	—	—	(417)	(3)	4,316	4,316	—
FVOCI	6,074	—	—	1,464	(65)	7,473	2,370	5,103
Total	**10,810**	**—**	**—**	**1,047**	**(68)**	**11,789**	**6,686**	**5,103**

[1] Equities purchased or received as consideration with the strategic lending transactions
[2] Cash received upon disposal of equities during the period
[3] Net changes due to revaluation to fair market value recorded in the statement of (loss) income (FVTPL) or statement of comprehensive income (FVOCI)

Equity investments measured at FVOCI

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

	March 31, 2020		December 31, 2019	
	Number of common shares owned	FV $	Number of common shares owned	FV $
Crescita	**1,935,489**	**1,006**	1,935,489	1,800
Profound	**—**	**—**	111,355	1,642
Synergy[1]	**17,645,812**	**—**	17,645,812	—
Medimetriks[2]	**2,315,007**	**3,311**	2,315,007	3,031
Total		**4,317**		6,473

[1] Valued using the quoted market price (closing share price less the day 1 gain on initial measurement that the Company deferred. FMV before considering the deferred day 1 gain is $2,053 [US$1,447]
[2] Valued using the income approach valuation method less the day 1 gain on initial measurement that the Company deferred. FMV, net of the day 1 gain, in original currency is US$2,333

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.

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

[iii] Derivatives

The following table summarizes the movement in derivatives recorded at FVTPL during the quarter ended March 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 $	Current other financial liabilities
2020	**4,334**	**—**	**(386)**	**(26,974)**	**(25)**	**(23,051)**	**1,537**	**1,407**	**(25,995)**
2019	1,805	818	**—**	35	(34)	2,624	46	2,578	—

[1] Derivatives recognized during the period

[2] Derivatives derecognized or disposed of during the period

[3] Includes a loss of $27,092 recorded on foreign exchange contracts, which is recorded in the consolidated statement of loss as "Net gain on mandatory tender offer liability"

[4] Recorded a loss of $11 (2019: loss of $11) in the statement of (loss) income in "Foreign exchange loss" and a loss of $14 (2019: loss of $23) in the statement of other comprehensive (loss) income in "Unrealized gain (loss) on translation of foreign operations"

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 48.2% of GBT. The offer will be at similar terms as the GBT Transaction plus interest at the Selic rate calculated from November 29, 2019 until the settlement date. Alternatively, the public shareholders may choose to be paid BRL10.15 per BDR in cash on the settlement date plus interest at the Selic rate calculated from November 29, 2019.

As a result of the above, Knight has a contractual obligation to the minority shareholders of GBT. On November 29, 2019, the Company recorded the initial liability at $178,266 [BRL 567,145] and an offset to equity which represents the net present value of the cash disbursement should all BDRs holders choose the same consideration as the controlling shareholders. For the three-month period ended March 31, 2020, Knight recorded an additional $2,009 [BRL 6,647] to the mandatory tender offer liability with an offset to interest expense. As at March 31, 2020, the MTO liability was $157,418 [BRL576,202] (December 31, 2019: $184,023 [BRL569,155]) and the Company recorded a foreign exchange gain of $28,614 upon its revaluation to the Canadian Dollar in the statement of loss in "Net gain on mandatory tender offer liability".

In connection with the Unified Tender Offer, the Company entered into foreign exchange contracts to mitigate its exposure to foreign currency risks. As at March 31, 2020 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 510,791 at an average rate of 4.10 BRL per USD ("BRL Contract"). As at March 31, 2020, the Company has an obligation to purchase an BRL 510,791 at an average rate of 3.12 BRL per CAD based on the USD Contract and BRL Contract. Those contracts will be exercised upon the launch of the Unified Tender Offer. As a result, a derivative liability of $25,995 was recorded as at March 31, 2020 (December 31, 2019: derivative asset of $1,096). Due to the currency fluctuation, the Company recorded a loss of $27,092 in the statement of loss in "Net gain on mandatory tender offer liability".

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

As a result of changes in the fair value of the USD Contract and BRL Contract ("FX Contracts") and the foreign exchange revaluation of the MTO liability the Company recorded the following net gain in the consolidated statement of loss as "Net gain on mandatory tender offer liability".

	$
Change in fair value of FX Contracts	27,092
Foreign exchange revaluation of MTO liability	(28,614)
Net gain on mandatory tender offer liability	**(1,522)**

[iv] Fund investments

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

	Carrying value as at January 1 $	Additions[1] $	Distributions[2,3] $	Net (loss) gain on FA $	Foreign exchange[4] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2020	**114,061**	**5,555**	**(4,018)**	**(5,167)**	**7,675**	**118,106**	**3,089**	**115,017**
2019	87,054	7,107	(676)	10,890	(1,918)	102,457	—	102,457

[1] Investments in equity or debt funds including US$2,500 and EUR 790 (2019: including US$1,114 and EUR 1,153)
[2] Distributions received from funds including US$1,405 (2019: including US$0)
[3] Includes distribution receivable of $1,928
[4] Recorded a gain of $949 in the statement of (loss) income in "Foreign exchange loss" (2019: loss of $811) and $6,726 in the statement of other comprehensive (loss) income in "Unrealized (loss) gain on translation of foreign operations" (2019: loss of $1,107)

10. MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

[i] Fair value hierarchy

As at	March 31, 2020	Level 1	Level 2	Level 3
	$	$	$	$
Recurring fair value measurements				
Loans measured at FVTPL	**31,233**	**—**	**—**	**31,233**
Equity investments measured at FVTPL	**2,098**	**2,098**	**—**	**—**
Equity investments measured at FVOCI	**4,317**	**1,006**	**—**	**3,311**
Derivative assets	**2,944**	**—**	**—**	**2,944**
Derivative liabilities	**(25,995)**	**—**	**(25,995)**	**—**
Fund investments measured at FVTPL	**118,016**	**—**	**—**	**118,016**
Total	**132,613**	**3,104**	**(25,995)**	**155,504**

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 three-month period ended March 31, 2020 or year ended December 31, 2019.

[ii] Day 1 Gains

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

As at	March 31, 2020		December 31, 2019	
	US$	$	US$	$
Loans measured at FVTPL				
Triumvira	—	—	46	60
Equity investments measured at FVOCI				
Medimetriks	**730**	**1,036**	730	948
Synergy	**3,764**	**5,340**	3,764	4,889
Total	**4,494**	**6,376**	4,540	5,897

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

11. BANK LOANS

Subsequent to the GBT Transaction, the Company has the following indebtedness:

As at				March 31, 2020		December 31, 2019	
	Currency of debt	Interest rate	Maturity	Current	Non-Current	Current	Non-Current
				$	$	$	$
Banks							
Citibank	ARS	18.40%	November 2, 2020	2,333	—	2,991	—
Itaú Unibanco	BRL	1.65% +100% CDI	December 8, 2023	36,525	—	42,532	—
Banco Santander	BRL	2.00% +100% CDI	December 13, 2021	4,381	4,246	5,034	5,022
Banco Santander	BRL	1.39% +100% CDI	March 4, 2021	10,968	—		
Total Bank Loans				**54,207**	**4,246**	**50,557**	**5,022**

Banco Santander

In March 2020, Banco Santander loaned an additional BRL 40,132 to a subsidiary of GBT. The loan is guaranteed by a USD 10M deposit made by Knight to Banco Santander. The principal and interest are due on the maturity date of March 4, 2021.

12. INVESTMENT IN ASSOCIATE

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

On November 21, 2019, Knight and Medison entered into a definitive settlement and purchase agreement ("Medison Agreement") pursuant to which Knight agreed to sell its 28.3% ownership for a cash consideration of $77,000. As part of the Medison Agreement, the parties agreed to release each other from all claims and withdraw all legal proceedings initiated by both parties. The transaction closed on March 16, 2020 and Knight received $57,750. The remaining $19,250 is held by a trustee and is expected to be released to Knight upon the issuance of a tax certificate by the Israel Tax Authority. The Company recorded a gain of $2,948 on the sale of the investment in the statement of loss in "Realized gain on sale of asset held for sale".

13. 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.

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

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.

14. 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, 2020		**135,637,302**	**723,832**
Issuance under share purchase plan	*[iii]*	12,017	73
Shares purchased under NCIB[1]	*[iv]*	(2,169,278)	(12,421)
Liability for ASPP commitment pursuant to NCIB		—	(13,235)
Balance as at March 31, 2020		**133,480,041**	**698,249**

[1] Number of common shares excludes 156,805 shares that were purchased in March but not yet cancelled as at March 31, 2020.

[ii] Share option plan

The Company has an equity-settled Share Option Plan in place for employees, directors, officers and consultants of the Company which was initially approved in 2014 ("Legacy Plan"). The Legacy Plan was terminated and 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 Plan was re-approved by the shareholders on June 25, 2020.

The Company recorded compensation expense of $470 (2019: $457) for the three-month period ended March 31, 2020 with corresponding credits to contributed surplus related to the issuance of stock options net of forfeitures. The Company did not grant any new options during the three-month period ended March 31, 2020. The weighted average fair value of the options granted during the three-month period in 2019, estimated by using the Black-Scholes option pricing model, was $3.16. The fair value of the options was estimated on the date of grant based on the following weighted average assumptions:

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

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

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

	Three months ended March 31,			
	2020		2019	
	Number of share options #	**Weighted average exercise price $**	Number of share options #	Weighted average exercise price $
Balance beginning of the period	**4,892,872**	**7.63**	4,129,843	7.64
Options granted	**—**	**—**	560,606	7.67
Options expired/forfeited	**(22,196)**	**7.67**	(52,925)	8.11
Balance at end of the period	**4,870,676**	**7.63**	4,637,524	7.64
Options exercisable at the end of the period	**3,825,313**	**7.50**	3,292,303	7.33

[iii] Share purchase plan

The Company has a Share Purchase Plan ("Purchase Plan") which allows employees and directors of the Company to purchase common shares at listed market prices from treasury. The Purchase Plan was re-approved by the Board of Directors and the shareholders on May 7, 2019. The plan allows for employees to contribute up to a maximum of 10% of their salary and directors to contribute up to $10 per year. Under the Purchase Plan, the Company will contribute 25% of employees' or directors' contributions in the form of common shares if the employee remains employed by the Company or director remains on the Board, and has held the original shares for two years from the original purchase date. The Company's contribution in common shares is calculated using the lesser of the original common share value at the original purchase date and at the date of the Company's contribution. During the three-month period ended March 31, 2020, 12,017 shares (2019: 9,180 shares) were issued under the Purchase Plan for a total of $73 (2019: $69).

[iv] NCIB and ASPP

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

Knight entered into an agreement with a broker to facilitate purchases of its common shares under the NCIB. Under Knight's ASPP, the broker may purchase common shares which would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods. Such purchases are 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 therefore an ASPP liability was recorded to reflect the obligation of Knight to repurchase its common shares under the NCIB and through the ASPP.

During the three-month period ended March 31, 2020, the Company purchased 2,326,083 common shares ("Acquired Shares"), for an aggregate cash consideration of $14,286 ("Purchase Price"), of which $975 remains to be settled as at March 31, 2020. As a result of the purchases, the difference the Purchase Price and the ASPP liability of the Acquired Shares was recorded as a gain of $2,869 in the statement of loss in "Realized gain on automatic share purchase plan".

As at March 31, 2020, the ASPP liability recorded was $18,278, with an offset to the following shareholder equity accounts:

As at	**March 31, 2020**
	$
Amounts charged to	
Share capital	**13,235**
Retained earnings	**5,043**
Automatic share purchase plan liability	**18,278**

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

Subsequent to the end of the quarter, the Company purchased an additional 2,478,360 common shares to complete its NCIB launched in July 2019. The Company purchased a cumulative total of 12,053,692 common shares at an average price of $7.14 per share.

15. ACCUMULATED OTHER COMPREHENSIVE INCOME

As at	**March 31, 2020**	December 31, 2019
	$	$
Net unrealized losses on equities at FVOCI net of tax of $1,202 (2019: $1,168)	**(8,636)**	(8,448)
Share of other comprehensive income of an associate net of tax of $789	**767**	767
Unrealized gain on translation of foreign operations	**34,480**	28,670
Total	**26,611**	20,989
Non-controlling interest	**223**	(3,584)
Attributable to shareholders of the Company	**26,834**	17,405

16. EARNINGS (LOSS) PER SHARE

Basic

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

	Three months ended March 31,	
	2020	2019
	$	$
Net (loss) income attributable to shareholders of the Company	**(1,709)**	5,189
Weighted average shares outstanding	**135,144,152**	142,852,246
Basic (loss) earnings per share	**($0.01)**	$0.04

Diluted

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

	Three months ended March 31,	
	2020	2019
	$	$
Net (loss) income attributable to shareholders of the Company	**(1,709)**	5,189
Weighted average shares outstanding	**135,144,152**	142,852,246
Adjustment for share options	**292,348**	393,197
Weighted average shares outstanding	**135,436,500**	143,245,443
Diluted (loss) earnings per share	**($0.01)**	$0.04

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

17. SEGMENT REPORTING

Prior to the close of the GBT Transaction, the Company had one reportable segment, namely the development, acquisition, in-licensing, out-licensing, marketing and distribution of innovative pharmaceutical products, consumer health products and medical devices in Canada and select international markets. As at March 31, 2020, and considering the timing of the GBT Transaction, the operations of GBT were managed and reviewed as one component and therefore the Company presents its financial information in two separate operating segments as follows:

- **Knight Canada and rest of world excluding LATAM ("Knight"):** Principal business activity is focused on developing, acquiring, in-licensing, out-licensing, marketing and distributing innovative pharmaceutical products in Canada and select international markets (excluding the LATAM region). Knight carries out business primarily in Canada with certain operating revenue streams in Europe, United States of America, Barbados, Israel and select international countries (excluding the LATAM region).

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

Information on reportable segments

Three-month period ended March 31, 2020	Knight	GBT	Consolidated
	$	$	$
Revenues	3,172	42,667	**45,839**
Cost of goods sold	564	25,415	**25,979**
Gross Margin	2,608	17,252	**19,860**
Selling and marketing	1,196	8,918	**10,114**
General and administrative	2,518	5,900	**8,418**
Research and development	768	1,981	**2,749**
Amortization of intangible assets	322	5,717	**6,039**
Interest (income)/expense	(2,633)	1,140	**(1,493)**
Other income	—	(25)	**(25)**
Net gain on financial instruments measured at FVTPL	6,730	—	**6,730**
Income tax recovery	(790)	(250)	**(1,040)**
Segment loss	(5,503)	(6,129)	**(11,632)**
Net gain on mandatory tender offer liability			**(1,522)**
Realized gain on sale of asset held for sale			**(2,948)**
Realized gain on automatic share purchase plan			**(2,869)**
Foreign exchange (gain) loss			**4,907**
Loss on hyperinflation			**277**
Net loss for the period			**(9,477)**
Total segment assets	**1,019,464**	**248,411**	**1,267,875**
Total segment liabilities	**231,408**	**160,106**	**391,514**

[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.

Three-month period ended March 31, 2020	$
Revenues	
Canada	684
Brazil	14,006
Argentina	10,505
Colombia	9,092
Rest of LATAM	9,064
Other[1]	2,488
Total	**45,839**

[1] Includes Europe, US and other countries.

For the quarter ended March 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 March 31, 2020	Non-current operating assets
	$
Canada	54,856
Brazil	70,192
Argentina	46,446
Colombia	38,423
Rest of LATAM	105,441
Other	833
Total	**316,191**

For the quarter ended March 31, 2019, revenues from products sold in Canada and internationally were $559 and $2,397 respectively. Furthermore, non-current operating assets consisting of property and equipment, intangible assets, investment in associate and other receivables held in Canada and internationally were $136,339 and $1,758 respectively.

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

18. STATEMENT OF CASH FLOWS

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

	Three months ended March 31,	
	2020	2019
	$	$
Changes in non-cash working capital:		
Decrease (increase) in		
Trade and other receivables	**(3,516)**	(278)
Prepaids and deposits	**147**	
Inventories	**(9,751)**	300
Income taxes receivable	**3,638**	86
Increase (decrease) in		
Accounts payable and accrued liabilities	**(5,254)**	2,223
Other liabilities	**28**	
Income tax payable	**(7,081)**	459
Other		
Other Financial Assets	**(683)**	(294)
Other operating items	**(22,472)**	2,496

19. PRODUCT PRICING REGULATION ON CERTAIN PATENTED DRUG PRODUCTS

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

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

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

On August 21, 2019, the federal government published the final regulations governing the PMPRB. The new regulations include eleven countries as comparators and 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

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

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 implementation of the amended PMPRB regulations was delayed due to COVID-19 and are now expected to come into force on January 1, 2021. The PMPRB will move forward with the issuance of a revised set of draft Guidelines, followed by another written consultation period. The revised Draft Guidelines were published on June 19, 2020, and the consultation period will be for 30 days.

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.

20. RELATED PARTY TRANSACTIONS

Pharmascience Inc., a company related to the Company's CEO, provided administrative services of approximately $4 (2019: $3) to the Company for period ended March 31, 2020.

21. COMMITMENTS

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

[i] Fund commitments

As at March 31, 2020, under the terms of Company's agreements with life sciences venture capital funds, $39,874 (December 31, 2019: $44,116), including $8,962 [US$6,317] and $8,200 [EUR 5,261] (December 31, 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 $329,435 including $48,739 [US$34,355], $145,599 [CHF 99,000] and $600 [EUR 385] upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to $2,172 [EUR 738 and US$721], of inventory for pharmaceutical products during the five-year period after their respective commercial launch. For products that are currently launched, the Company has committed to inventory purchases of $139,848 [BRL 66,817, USD 66,226 and CHF 18,793], which will be purchased over the next 8 years.

	$
2020	21,468
2021	9,234
2022	14,474
2023	20,033
2024	21,210
2025 and beyond	53,429
Total	**139,848**

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

[iii] Equity and loan commitments

Subject to a loan agreement with a borrower, Knight has committed to up to a maximum equity investment of $3,547 [US$2,500] to participate in the initial public offering of the borrower.

Subject to the Moksha8 Financing Agreement, Knight has committed to loan up to an additional $14,896 [US$10,500] should the borrower meet certain pre-defined profitability targets over its 2020 to 2021 financial years.

22. RECLASSIFICATION OF COMPARATIVE FIGURES

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

23. SUBSEQUENT EVENTS

Triumvira loan repayment

On February 20, 2019, the Company entered into a $6,585 [US$5,000] secured loan with Triumvira for the development of its novelty T cell therapies and obtained the exclusive rights to commercialize Triumvira's future products in select countries. On April 16, 2020, Triumvira repaid the loan and all remaining accrued interest as at the date thereof.

Synergy loan amendment

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 in its loan agreement with Synergy. The Company has issued an additional loan of $3,547 [US$2,500] to Synergy which bears interest at 12.5% per annum and matures on May 8, 2021.

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