KNIGHT THERAPEUTICS INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

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, 2021. 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, 2021 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, 2020. Knight's unaudited interim condensed consolidated financial statements as at and for the three months ended March 31, 2021 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". All amounts herein are expressed in thousands of Canadian dollars (unless otherwise indicated) except for share and per share amounts. All other currencies are in thousands.

This discussion and analysis was prepared by management from information available as at May 13, 2021. Further information about Knight Therapeutics Inc., including the Annual Information Form, is available online on SEDAR at www.sedar.com.

Cautionary note regarding forward-looking statements

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

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

GLOSSARY OF ABBREVIATIONS

Abbreviation	Calendar
Q2-21	Second quarter of 2021
Q1-21	First quarter of 2021
Q4-20	Fourth quarter of 2020
Q3-20	Third quarter of 2020
Q2-20	Second quarter of 2020
Q1-20	First quarter of 2020
Q4-19	Fourth quarter of 2019
Q3-19	Third quarter of 2019
Q2-19	Second quarter of 2019

Abbreviation	Company
60P	60^{o} Pharmaceuticals LLC
Advaxis	Advaxis Pharmaceuticals Inc.
Alimera	Alimera Sciences Inc.
Antibe	Antibe Therapeutics Inc.
Ardelyx	Ardelyx, Inc.
BMS	Bristol-Myers Squibb
GBT	Biotoscana Investments S.A.
Knight or the Company	Knight Therapeutics Inc.
Medison	Medison Biotech (1995) Ltd.
Moksha8	Moksha8, Inc.
NEMO II	New Emerging Medical Opportunities Fund II Ltd.
NEMO III	New Emerging Medical Opportunities Fund III Ltd.
Profound	Profound Medical Inc.
Puma	Puma Biotechnology, Inc.
Sectoral	Sectoral Asset Management Inc.
Synergy	Synergy CHC Corp.
Triumvira	Triumvira Immunologics Inc.
TXMD	TherapeuticsMD, Inc.

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

Abbreviation	Financial (continued)
Interim Financial Statements	Unaudited interim condensed consolidated financial statements
MXN	Mexican Peso
PEN	Peruvian Sol
PYG	Paraguayan Guarani
ROU	Right-of-use
US$/USD	U.S. Dollar
UYU	Uruguayan Peso

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

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

OVERVIEW

Section 1 – About Knight Therapeutics Inc.

Knight Therapeutics Inc. is a specialty pharmaceutical company, headquartered in Montreal, Canada, and listed on the Toronto Stock Exchange under the ticker symbol "GUD". The Company operates in Canada, Latin America and select international markets and the activities performed are as follows:

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

Section 2 – Q1-21 Highlights

Financial Results

- Revenues were $46,069, an increase of $230 or 1% over prior year.
- Gross margin generated of $20,580 or 45% compared to $19,860 or 43% in prior year.
- Adjusted EBITDA[1] was $5,580, an increase of $2,383 or 75% over prior year.
- Interest income generated of $1,998 a decrease of $2,651 or 57% over prior year.
- Gain from strategic fund investments of $8,536, of which $3,031 was realized.
- Net income was $3,558 compared to net loss of $9,477 in prior year.
- Cash inflow from operations was $17,207 compared to cash outflow of $21,167 in prior year.

Corporate Development

- Promoted Amal Khouri to Chief Business Officer.
- Purchased 3,557,340 common shares through its NCIB for an aggregate cost of $18,592.

Products

- Launched Ibsrela™ in Canada for the treatment of IBS-C.

Strategic Investments

- Disposed of 315,600 common shares of Medexus for total proceeds of $2,624.
- Received distributions of $4,336 from strategic fund investments and realized a gain of $3,031.

Subsequent to quarter-end

- Entered into a definitive agreement with Novartis to acquire the exclusive rights to manufacture, market and sell Exelon® in Canada and LATAM for an upfront payment of $211,260[2] [USD 168,000] and a milestone payment of up to 15,090[2] [USD 12,000].
- Shareholders re-elected James C. Gale, Jonathan Ross Goodman, Samira Sakhia, Robert N. Lande, Michael J. Tremblay, Nicolás Sujoy and Janice Murray on the Board of Directors.
- Announced leadership change with Samira Sakhia assuming role of CEO and Jonathan Goodman assuming role of Executive Chairman effective September 1, 2021.
- Purchased 512,271 common shares through its NCIB for an aggregate cost of $2,695.

[1]Adjusted EBITDA is a non-IFRS measure, refer to section "Non-IFRS measure: EBITDA and Adjusted EBITDA" for additional details
[2]Converted to CAD using the closing foreign exchange rate, actual amount in CAD will vary depending on the exchange rate on the close of the transaction

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

Section 3 – GBT Transaction

Integration update

Prior to the acquisition of Knight, GBT was operating as four stand-alone companies: (i) Grupo Biotoscana, a regional specialty pharmaceutical focused on in-licensing headquartered in Colombia; (ii) United Medical, a Brazilian specialty pharmaceutical company focused on in-licensing; (iii) Laboratorio LKM, a regional specialty pharmaceutical company, based in Argentina focused on specialty branded generics; and (iv) Laboratorio DOSA, an Argentinian branded generic manufacturer focused on severe pulmonary pathologies ("GBT Companies"). The Company continues to focus on integrating Knight and the GBT Companies throughout 2021. The integration of GBT is complex due to its operations in ten different countries and has been further complicated due to COVID-19 restrictions.

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

FINANCIAL RESULTS

Section 4 – Results of Operations

Impact of Hyperinflation

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

2021

January 2021	February 2021	March 2021
1.09	1.05	1.00

2020

January 2020	February 2020	March 2020
1.05	1.03	1.00

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

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

Q1-21

	Reported under IFRS	Excluding impact of IAS 29	Variance $[1]	Variance %[2]
Revenues	**46,069**	**46,082**	**(13)**	**0%**
Cost of goods sold	**25,489**	**24,376**	**(1,113)**	**5%**
Gross margin	**20,580**	**21,706**	**(1,126)**	**5%**
Gross margin (%)	**45%**	**47%**		
Expenses				
Selling and marketing	**7,613**	**7,614**	**1**	**0%**
General and administrative	**7,082**	**6,874**	**(208)**	**3%**
Research and development	**2,818**	**2,770**	**(48)**	**2%**
Amortization of intangible assets	**5,302**	**5,086**	**(216)**	**4%**
Operating loss	**(2,235)**	**(638)**	**(1,597)**	**250%**

[1] *A positive variance represents a positive impact to operating loss 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*

Impact of LATAM Foreign Exchange volatility

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

Rates	Q1-21	Q1-20
BRL	4.32	3.31
ARS	69.8	45.8
COP	2,812	2,636
CLP	572	599

The below table summarizes the variances between Q1-21 and Q1-20 for selected LATAM currencies:

Variance (%)[1]	Q1-21 vs. Q1-20
BRL	-31%
ARS	-52%
COP	-7%
CLP	5%

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

The depreciation of LATAM currencies between Q1-21 and Q1-20 has negatively impacted the Company's results in two ways: (i) Transactional impact – certain product purchases and operating expenses are denominated in foreign currencies (mainly USD, EURO and CHF); and, (ii) Translational impact: translation of local LATAM functional currency operating results to reporting currency in CAD.

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

Constant Currency

Financial results at constant currency allow results to be viewed without the impact of fluctuations in foreign currency exchange rates thereby facilitating the comparison of results period over period. The presentation of results under constant currency is considered to be a non-GAPP measure and does not have any standardized meaning under GAAP. As a result, the information presented may not be comparable to similar measures presented by other companies.

Financial results at constant currency are obtained by translating the prior period results at the average foreign exchange rates in effect during the current period. Furthermore, with respect to Argentina, for both Q1-20 and Q1-21, the Company excludes the impact of hyperinflation and translates the results at the average exchange rate in effect for each of the periods.

	Q1-21	Q1-20	Variance *Excluding impact of IAS 29*		Q1-20	Impact of FX on 2020	
		Constant Currency	$[1]	%[2]		$[1]	%[2]
Revenues	**46,082**	**41,959**	4,123	10%	45,488	(3,529)	8%
Cost of goods sold	**24,376**	**22,045**	(2,331)	11%	25,015	2,970	12%
Gross margin	**21,706**	**19,914**	1,792	9%	20,473	(559)	3%
Gross margin (%)	**47%**	**47%**			45%		
Expenses							
Selling and marketing	**7,614**	**9,250**	1,636	18%	9,988	738	7%
General and administrative	**6,874**	**7,545**	671	9%	8,334	789	9%
Research and development	**2,770**	**2,632**	(138)	5%	2,721	89	3%
Amortization of intangible assets	**5,086**	**5,112**	26	1%	5,559	447	8%
Operating loss	**(638)**	**(4,625)**	3,987	86%	(6,129)	1,504	25%
EBITDA	**5,160**	**1,018**	4,142	407%	1,217	(199)	16%
Adjusted EBITDA	**5,580**	**2,395**	3,185	133%	3,197	(802)	25%

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

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

Consolidated Statement of Income (Loss)

			Change	
	Q1-21	Q1-20	**$[1]**	**%[2]**
Revenues	**46,069**	45,839	230	1%
Cost of goods sold	**25,489**	25,979	490	2%
Gross margin	**20,580**	19,860	720	4%
Gross margin (%)	**45%**	*43%*		
Expenses				
Selling and marketing	**7,613**	10,114	2,501	25%
General and administrative	**7,082**	8,418	1,336	16%
Research and development	**2,818**	2,749	(69)	3%
Amortization of intangible assets	**5,302**	6,039	737	12%
Operating loss	**(2,235)**	(7,460)	5,225	70%
Interest income on financial instruments measured at amortized cost	**(886)**	(3,383)	(2,497)	74%
Other interest income	**(1,112)**	(1,266)	(154)	12%
Interest expense	**660**	1,147	487	42%
Other income	**(112)**	(25)	87	348%
Net (gain) loss on financial assets measured at fair value through profit or loss	**(9,473)**	6,730	16,203	241%
Net loss on mandatory tender offer liability	**—**	487	487	N/A
Realized gain on sale of asset held for sale	**—**	(2,948)	(2,948)	N/A
Realized gain on automatic share purchase plan	**—**	(2,869)	(2,869)	N/A
Foreign exchange loss	**4,201**	4,907	706	14%
Loss on hyperinflation	**60**	277	217	78%
Income (loss) before income taxes	**4,427**	(10,517)	14,944	142%
Income tax				
Current	**648**	3,001	2,353	78%
Deferred	**221**	(4,041)	(4,262)	N/A
Income tax expense (recovery)	**869**	(1,040)	(1,909)	184%
Net income (loss) for the period	**3,558**	(9,477)	13,035	N/A
Attributable to:				
Shareholders of the Company	**3,558**	(1,709)	5,267	N/A
Non-controlling interest[3]	**—**	(7,768)	(7,768)	N/A
Attributable to shareholders of the Company				
Basic net earnings (loss) per share	**0.03**	(0.01)	0.04	N/A
Diluted net earnings (loss) per share	**0.03**	(0.01)	0.04	N/A
Adjusted EBITDA[4]	**5,580**	3,197	2,383	75%

[1] A positive variance represents a positive impact to net income (loss) and a negative variance represents a negative impact to net income (loss)
[2] Percentage change is presented in absolute values
[3] Relates to loss attributed to non-controlling shareholders of GBT prior to the completion of the Unified Tender Offer
[4] Adjusted EBITDA is a non-IFRS measure, refer to section "Non-IFRS measure: EBITDA and Adjusted EBITDA" for additional details

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

Revenues

For the quarter ended March 31, 2021 revenues increased by $230 or 1% explained by an increase in sales from new product launches, partially offset by the depreciation in the LATAM currencies. If constant currency were applied and excluding the impact of hyperinflation, as described above, revenues would have increased by $4,123 or 10%. The increase is mainly attributable to the launch of Cresemba®, Lenvima®, Halaven®, Nerlynx® and certain BGx products as well as Trelstar®, which Knight began commercializing in April 2020.

The Company generated the following net revenues, for the following therapeutic areas:

Therapeutic Area	Q1-21 *Excluding impact of IAS 29* $	Q1-20 *Excluding impact of IAS 29* $	Q1-20 *Constant Currency*
Oncology/Hematology	**18,556**	**21,085**	**19,462**
Infectious Diseases	**20,876**	**16,955**	**14,924**
Other Specialty	**6,650**	**7,448**	**7,573**
Total	**46,082**	**45,488**	**41,959**

The increase in revenues in the infectious diseases therapeutic area is mainly due to timing of the revenues of Impavido® and the growth in Cresemba®.

Gross Margin

- For the quarter ended March 31, 2021 gross margin increased from 43% to 45% explained by significantly lower inventory provision recorded in Q1-21 compared to Q1-20 and a change in product mix partially offset by the re-negotiation of certain license agreements and the depreciation of the LATAM currencies.
- The gross margin increases from 45% to 47% (Q1-20: 43% to 45%) excluding the impact of IAS 29 ("Adjusted Gross Margin"). Refer to "Impact of Hyperinflation" above for further details.

Selling and marketing

- The decrease of $2,501 or 25% for the quarter ended March 31, 2021 compared to the same period in the prior year is driven by $1,133 of ECL recorded in Q1-20 compared to none in Q1-21, $783 of savings due to the depreciation of the LATAM currencies and the remainder of the variance is due to savings related to restructuring activities and cost saving measures put in place as a result of COVID-19.

General and administrative

- For the quarter ended March 31, 2021 general and administrative expenses decreased by $1,336, or 16%, mainly explained by savings of $671 due to restructuring activities and $789 related to the depreciation of the LATAM currencies.

Research and development expenses

- No significant variance.

Amortization

- For the quarter ended March 31, 2021, amortization of intangible assets decreased by $737, or 12%, mainly explained by the depreciation in the LATAM currencies partially offset by the amortization of intangible assets acquired during 2020.

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 Q1-21 was $1,998, a decrease of 57% or $2,651 compared to the same period in prior year due to a decrease in interest rates, the average cash and marketable securities balances and a lower average loan balance.

Interest Expense

- Mainly relates to interest incurred on bank loans.
- Interest expense for Q1-21 was $660, a decrease of 42% or $487, compared to the same period in prior year due to a decrease in the average loan balance outstanding. Refer to Section 7 for further information on the bank loans.

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

Net gain (loss) on financial assets measured at fair value through profit or loss	• As a result of the revaluation of financial assets measured at FVTPL. • Net gain mainly attributed to unrealized gains on revaluation of the strategic fund investments and realized gains recorded on distributions received and the disposal of Medexus shares during the period. • Refer to note 8 in the Interim Financial Statements for further information.
Realized gain on sale of asset held for sale	• As a result of the disposal of the shares of Medison in Q1-20 the Company recorded a gain of $2,948, representing the difference between the book value and the selling price of $77,000.
Realized gain on automatic share purchase plan	• The gain in Q1-20 relates to the gain on the ASPP liability as the Company completed its NCIB purchases while in a blackout period at a lower price than expected.
Foreign exchange loss (gain)	• The foreign exchange loss is mainly driven by the depreciation of the USD and EUR currencies throughout the period. Included in the loss is a gain of $35 related to unrealized losses on intercompany balances. • In addition to the foreign exchange loss recorded in the consolidated statement of income, the Company has recorded a loss of $11,054 in the statement of OCI related to the revaluation of the Company's entities from their respective functional currencies to the CAD.
Loss on hyperinflation	• Relates to loss on net monetary position (monetary assets less monetary liabilities) under hyperinflation accounting. Refer to "Impact of Hyperinflation" above for further details. • Refer to note 2.3 in the 2020 Annual Financial Statements for further details on hyperinflation accounting.
Income tax expense	• Decrease in tax recovery mainly due to the fact that in Q1-2020 a significant deferred tax recovery was recognized in respect of an unrealized capital loss related to a foreign exchange contract entered into for the purpose of executing the Unified Tender Offer of GBT.

Non-IFRS measures: EBITDA and Adjusted EBITDA

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 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 results attributable to the non-controlling interests.

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

Explanation of adjustments

Acquisition and transaction costs	Acquisition and transaction costs relate to costs incurred on legal, consulting and advisory fees for the acquisition of GBT and the acquisition of products. • During Q1-21 the Company incurred expenses of $350 related to acquisition of Exelon®. • During Q1-20 the Company incurred expenses of $216 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. During Q1-21, the Company incurred one-time costs of $70 related to restructuring activities including severance to certain employees as part of restructuring and integration of GBT. During Q1-20 the Company incurred one-time expenses of $1,764 explained as follows: • $252 related to restructuring activities including severance to certain employees as part of restructuring and integration of GBT.

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

	• $874 related to inventory destroyed due to a temperature excursion during transportation. The Company has initiated insurance claims for the loss and due to its contingent nature, the claim has not been recorded. • $638 related to a bad debt against accounts receivable.

For the three-month period ended March 31, the Company calculated EBITDA and adjusted EBITDA as follows:

	Q1-21	Q1-20
Operating loss	**(2,235)**	(7,460)
Adjustments to operating loss:		
Amortization of intangible assets	**5,302**	6,039
Depreciation of property, plant and equipment and ROU assets	**1,406**	1,724
Lease costs (IFRS 16 adjustment)	**(694)**	(834)
Impact of PPA accounting	**—**	632
Impact of IAS 29	**1,381**	1,116
EBITDA	**5,160**	1,217
Acquisition and transaction costs	**350**	216
Other non-recurring expenses	**70**	1,764
Adjusted EBITDA	**5,580**	3,197

Upon the close of the Unified Tender Offer of GBT, Knight operated as a single business and operating segment. As a result, the Company is providing financial measures of performance for the consolidated activities of Knight.

In the following analysis the Company will discuss certain key drivers of its financial performance which are aggregated as follows:

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

The adjusted EBIDTA for Q1-21 and Q1-20 is broken down by the following key drivers of financial performance:

	Q1-21	**Q1-20**	
	$	**$**	
International	**10,711**	**7,543**	Driven by the operational activities of Knight outside of Canada.
Canada	**(1,983)**	**(1,688)**	Driven by the operational activities related to the recently launched products and costs related to the preparation of new commercial launches.
Corporate	**(3,148)**	**(2,658)**	Driven by the corporate costs of Knight.
Adjusted EBITDA	**5,580**	**3,197**	

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

FINANCIAL CONDITION

Section 5 – Consolidated Balance Sheets

Impact of LATAM Foreign Exchange volatility

The following table represents the quarter end closing rates used by Knight to convert the assets and liabilities on the balance sheet at the end of each reporting period. During Q1-21, the depreciation of the LATAM currencies led to a loss on translation of the Company's subsidiaries which is reflected in the consolidated statement of comprehensive income.

Rates	Q1-21	Q4-20
BRL	4.52	4.08
ARS	73.0	66.0
COP	2,950	2,710
CLP	576	561

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

Variance (%)[1]	Q1-21
BRL	-11%
ARS	-11%
COP	-9%
CLP	-3%

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

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

Balance Sheets

			Change	
	03-31-21	12-31-20	**$**	**%[1]**
ASSETS				
Current				
Cash and cash equivalents	**271,218**	229,592	41,626	18%
Marketable securities	**111,163**	147,316	(36,153)	25%
Trade receivables	**52,682**	62,515	(9,833)	16%
Other receivables	**10,046**	12,413	(2,367)	19%
Inventories	**55,044**	56,505	(1,461)	3%
Prepaids and deposits	**2,007**	2,214	(207)	9%
Other current financial assets	**40,069**	34,431	5,638	16%
Income taxes receivable	**7,855**	7,115	740	10%
Total current assets	**550,084**	552,101	(2,017)	0%
Marketable securities	—	15,317	(15,317)	100%
Prepaids and deposits	**2,875**	4,208	(1,333)	32%
Right-of-use assets	**3,623**	4,035	(412)	10%
Property, plant and equipment	**22,476**	22,127	349	2%
Investment properties	**1,414**	1,539	(125)	8%
Intangible assets	**146,227**	156,547	(10,320)	7%
Goodwill	**74,091**	77,725	(3,634)	5%
Other financial assets	**153,853**	159,524	(5,671)	4%
Deferred income tax assets	**2,137**	2,432	(295)	12%
Other long-term receivables	**41,582**	41,582	—	0%
	448,278	485,036	(36,758)	8%
Assets held for sale	**2,433**	2,539	(106)	4%
Total assets	**1,000,795**	1,039,676	(38,881)	4%

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

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

			Change	
	03-31-21	12-31-20	**$**	**%[1]**
LIABILITIES AND EQUITY				
Current				
Accounts payable and accrued liabilities	**45,385**	44,512	873	2%
Lease liabilities	**1,530**	1,875	(345)	18%
Other liabilities	**1,768**	1,291	477	37%
Automatic share purchase plan liability	**31,272**	—	31,272	N/A
Bank loans	**38,192**	51,770	(13,578)	26%
Income taxes payable	**14,390**	13,559	831	6%
Other balances payable	**3,408**	1,053	2,355	224%
Total current liabilities	**135,945**	114,060	21,885	19%
Accounts payable and accrued liabilities	**308**	316	(8)	3%
Lease liabilities	**2,174**	2,543	(369)	15%
Other balances payable	**12,687**	14,900	(2,213)	15%
Deferred income tax liabilities	**20,206**	21,616	(1,410)	7%
Total liabilities	**171,320**	153,435	17,885	12%
Shareholders' Equity				
Share capital	**641,461**	694,351	(52,890)	8%
Warrants	**117**	117	—	0%
Contributed surplus	**19,242**	18,731	511	3%
Accumulated other comprehensive loss	**(12,552)**	(1,503)	(11,049)	735%
Retained earnings	**181,207**	174,545	6,662	4%
Total shareholders' equity	**829,475**	886,241	(56,766)	6%
Total liabilities and shareholders' equity	**1,000,795**	1,039,676	(38,881)	4%

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

	03-31-21 vs 12-31-20
Cash and cash equivalents and marketable securities (current and long term)	Refer to Section 7 – Liquidity and Capital Resources for further information.
Trade receivables	• Trade receivables decreased by $9,833, or 16% is explained mainly as follows: o Approximately $3,962 related to the depreciation of LATAM currencies. o Approximately $5,844 related to net collection of receivables (collections of receivables offset by increase in revenues).
Other receivables (current)	• Other receivables decreased by $2,367, or 19% mainly due a decrease in interest receivable as a result of lower cash, marketable securities and strategic loan balances, partially offset by an increase in the distribution receivable from a fund investment. • Refer to note 6 in the Interim Financial Statements for further details.
Inventories	• Inventories decreased by $1,461 or 3% related to purchases offset by sales incurred during the normal course of business.
Other financial assets (current and long term)	For the quarter ended March 31, 2021 other financial assets decreased by $33, or 0%, explained by the following: **Loans and other receivables:** increase of $182, refer to Section 9 for further information on Knight's strategic lending portfolio. **Equity investments and Derivatives:** decrease of $1,537 driven by the disposal of equity investments during the period, partially offset by the revaluation of equity investments, warrants and derivatives. Refer to note 8 in the Interim Financial Statements for further information. **Funds:** increase of $1,322 due to mark-to-market adjustments of $8,536, capital calls of $1,588, offset by distributions received and receivable of $5,650 and foreign exchange losses of $3,152. Refer to Section 10 for further information on Knight's strategic investments.
Income tax receivable	• Increase mainly relates to timing of income tax installments.
Intangible assets	• Decrease mainly due to the depreciation of the LATAM currencies during the period and amortization, partially offset by additions of $622.
Goodwill	• Decrease due to the depreciation of the LATAM currencies during the period.
Deferred income tax asset	• Decrease was not significant.
Accounts payable and accrued liabilities (current and long term)	• Increase in accounts payable and accrued liabilities balance of $865, or 2%, mainly related to the timing of purchases and payments partially offset by the depreciation of LATAM currencies.
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 12 in the Interim Financial Statements for further information
Bank loans (current and long term)	• Decrease of $13,578 mainly due to loan repayments of $8,848 and a decrease due to foreign exchange revaluation of $4,854. • For further details on the bank loans held by GBT, refer to Section 7.
Income tax payable	• Increase mainly related to current tax income accrual in Q1 2021.
Other balances payable (current and long term)	• The other balances payable are future payments related to obtaining regulatory approvals and / or reaching sales milestones which are pre-defined in certain license agreements which per Knight's assessment will become due. • Increase due to additional regulatory and sales milestones recorded on certain in-licensed products that Knight expects to pay in the future.

	03-31-21 vs 12-31-20
Deferred income tax liability	• Decrease mainly related to amortization of deferred tax liabilities in respect of intangible assets and foreign exchange variance.
Share capital	• Decrease mainly related to the purchase of Knight's common shares though the NCIB and the liability recorded due to Knight's ASPP. • Refer to note 12 in the Interim Financial Statements for further information.
Contributed surplus	• Increase related to share-based compensation expense. • Refer to the interim consolidated statement of changes in equity in the Interim Financial Statements for further information.
Accumulated other comprehensive income	• Refer to the interim consolidated statement of changes in equity in the Interim Financial Statements for further information.
Retained earnings	• Increase due to net income of $3,558 and an increase of $3,104 related to Knight's common shares purchased through the NCIB. • Refer to the interim consolidated statement of changes in s equity in the Interim Financial Statements for further information.

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 International S.A. A PRV is a transferrable asset that entitles the holder to a priority review for a drug of its choice.

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

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

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

Section 7 – Liquidity and Capital Resources

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

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

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

	Three months ended March 31,		Change	
	2021	2020	**$**	**%**[1]
Net cash from operating activities	**17,207**	(21,167)	38,374	N/A
Net cash from investing activities	**55,920**	136,030	(80,110)	59%
Net cash from financing activities	**(28,027)**	(2,874)	(25,153)	875%
Increase in cash and cash equivalents during the period	**45,100**	111,989	(66,889)	60%
Net foreign exchange difference	**(3,474)**	685	(4,159)	N/A
Cash and cash equivalents, beginning of the period	**229,592**	174,268	55,324	32%
Cash and cash equivalents, end of the period	**271,218**	286,942	(15,724)	5%
Marketable securities, end of the period	**111,163**	305,636	(194,473)	64%
Cash and cash equivalents, and marketable securities, end of the period	**382,381**	592,578	(210,197)	35%
Cash, cash equivalents and restricted cash, net of bank loans	**233,026**	228,489	4,537	2%

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

	Q1-21	**Q1-20**
Net cash from operating activities	Primarily relates to cash generated through revenues and interest received, offset by operating expenses including salaries, research and development expenses, advertising and promotion costs, interest paid and other corporate expenses. Cash flows from operating activities exclude revenues and expenses not affecting cash, such as unrealized and realized gains or losses on financial assets, share based compensation expense, depreciation and amortization, foreign exchange gains or losses, hyperinflation losses, other income, deferred other income, and net changes in non-cash balances relating to operations.	
	For the quarter ended March 31, 2021, cash inflows from operations were $17,207 driven by a decrease in non-cash working capital of $10,628 as a result of controls implemented in 2020 on inventory management and collection and net income generated adjusted for certain reconciling items of $6,902. Furthermore, the net cash from operating activities included an inflow of $3,394 related to net interest received mainly driven by the timing of maturity of marketable securities. For further details refer to consolidated statement of cash flows and note 16 in the Interim Financial Statements.	For the quarter ended March 31, 2020, cash outflows from operations were $21,167 driven by an increase in non-cash working capital of $22,472, net income generated adjusted for certain reconciling items of $1,466 and interest payments on debt of $161.
Net cash from investing activities	For the quarter ended March 31, 2021, cash flows were mainly driven by: • Net proceeds on marketable securities of $51,364; • net distributions from life science funds of $2,748; • net proceeds from disposals of equity investments of $2,624 offset by • acquisition of intangibles and property and equipment of $816.	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 outflows from financing activities were mainly due to the repurchase of common shares through the NCIB, principal repayments on bank loans and principal repayments on lease liabilities partially offset by the participation of employees and directors in the Company's share purchase plan.	Cash outflows from financing activities were mainly due to the repurchase of common shares through the NCIB, principal repayments on bank loans and principal repayments on lease liabilities partially offset by proceeds from bank loans and the participation of employees and directors in the Company's share purchase plan.

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

The Company has the following indebtedness as at March 31, 2021:

	Currency of debt	Interest rate	Effective annual interest rate	Maturity	March 31, 2021 Current	December 31, 2020 Current
					$	
Banks						
Itaú Unibanco	BRL	1.65% +100% CDI	3.67%	December 8, 2023	**22,033**	24,167
Banco Santander	BRL	2.00% +100% CDI	4.03%	December 13, 2021	**3,475**	3,815
Banco Santander	BRL	1.49% +100% CDI	3.24%	March 4, 2021	**—**	10,111
Bancolombia	COP	2.10% + IBR	3.90%	December 14, 2021	**12,684**	13,677
Total Bank Loans					**38,192**	51,770

Banco Santander

In March 2020, Banco Santander loaned an additional $10,928 [BRL 40,132] to a subsidiary of GBT. The principal and interest were repaid on March 4, 2021, the maturity date of the loan.

Interest Rate

The CDI rate increased from 1.90% to 2.65% during March 2021, and further increased to 3.40% subsequent to the quarter end. As a result, the effective annual interest rate on the Itaú Unibanco and Banco Santander loans are expected to be higher during Q2-21 resulting in a higher interest expense recorded on bank loans.

PORTFOLIO STRATEGY

Section 8 – Products

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

Knight expects to expand its product portfolio within existing therapeutic fields in Canada and LATAM, and intends to leverage its expertise in specialty sales and marketing, branded generic development, product acquisition and in-licensing to gain a competitive advantage in delivering pharmaceutical products to the marketplace, thereby decreasing scientific risks, long development timelines and high development costs. In addition, Knight's wholly owned subsidiary, Knight Therapeutics International S.A., develops innovative pharmaceuticals including those used to treat neglected tropical diseases and rare pediatric diseases.

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

1. Acquisition of products, portfolios and companies

Knight is pursuing the acquisition of innovative products including portfolios that have been launched and marketed primarily by large pharmaceutical companies for a number of years. The acquisition of legacy products from global pharmaceutical is accretive to Knight's profitability and represents an opportunity to build a portfolio of owned assets with valuable and well-established brands. The acquisition of Exelon®, announced subsequent to the quarter, is an example of

the execution of this strategy. The Company is also pursuing bolt-on corporate acquisitions in certain key markets that would further optimize its footprint, capabilities, and portfolio.

2. In-licensing of innovative products

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

3. Development of branded generic products

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

Prescription Pharmaceutical Products

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

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

Oncology/Hematology

NERLYNX®

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

Trelstar®

On January 8, 2020, Knight announced that the Company entered into an agreement with Debiopharm for the Canadian commercial rights of Trelstar®(tripotorelin), for the treatment of advanced prostate cancer and the management and relief of chronic pain associated with endometriosis. On April 20, 2020, the Company announced that it took over commercial activities from Debiopharm's previous partner, Allergan and is commercializing Trelstar® in Canada. According to IQVIA data, Trelstar® sales in Canada were $502 for the three-months ended March 31, 2021 compared to $417 in the same period of 2020, which represents a growth of 20%.

Vidaza® and Vidaza® Gx

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

Abraxane®

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

Halaven®

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

Lenvima®

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

Ladevina®

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

Zyvalix®

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

Karfib®

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

Leprid®

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

Infectious Diseases

AmBisome®

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

Cresemba®

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

Impavido®

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

Other Specialty Therapeutic Areas

Ibsrela™

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

Salofalk®

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

Ursofalk™

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

Imvexxy™ and Bijuva™

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

Fibridoner®

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

Toliscrin®

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

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

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

Tobradosa Haler®

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

Section 9 – Strategic Lending

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

	Nominal loan balance as at March 31, 2021	
Entity	**In Source Currency**	**In CAD[1]**
Moksha8	US$11,993	$15,081
Synergy	US$7,500	$9,431
60P[2]	US$6,310	$7,935
Other strategic loan	US$2,738	$3,443
Total		**$35,890**

[1] Converted at the Bank of Canada closing exchange rates on March 31, 2021
[2] Excludes 60P Convertible Debenture received as consideration for loans issued to 60P

As at March 31, 2021, the nominal loan balance outstanding was $35,890 [US$28,541] (December 31, 2020: $36,338 [US$28,541]). 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 $**
2021								
Amortized Cost	8,847	—	—	—	(108)	8,739	5,042	3,697
FVTPL	24,261	677	—	(83)	(304)	24,551	6,118	18,433
Total	**33,108**	677	—	**(83)**	**(412)**	**33,290**	**11,160**	**22,130**

[1] Net changes related to change in the fair value of loan receivables and recognition of day 1 gains
[2] Recorded a loss of $282 in the statement of (loss) income in "Foreign exchange loss" (2020: $2,190) and a loss of $130 in the statement of other comprehensive (loss) income in "Unrealized gain (loss) on translation of foreign operations" (2020: gain of $637)

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

Section 10 – Strategic Investments

Fund Investments

Knight invests in life sciences venture capital 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 $29,597 remains committed as at March 31, 2021. 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 CAD[1]**
Teralys Capital	C$30,000	$30,000
Domain Associates LLC	US$25,000	$29,063
Forbion Capital Partners	EUR 19,500	$27,550
Sectoral Asset Management[2]	US$13,000	$13,919
Sanderling Ventures LLC	US$10,000	$11,625
HarbourVest Partners LLC	C$10,000	$10,000
TVM Capital GmbH	US$1,600	$1,996
Bloom Burton Healthcare Lending Trust[3]	C$1,500	$1,500
Genesys Capital Management (Fund III) Inc.	C$1,000	$1,000
Total		**$126,653**

[1] Converted at the Bank of Canada exchange rates as of the commitment date (using the March 31, 2021 closing rates total fund commitment would be $133,653)
[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 $132,367 and received distributions of $93,190 on which a gain of $41,071 was realized. Furthermore, as at March 31, 2021, the fund investments were recorded at their fair value of $151,058 representing a cumulative unrealized gain of $70,811. The following table summarizes the movement in fund investments during the quarter ended March 31.

	Carrying value as at January 1 $	Additions[1] $	Distributions[2,3] $	Net gain on FA $	Foreign exchange[4] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2021	**149,736**	**1,588**	**(5,650)**	**8,536**	**(3,152)**	**151,058**	**23,696**	**127,362**

[1] Investments in equity or debt funds including US$1,250
[2] Distributions received from funds including US$3,475
[3] Includes distribution receivable of $1,314
[4] Recorded a loss of $2,022 in the consolidated statement of income in "Foreign exchange loss (gain)" and a loss of $1,130 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations"

Sectoral Asset Management

In October 2020 Atea Pharmaceutics Inc ("Atea"), an investment held within Sectoral Asset Management ("Sectoral"), announced the closing of its initial public offering at a public offering price of USD 24 per share. The shares held by Sectoral

are subject to a 180-day lockup period. As at March 31, 2021, Atea's share price closed at USD 61.75 compared to USD 41.78 as at December 31, 2020. As a result, during the quarter ended March 31, 2021, the Company recorded a gain of 7,605 [USD 6,007] related to this investment. As at May 12, 2021, Atea's share price closed at USD 19.74. Should the share price of Atea remain at this level, the Company would record a loss of approximately $15,164.

Other investments

Medexus

During the three-month period ended March 31, 2021, Knight sold 315,600 common shares of Medexus for total proceeds of $2,624 realizing a gain of $1,639. The common shares were acquired by Knight at an average cost of $3.12 per share.

For additional details regarding the movement in equities or derivatives held by Knight throughout the quarter, refer to note 8 "Other Financial Assets" 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. Knight believes Latin America and the other countries where it wants to grow internationally provide potentially significant growth and value opportunities.

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 CLP). Such currencies have been historically volatile and could create significant fluctuations on the Company's result when translated to CAD. Furthermore, GBT is exposed to a currency mismatch due to certain pharmaceutical products, active pharmaceutical ingredient and operating costs denominated in currencies of developed markets (CHF, USD, EUR). The currency mismatch exposes GBT to foreign exchange risks which could result in significant fluctuations of the Company's gross margin or net income.

Currency risks in net financial assets

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

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

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

	$
Foreign Exchange Risk (5% change)	
USD	**10,772**
EUR	**1,791**
BRL	**520**
CLP	**188**
ARS	**92**

12.2 Equity Price Risk

Equity price risk arises from changes in market prices of the equity and fund investments and derivatives. The carrying values of investments subject to equity price risk are $160,632 as at March 31, 2021 (December 31, 2020: $160,847). 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. For example, through its strategic fund investment, Knight has recorded gains on investment in Atea, refer to Section 10 for further information. However, as at May 12, Atea's share price closed at USD 19.74. Should the share price of Atea remain at this level the Company would record a loss of approximately $15,164. 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 $3,824 over a one-year period.

In connection with debt held in GBT, the Company is exposed to interest rate risks arising from its loans with Itaú Brazil, Santander Brazil and Bancolombia. Details regarding maturity dates and effective interest rates are described in Section 7. The loans have a variable interest rate that fluctuates with the CDI rates. The applicable CDI is the average of the CDI rates applicable during each interest period and therefore the accrued interest at year end with the loans are not exposed to any changes related to variation of the respective floating rates. In the case of the IBR, the applicable rate is the one at the beginning of the interest period, so the accrued interest at year end is not exposed to any changes related to variation of the respective floating rates. Assuming that all other variables remain constant, a 1% increase on the interest rate would have resulted in an increase of interest expense of $382 over a one-year period.

The CDI rate increased from 1.90% to 2.65% during March 2021, and further increased to 3.40% subsequent to the quarter end. Consequently, the Company is expecting to incur a higher interest expense on its bank loans during Q2-21.

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. The Company negotiates lines of credit with global and regional banks to diversify its options and ensure competitive financing rates.

As at March 31, 2021, there were no restrictions on the flow of these funds nor have any of these funds been committed in any way, except as set out in note 18 of the Interim Financial Statements.

12.5 Credit Risk

The Company considers its maximum credit risk to be $244,298 (December 31, 2020: $254,324) which is the total of the following assets: trade and accounts receivable, interest receivable, other receivables, loans receivable and investment in funds.

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

- four Canadian financial institutions & one foreign affiliate of Canadian financial institution
- three 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.

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

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

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 Interim Financial Statements can change in the near term and may have a material impact. Potential impacts may include, but are not limited to, impairment of intangible assets, goodwill, property plant and equipment, and financial assets, write-downs on inventory and a change in the expected credit loss on accounts receivable. As at March 31, 2021, the Company assessed the possible impacts of COVID-19 on its financial results. The Company has evaluated its other financial assets, property, plant and equipment, intangible assets, and goodwill for impairment and no changes from the carrying amount were required in the reporting period related to COVID-19.

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

12.7 Emerging Market Risk

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

12.8 Risk Factors

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

ADDITIONAL INFORMATION

Section 13 – Selected Quarterly Financial Information

This selected information is derived from our Annual Financial Statements.

	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19
Revenues	**46,069**	**55,191**	45,239	53,250	45,839	37,271	4,030	3,204
Net income (loss)	**3,558**	**8,233**	17,492	15,512	(9,477)	(3,153)	(2,959)	18,956
Adjusted EBITDA[1]	**5,580**	**1,771**	4,216	7,653	3,197	6,180	(496)	(1,596)
EPS								
Basic	**0.028**	**0.063**	0.138	0.133	(0.013)	(0.049)	(0.021)	0.133
Diluted	**0.028**	**0.063**	0.138	0.133	(0.013)	(0.049)	(0.021)	0.132
Cash, cash equivalents and marketable securities	**382,381**	**392,225**	392,352	566,837	592,578	536,182	700,092	745,272
Total assets	**1,000,795**	**1,039,676**	1,013,963	1,224,748	1,267,135	1,305,303	1,022,261	1,074,371
Total non-current liabilities	**35,375**	**39,375**	32,710	33,754	34,304	39,393	5,812	6,339

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

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

Section 14 – Outstanding Share Data

The table below summarizes the share data:

As at	May 12, 2021	March 31, 2021
Common Shares	126,010,038	126,504,664
Stock Options	5,259,296	5,278,751
Warrants	174,228	174,228

On July 10, 2020, 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.

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

During the three-month period ended March 31, 2021, the Company purchased 3,557,340 common shares, for an aggregate cash consideration of $18,592, of which $44 remains to be settled as at March 31, 2021. Subsequent to quarter end, the Company purchased an additional 512,271 common shares, for an aggregate cash consideration of $2,695.

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.

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

As at March 31, 2021, Knight had deployed and invested or committed to deploy and invest over $700,000 for the purposes disclosed in the prospectuses, as described above. Knight anticipates that it has sufficient funds available to achieve its business objectives and milestones as listed in the prospectuses.

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 Drug Products

Canada

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

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

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

On August 21, 2019, the federal government published the final regulations governing the PMPRB. The new regulations include eleven countries as comparators and was expected to come into force on July 1, 2020. On November 21, 2019, the PMPRB published a draft set of new guidelines for the implementation of the final regulations. The PMPRB began seeking views of stakeholders and interested members of the public and extended their consultation period in connection with the guidelines through February 14, 2020. The PMPRB published final Guidelines on October 23, 2020. The implementation of the amended PMPRB regulations was delayed due to COVID-19 and are now expected to come into force on July 1, 2021.

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

LATAM

In certain countries in LATAM, the price of pharmaceuticals is subject to extensive government regulations, which may include the imposition of price controls, reference pricing and maximum price caps, mandated price reductions to battle

hyper-inflation and limitations on price increases. Price negotiations with government agencies, HMOs and other buyers may take considerable time after the Company has received its marketing authorization for a product. In certain countries where our products are not reimbursed by HMOs patients may seek access to such medicines through a judicial action. Delays in pricing and reimbursement approvals may have a negative impact on the Company's cash flows and profitability. In addition, in certain countries Knight may be forced to reduce its pricing, offer discounts, forgive certain balances outstanding in order to comply with cost-containment measures. As pricing regulations evolve throughout the various countries, Knight may have a material adverse impact on its cash flows and profitability.

Section 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.

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 18 of the Interim Financial Statements for the quarter ended March 31, 2021 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 loan commitments. The commitments of the Company as at March 31, 2021 are as follows:

[i] Fund commitments

As at March 31, 2021, under the terms of Company's agreements with life sciences venture capital funds, $29,597 (2020: $31,500), including $4,460 [US$3,547] and $6,715 [EUR 4,550] (2020: $5,952 [US$4,675] and $7,101 [EUR 4,550]), may be called over the life of the funds (based on the closing foreign exchange rates).

As at May 13, 2021, $29,597 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 $303,262 including $42,950 [US$34,155], $131,739 [CHF 98,800] and $568 [EUR 385] upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to $1,089 [EUR 738], of inventory for pharmaceutical products during

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

the five-year period after their respective commercial launch. For products that are currently launched, the Company has committed to inventory purchases of $269,697 [BRL 750,789, USD 62,476 and CHF 18,793], which will be purchased over the next 8 years.

	$
2021	29,665
2022	47,603
2023	55,760
2024	57,612
2025	48,279
2026 and beyond	30,778
Total	**269,697**

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

[iii] Loan commitments

Subject to the Moksha8 Financing Agreement, Knight has committed to loan up to an additional $10,689 [US$8,500] 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 (2020: $4) to the Company for three-month period ended March 31, 2021.

Section 22 – Segment Reporting

Upon the acquisition of an additional 48.74% of GBT (resulting in 99.9% ownership of GBT), the Company had one reportable segment, namely the development, acquisition, in-licensing, out-licensing, marketing and distribution of innovative pharmaceutical products, consumer health products and medical devices in Canada and select international markets. This reflects the revised management structure and the way that the chief operating decision-maker evaluates the business. As a result of the change in ownership effective in August 2020, the Company retrospectively revised the segmented information for the comparative period to conform to the new segmented structure.

Geographic Information

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

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

Three-month period ended March 31,	2021	2020
	$	$
Revenues		
Canada	1,456	684
Brazil	15,821	14,006
Argentina	8,419	10,505
Colombia	8,006	9,092
Rest of LATAM	8,651	9,064
Other[1]	3,716	2,488
Total	**46,069**	**45,839**

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

For the quarter ended March 31, 2021, 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, 2021	Net book value of property, plant and equipment	Intangibles, net	Goodwill	Assets held for sale	Other long-term receivables
	$	$	$	$	$
Canada	85	27,164	—	—	41,582
Brazil	1,290	30,690	20,852	—	—
Argentina	20,574	9,943	11,511	—	—
Colombia	389	18,675	10,803	1,913	—
Rest of LATAM	138	59,755	30,925	—	—
Other	—	—	—	520	—
Total	**22,476**	**146,227**	**74,091**	**2,433**	**41,582**

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

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

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 2020 Annual Financial Statements.

Section 24 – Recent Accounting Pronouncements

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

Section 25 – Disclosure Controls and Procedures

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

Section 26 – 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, 2021, there was no significant changes in our ICFR that materially affected, or is reasonably likely to materially affect the Company's internal controls over financial reporting.

Section 27 – Subsequent Event

Exelon®

On April 23, 2021, the Company announced that it has entered into a definitive agreement to acquire the exclusive rights to manufacture, market and sell Exelon®, indicated for the symptomatic treatment of mild to moderately severe dementia in people with Alzheimer's disease, in Canada and Latin America ("Territory"). In addition, the Company obtained an exclusive license to use the intellectual property and the Exelon trademark in the Territory. At closing, Knight will pay $211,2601 [USD 168,000] in cash and may pay up to $15,0901 [USD 12,000] upon the achievement of certain conditions. For the year ended December 31, 2020, Exelon® sales in the Territory were approximately USD 47,000.

The closing of this transaction is subject to completion of anti-trust clearance process in Brazil. In conjunction with closing, Knight will enter into a transition service agreement until transfer of marketing authorization, on a country by country basis during which Knight will receive a net profit transfer. Knight will begin distributing Exelon upon transfer of marketing authorization, on a country by country basis.

[1]Converted using the March 31, 2021 closing foreign exchange rate, actual amount in CAD will vary depending on the exchange rate on the close of the transaction.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

KNIGHT THERAPEUTICS INC.

March 31, 2021

INTERIM CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

[Unaudited]

As at	*Notes*	**March 31, 2021**	December 31, 2020
ASSETS			
Current			
Cash and cash equivalents	*3*	**271,218**	229,592
Marketable securities	*4*	**111,163**	147,316
Trade receivables	*5*	**52,682**	62,515
Other receivables	*6*	**10,046**	12,413
Inventories	*7*	**55,044**	56,505
Prepaids and deposits		**2,007**	2,214
Other current financial assets	*8, 9*	**40,069**	34,431
Income taxes receivable		**7,855**	7,115
Total current assets		**550,084**	552,101
Marketable securities	*4*	**—**	15,317
Prepaids and deposits		**2,875**	4,208
Right-of-use assets		**3,623**	4,035
Property, plant and equipment		**22,476**	22,127
Investment properties		**1,414**	1,539
Intangible assets		**146,227**	156,547
Goodwill		**74,091**	77,725
Other financial assets	*8, 9*	**153,853**	159,524
Deferred income tax assets		**2,137**	2,432
Other long-term receivables	11	**41,582**	41,582
		448,278	485,036
Assets held for sale		**2,433**	2,539
Total assets		**1,000,795**	1,039,676

INTERIM CONSOLIDATED BALANCE SHEETS (continued)

[In thousands of Canadian dollars]

[Unaudited]

As at	*Notes*	**March 31, 2021**	December 31, 2020
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities		**45,385**	44,512
Lease liabilities		**1,530**	1,875
Other liabilities		**1,768**	1,291
Automatic share purchase plan liability	*12*	**31,272**	—
Bank loans	*10*	**38,192**	51,770
Income taxes payable		**14,390**	13,559
Other balances payable		**3,408**	1,053
Total current liabilities		**135,945**	114,060
Accounts payable and accrued liabilities		**308**	316
Lease liabilities		**2,174**	2,543
Other balances payable		**12,687**	14,900
Deferred income tax liabilities		**20,206**	21,616
Total liabilities		**171,320**	153,435
Shareholders' equity			
Share capital	*12 [i]*	**641,461**	694,351
Warrants		**117**	117
Contributed surplus		**19,242**	18,731
Accumulated other comprehensive loss	*13*	**(12,552)**	(1,503)
Retained earnings		**181,207**	174,545
Total shareholders' equity		**829,475**	886,241
Total liabilities and shareholders' equity		**1,000,795**	1,039,676

Commitments *[note 18]*
Subsequent event *[note 20]*

See accompanying notes

INTERIM CONSOLIDATED STATEMENT OF INCOME (LOSS)

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

[Unaudited]

		Three months ended March 31,	
	Notes	**2021**	2020
Revenues	*15*	**46,069**	45,839
Cost of goods sold		**25,489**	25,979
Gross margin		**20,580**	19,860
Expenses			
Selling and marketing		**7,613**	10,114
General and administrative		**7,082**	8,418
Research and development		**2,818**	2,749
Amortization of intangible assets		**5,302**	6,039
Operating loss		**(2,235)**	(7,460)
Interest income on financial instruments measured at amortized cost		**(886)**	(3,383)
Other interest income		**(1,112)**	(1,266)
Interest expense		**660**	1,147
Other income		**(112)**	(25)
Net (gain) loss on financial instruments measured at fair value through profit or loss	*8*	**(9,473)**	6,730
Net loss on mandatory tender offer liability		**—**	487
Realized gain on sale of asset held for sale		**—**	(2,948)
Realized gain on automatic share purchase plan		**—**	(2,869)
Foreign exchange loss		**4,201**	4,907
Loss on hyperinflation		**60**	277
Income (loss) before income taxes		**4,427**	(10,517)
Income tax			
Current		**648**	3,001
Deferred		**221**	(4,041)
Income tax expense (recovery)		**869**	(1,040)
Net income (loss) for the period		**3,558**	(9,477)
Attributable to:			
Shareholders of the Company		**3,558**	(1,709)
Non-controlling interests		**—**	(7,768)
Attributable to shareholders of the Company			
Basic earnings (loss) per share	*14*	**0.03**	(0.01)
Diluted earnings (loss) per share	*14*	**0.03**	(0.01)
Weighted average number of common shares outstanding			
Basic	*14*	**128,841,383**	135,144,152
Diluted	*14*	**128,843,728**	135,436,500

See accompanying notes

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

[In thousands of Canadian dollars]

[Unaudited]

	Three months ended March 31,	
	2021	2020
Net income (loss) for the period	**3,558**	(9,477)
Other comprehensive (loss) income, net of taxes		
Items that may be reclassified subsequently to net income:		
Unrealized (loss) gain on translation of foreign operations	**(11,054)**	5,810
Items permanently in other comprehensive income or loss:		
Net gain (loss) on equity investments at fair value through other comprehensive income net of tax of $10 (2020: $34)	**5**	(188)
Other comprehensive (loss) income for the period	**(11,049)**	5,622
Total comprehensive loss for the period	**(7,491)**	(3,855)
Attributable to:		
Shareholders of the Company	**(7,491)**	7,720
Non-controlling interests	—	(11,575)

INTERIM CONSOLIDATED STATEMENT 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 (loss)**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
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	*12 [ii]*	—	—	470	—	—	470	—	**470**
Issuance under share purchase plan	*12 [iii]*	73	—	—	—	—	73	—	**73**
Shares purchased under Normal Course Issuer Bid	*12 [iv]*	(12,421)	—	—	—	(4,734)	(17,155)	—	**(17,155)**
Automatic share purchase plan pursuant to Normal Course Issuer Bid	*12 [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**
Balance as at January 1, 2021		**694,351**	**117**	**18,731**	**(1,503)**	**174,545**	**886,241**	—	**886,241**
Net income for the period		**—**	**—**	**—**	**—**	**3,558**	**3,558**	—	**3,558**
Other comprehensive loss for the period		**—**	**—**	**—**	**(11,049)**	**—**	**(11,049)**	—	**(11,049)**
Comprehensive (loss) income		**—**	**—**	**—**	**(11,049)**	**3,558**	**(7,491)**	—	**(7,491)**
Share-based compensation expense	*12 [ii]*	**—**	**—**	**511**	**—**	**—**	**511**	—	**511**
Issuance under share purchase plan	*12 [iii]*	**78**	**—**	**—**	**—**	**—**	**78**	—	**78**
Shares purchased under Normal Course Issuer Bid	*12 [iv]*	**(18,966)**	**—**	**—**	**—**	**374**	**(18,592)**	—	**(18,592)**
Automatic share purchase plan pursuant to Normal Course Issuer Bid		**(34,002)**	**—**	**—**	**—**	**2,730**	**(31,272)**	—	**(31,272)**
Balance as at March 31, 2021		**641,461**	**117**	**19,242**	**(12,552)**	**181,207**	**829,475**	—	**829,475**

See accompanying notes

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

[In thousands of Canadian dollars]

[Unaudited]

		Three months ended March 31,	
	Notes	**2021**	2020
OPERATING ACTIVITIES			
Net income (loss) for the period		**3,558**	(9,477)
Adjustments reconciling net income to operating cash flows:			
Deferred income tax (recovery) expense		**221**	(4,041)
Share-based compensation expense	*12 [ii]*	**511**	470
Depreciation and amortization		**6,708**	7,763
Net (gain) loss on financial instruments	*8*	**(9,473)**	6,730
Net loss on mandatory tender offer liability		**—**	487
Realized gain on sale of Asset held for sale		**—**	(2,948)
Realized gain on automatic share purchase plan		**—**	(2,869)
Interest expense		**660**	—
Unrealized foreign exchange loss		**4,657**	4,907
Loss on hyperinflation		**60**	277
Other adjustments		**—**	167
		6,902	1,466
Changes in non-cash working capital and other items	*16*	**10,628**	(22,472)
Interest payments on bank loans		**(323)**	(161)
Cash inflow (outflow) from operating activities		**17,207**	(21,167)
INVESTING ACTIVITIES			
Purchase of marketable securities		**(31,792)**	(13,415)
Purchase of intangible assets		**(622)**	(2,314)
Purchase of property and equipment		**(194)**	(376)
Exercise of warrants	*8 [iii]*	**—**	(386)
Purchase of equity investments		**—**	(397)
Investment in funds	*8 [iv]*	**(1,588)**	(5,555)
Proceeds on sale of Asset held for sale		**—**	77,000
Proceeds on maturity of marketable securities		**83,156**	76,446
Proceeds from repayments of loans receivable	*8 [i]*	**—**	18
Proceeds from disposal of equity investments	*8 [ii]*	**2,624**	2,919
Proceeds from distribution of funds	*8 [iv]*	**4,336**	2,090
Cash inflow from investing activities		**55,920**	136,030
FINANCING ACTIVITIES			
Proceeds from contributions to share purchase plan		**64**	73
Proceeds from bank loans		**—**	11,922
Repurchase of common shares through Normal Course Issuer Bid	*12 [iv]*	**(18,549)**	(13,311)
Principal repayment of lease liabilities		**(694)**	(827)
Principal repayments on bank loans		**(8,848)**	(731)
Cash outflow from financing activities		**(28,027)**	(2,874)
Increase in cash and cash equivalents during the period		**45,100**	111,989
Cash and cash equivalents, beginning of the period		**229,592**	174,268
Net foreign exchange difference		**(3,474)**	685
Cash and cash equivalents, end of the period		**271,218**	286,942
Supplemental cash flow information:			
Interest received		**3,717**	7,320
Interest paid		**(323)**	(161)
Net income taxes paid		**(1,135)**	(3,377)

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.
Medexus	Medexus Inc.
Medimetriks	Medimetriks Pharmaceuticals Inc.
Moksha8	Moksha8, Inc.
Synergy	Synergy CHC Corp.

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

Abbreviation	Other
AOCI	Accumulated other comprehensive income
ASPP	Automatic share purchase plan
CDI	Certificados de Depositos Interfinanceiros (Brazil interbank lending rate)
CEO	Chief Executive Officer
CRA	Canada Revenue Agency
ECL	Expected credit loss
FA	Financial Assets
FDA	Food and Drug Administration (United States)
FV	Fair value
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
IBR	Incremental borrowing rate
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
LATAM	Latin America
NCIB	Normal Course Issuer Bid
PRV	Priority Review Voucher
R&D	Research and development expenses
RE	Retained earnings
S&M	Selling and marketing

1. NATURE OF OPERATIONS

Description of business

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

These interim condensed consolidated financial statements for the three months ended March 31, 2021 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.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those set out in note 2 "Summary of significant accounting policies" of the Company's annual consolidated financial statements for the year ended December 31, 2020.

These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

The Company's interim condensed consolidated financial statements for the three months ended March 31, 2021 and 2020 were authorized for issue by the Board of Directors on May 13, 2021.

Impact of the COVID-19 Pandemic

The recent outbreak of the coronavirus, or COVID-19, which has been declared by the World Health Organization to be a pandemic, has spread across the globe and is impacting worldwide economic activity. There is significant uncertainty regarding the potential impact that the pandemic may have on the Company's operations. The extent to which the impacts of COVID-19 affect the judgments and estimates described in note 3 of the consolidated financial statements for the year ended December 31, 2020 depends on future developments, which are highly uncertain and cannot be predicted.

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

As at March 31, 2021, the Company assessed the possible impacts of COVID-19 on its financial results. The Company has evaluated its other financial assets, property, plant and equipment, intangible assets, and goodwill for impairment and no changes from the carrying amount were required in the reporting period related to COVID-19.

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

3. CASH AND CASH EQUIVALENTS

As at	March 31, 2021 $	December 31, 2020 $
Cash in bank	**264,328**	227,011
Cash equivalents	**6,890**	2,581
Total	**271,218**	229,592

4. MARKETABLE SECURITIES

As at	March 31, 2021 $	December 31, 2020 $
Current		
GICs earning interest at rates ranging from 1.25% to 3.37% and maturing from April 2021 to March 2022 (December 31, 2020: 1.25% to 3.30%, January 2021 to June 2021)	**103,912**	118,711
Term deposits of US$5,766 earning interest at 2.82% and maturing in April 2021 (December 31, 2020: US$22,467; 1.60% to 3.04%, February 2021 to April 2021)	**7,251**	28,605
Total current	**111,163**	147,316
Non-current		
GICs earning interest at rates ranging from 3.09% to 3.37% and maturing from January 2022 to March 2022	—	15,317
Total non-current	—	15,317
Total	**111,163**	162,633

5. TRADE RECEIVABLES

The Company maintains an allowance for expected credit losses that represents its estimate of uncollectible amounts based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the local economic environment. During the three-month period ended March 31, 2021 the Company has recorded an additional ECL of $27 (2020: $1,133) in the statement of income (loss) in "Selling and marketing".

6. OTHER RECEIVABLES

As at	March 31, 2021 $	December 31, 2020 $
Interest receivable	**1,900**	4,270
Other receivables[1]	**5,368**	4,695
Commodity taxes receivable	**2,778**	3,448
Total	**10,046**	12,413

[1] Includes a distribution receivable from a strategic fund investment of $2,534 (2020: $1,221)

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

7. INVENTORIES

As at	**March 31, 2021**	December 31, 2020
	$	$
Raw materials	**10,582**	9,877
Work in progress	**4,361**	6,182
Finished goods	**40,101**	40,446
Total	**55,044**	56,505

During the quarter ended March 31, 2020, the Company recorded an increase in inventory provision of $223 (2020: $3,288) in the statement of loss in "Cost of goods sold".

8. OTHER FINANCIAL ASSETS

	Carrying amount	
	March 31, 2021	December 31,2020
	$	$
Loans and other receivables *[i]*		
Measured at amortized cost	**8,739**	8,847
Measured at FVTPL	**24,551**	24,261
Equity Investments *[ii]*		
Measured at FVTPL	**3,562**	5,154
Measured at FVOCI	**4,542**	4,464
Derivatives *[iii]*		
Measured at FVTPL	**1,470**	1,493
Fund Investments *[iv]*		
Measured at FVTPL	**151,058**	149,736
Total	**193,922**	193,955

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

For the period ended March 31, 2021	**Unrealized loss (gain) on financial assets measured at FVTPL** **$**	**Realized (gain) on financial assets measured at FVTPL** **$**	**Total** **$**
Loans and other receivables *[i]*	83	—	**83**
Equity Investments *[ii]*	607	(1,639)	**(1,032)**
Derivatives *[iii]*	12	—	**12**
Fund Investments *[iv]*	(5,505)	(3,031)	**(8,536)**
Total	**(4,803)**	**(4,670)**	**(9,473)**

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

For the period ended March 31, 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 FV 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".

[i] Loans and other receivables

As at March 31, 2021, the nominal loan balance outstanding was $35,890 [US$28,541] (December 31, 2020: $36,338 [US$28,541]). 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) gain on FA[1] $	Foreign exchange[2] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2021								
Amortized Cost	8,847	—	—	—	(108)	8,739	5,042	3,697
FVTPL	24,261	677	—	(83)	(304)	24,551	6,118	18,433
Total	**33,108**	677	—	**(83)**	**(412)**	**33,290**	**11,160**	**22,130**
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**

[1] Net changes related to change in the fair value of loan receivables and recognition of day 1 gains
[2] Recorded a loss of $282 in the statement of income (loss) in "Foreign exchange loss" (2020: $2,190) and a loss of $130 in the statement of other comprehensive loss in "Unrealized (loss) gain on translation of foreign operations" (2020: gain of $637)

[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 gain (loss) on FA[3] $	Foreign exchange $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2021								
FVTPL	5,154	—	(2,624)	1,032	—	3,562	3,562	—
FVOCI	4,464	—	—	116	(38)	4,542	1,471	3,071
Total	**9,618**	—	**(2,624)**	**1,148**	**(38)**	**8,104**	**5,033**	**3,071**
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**

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

Equity investments measured at FVTPL

Medexus

During the three-month period ended March 31, 2021, Knight sold 315,600 common shares of Medexus for total proceeds of $2,624 realizing a gain of $1,639. The common shares were acquired by Knight at an average cost of $3.12 per share.

Equity investments measured at FVOCI

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

As at	March 31, 2021		December 31, 2020	
	Number of common shares owned	FV $	Number of common shares owned	FV $
Crescita	**1,935,489**	**1,471**	1,935,489	1,355
Synergy[1]	**17,645,812**	—	17,645,812	—
Medimetriks[2]	**2,315,007**	**3,071**	2,315,007	3,109
Total		**4,542**		4,464

[1] Valued using the quoted market price (closing share price on the OTCXD) less the day 1 gain on initial measurement that the Company deferred. FMV before considering the deferred day 1 gain is $1,176 [US$935] (December 31, 2020: $1,198 [US$935])
[2] Valued using the income approach valuation technique less the day 1 gain on initial measurement that the Company deferred. FMV, net of the day 1 gain, in original currency is US$2,442 (December 31, 2020: US$2,442)

[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
2021	**1,493**	**—**	**—**	**(12)**	**(11)**	**1,470**	**180**	**1,290**	**—**
2020	4,334	—	(386)	(26,974)	(25)	(23,051)	1,537	1,407	(25,995)

[1] Derivatives recognized during the period
[2] Derivatives derecognized or disposed of during the period
[3] Includes a loss of nil (2020: $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 (2020: loss of $11) in the statement of income (loss) in "Foreign exchange loss" and a loss of $nil (2020: loss of $14) in the statement of other comprehensive loss in "Unrealized gain (loss) on translation of foreign operations"

[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 gain on FA $	Foreign exchange[4] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2021	**149,736**	**1,588**	**(5,650)**	**8,536**	**(3,152)**	**151,058**	**23,696**	**127,362**
2020	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$1,250 (2020: including US$2,500 and EUR 790)
[2] Distributions received from funds including US$3,475 (2020: including US$1,405)
[3] Includes distribution receivable of $1,314 (2020: $1,928)
[4] Recorded a loss of $2,022 in the consolidated statement of income (loss) in "Foreign exchange loss" (2020: gain of $949) and a loss of $1,130 in the statement of other comprehensive loss in "Unrealized (loss) gain on translation of foreign operations" (2020: gain of $6,726)

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

9. MEASUREMENT OF FINANCIAL ASSETS

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

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

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

[i] Fair value hierarchy

As at	March 31, 2021	Level 1	Level 2	Level 3
	$	$	$	$
Recurring fair value measurements				
Loans measured at FVTPL	**24,551**	**—**	**—**	**24,551**
Equity investments measured at FVTPL	**3,562**	**3,562**	**—**	**—**
Equity investments measured at FVOCI	**4,542**	**1,471**	**—**	**3,071**
Derivatives	**1,470**	**—**	**—**	**1,470**
Fund investments measured at FVTPL	**151,058**	**—**	**—**	**151,058**
Total	**185,183**	**5,033**	**—**	**180,150**

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

There were no transfers between levels of the fair value hierarchy for the three-month period ended March 31, 2021 or year ended December 31, 2020.

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

[ii] Day 1 Gains

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

As at	March 31, 2021		December 31, 2020	
	US$	**$**	US$	$
Equity investments measured at FVOCI				
Medimetriks	**730**	**918**	**730**	**929**
Synergy	**3,764**	**4,733**	**3,764**	**4,792**
Total	**4,494**	**5,651**	**4,494**	**5,721**

10. BANK LOANS

The Company has the following indebtedness as at March 31, 2021:

					March 31, 2021	December 31, 2020
	Currency of debt	**Interest rate**	**Effective annual interest rate**	**Maturity**	**Current**	**Current**
					$	
Banks						
Itaú Unibanco	BRL	1.65% +100% CDI	3.67%	December 8, 2023	**22,033**	24,167
Banco Santander	BRL	2.00% +100% CDI	4.03%	December 13, 2021	**3,475**	3,815
Banco Santander	BRL	1.49% +100% CDI	3.24%	March 4, 2021	**—**	10,111
Bancolombia	COP	2.10% + IBR	3.90%	December 14, 2021	**12,684**	13,677
Total Bank Loans					**38,192**	51,770

Banco Santander

In March 2020, Banco Santander loaned an additional $10,928 [BRL 40,132] to a subsidiary of Knight. The principal and interest were repaid on March 4, 2021, the maturity date of the loan.

11. OTHER LONG-TERM 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

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

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.

12. 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, 2021		**130,039,341**	**694,351**
Issuance under share purchase plan	*[iii]*	14,663	78
Shares purchased under NCIB[1]	*[iv]*	(3,549,340)	(18,966)
Liability for ASPP commitment pursuant to NCIB		—	(34,002)
Balance as at March 31, 2021		**126,504,664**	**641,461**

[1] Number of common shares excludes 8,000 shares that were purchased in March but not yet cancelled as at March 31, 2021.

[ii] Share option plan

The Company has had an equity-settled Share Option Plan in place for employees, directors, officers and consultants of the Company. A Share Option Plan ("the Option 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 Option Plan. The aggregate maximum number of stock options outstanding under the Option 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 Option Plan. Generally, the stock options have a seven-year or ten-year term and vest over a one-year period for directors and a three or four-year period for employees.

The Company recorded compensation expense of $511 (2020: $470) for the three-month period ended March 31, 2021 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 periods ended March 31, 2021 and 2020.

	Three months ended March 31,			
	2021		2020	
	Number of share options #	**Weighted average exercise price $**	Number of share options #	Weighted average exercise price $
Balance beginning of the period	**5,298,806**	**7.50**	4,892,872	7.63
Options expired/forfeited	**(20,055)**	**8.22**	(22,196)	7.67
Balance at end of the period	**5,278,751**	**7.50**	4,870,676	7.63
Options exercisable at the end of the period	**3,891,246**	**7.56**	3,825,313	7.50

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

[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, 2021, 14,663 shares (2020: 12,017 shares) were issued under the Purchase Plan for a total of $78 (2020: $73).

[iv] NCIB

On July 10, 2020, the Company announced that the Toronto Stock Exchange approved its notice of intention to launch a NCIB. Under the terms of the NCIB, Knight may purchase for cancellation up to 10,856,710 common shares of the Company which represented 10% of its public float as at July 6, 2020. The NCIB commenced on July 14, 2020 and will end on the earlier of July 13, 2021 or when the Company completes its maximum purchases under the NCIB. Furthermore, Knight entered into an agreement with a broker to facilitate purchases of its common shares under the NCIB. Under Knight's automatic share purchase plan, the broker may purchase common shares which would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods. The Company has an ASPP under which its broker may purchase shares under the NCIB during blackout periods. As at March 31, 2021, the Company recorded an ASPP liability to reflect its obligation to repurchase shares under the NCIB as the Company was in blackout as at that date.

During the three-month period ended March 31, 2021, the Company purchased 3,557,340 common shares, for an aggregate cash consideration of $18,592, of which $43 remains to be settled as at March 31, 2021. Subsequent to quarter end, the Company purchased an additional 512,271 common shares, for an aggregate cash consideration of $2,695.

As at March 31, 2021, the ASPP liability recorded was $31,272, with an offset to the following shareholder equity accounts:

	$
Amounts charged to	
Share capital	**34,002**
Retained earnings	**(2,730)**
Automatic share purchase plan liability	**31,272**

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

	March 31, 2021	December 31, 2020
	$	$
Net losses on equities at FVOCI net of tax of $808 (2020: $818)	**(8,508)**	(8,513)
Unrealized gain on translation of foreign operations	**(4,044)**	7,010
Total	**(12,552)**	(1,503)

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

14. 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,	
	2021	2020
	$	$
Net income (loss) attributable to shareholders of the Company	**3,558**	(1,709)
Weighted average shares outstanding	**128,841,383**	135,144,152
Basic earnings (loss) per share	**$0.03**	($0.01)

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,	
	2021	2020
	$	$
Net income (loss) attributable to shareholders of the Company	**3,558**	(1,709)
Weighted average shares outstanding	**128,841,383**	135,144,152
Adjustment for share options	**2,346**	292,348
Weighted average shares outstanding	**128,843,728**	135,436,500
Diluted earnings (loss) per share	**$0.03**	($0.01)

15. SEGMENT REPORTING

Upon the acquisition of an additional 48.7% of GBT (resulting in 99.9% ownership of GBT), the Company had one reportable segment, namely the development, acquisition, in-licensing, out-licensing, marketing and distribution of innovative pharmaceutical products, consumer health products and medical devices in Canada and select international markets. This reflects the revised management structure and the way that the chief operating decision-maker evaluates the business. As a result of the change in ownership effective in August 2020, the Company retrospectively revised the segmented information for the comparative period to conform to the new segmented structure.

[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,	2021	2020
	$	$
Revenues		
Canada	1,456	684
Brazil	15,821	14,006
Argentina	8,419	10,505
Colombia	8,006	9,092
Rest of LATAM	8,651	9,064
Other[1]	3,716	2,488
Total	**46,069**	**45,839**

[1] Includes Europe, US and other countries.

As at March 31, 2021 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, 2021	Net book value of property, plant and equipment	Intangibles, net	Goodwill	Assets held for sale	Other long-term receivables
	$	$	$	$	$
Canada	85	27,164	—	—	41,582
Brazil	1,290	30,690	20,852	—	—
Argentina	20,574	9,943	11,511	—	—
Colombia	389	18,675	10,803	1,913	—
Rest of LATAM	138	59,755	30,925	—	—
Other	—	—	—	520	—
Total	**22,476**	**146,227**	**74,091**	**2,433**	**41,582**

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

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

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

16. 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,	
	2021	2020
	$	$
Changes in non-cash working capital:		
Decrease (increase) in		
Trade and other receivables	**11,104**	(3,516)
Prepaids and deposits	**1,094**	147
Inventories	**(1,401)**	(9,751)
Income taxes receivable	**(236)**	3,638
Increase (decrease) in		
Accounts payable and accrued liabilities	**981**	(5,254)
Other liabilities	**34**	28
Income tax payable	**(271)**	(7,081)
Other		
Other Financial Assets	**(677)**	(683)
Other operating items	**10,628**	(22,472)

17. RELATED PARTY TRANSACTIONS

Pharmascience Inc., a company related to the Company's CEO, provided administrative services of approximately $4 (2020: $4) to the Company for the period ended March 31, 2021.

18. COMMITMENTS

In the normal course of business, the Company secures development, sales, marketing and distribution rights to innovative drug products requiring royalties or product payments considered normal operating commitments and as such not included herein. The Company has entered into various agreements which include contractual commitments extending beyond the current year. These commitments are classified into three major categories: Fund commitments, milestones and purchase commitments, and loan commitments. The commitments of the Company as at March 31, 2021 are as follows:

[i] Fund commitments

As at March 31, 2021, under the terms of the Company's agreements with life sciences venture capital funds, $29,597 (2020: $31,500), including $4,460 [US$3,547] and $6,715 [EUR 4,550] (2020: $5,952 [US$4,675] and $7,102 [EUR 4,550]), 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 $303,262 including $42,950 [US$34,155], $131,739 [CHF 98,800] and $568 [EUR 385] upon achieving certain sales volumes, regulatory or other milestones related to specific products.

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

In addition, Knight has a commitment to purchase up to $1,089 [EUR 738], of inventory for pharmaceutical products during the five-year period after their respective commercial launch. For products that are currently launched, the Company has committed to inventory purchases of $269,697 [BRL 750,789, USD 62,476 and CHF 18,793], which will be purchased over the next 8 years.

	$
2021	29,665
2022	47,603
2023	55,760
2024	57,612
2025	48,279
2026 and beyond	30,778
Total	**269,697**

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

[iii] Loan commitments

Subject to the Moksha8 Financing Agreement, Knight has committed to loan up to an additional $10,689 [US$8,500] should the borrower meet certain pre-defined profitability targets over its 2020 to 2021 financial years.

19. RECLASSIFICATION OF COMPARATIVE FIGURES

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

20. SUBSEQUENT EVENT

Exelon®

On April 23, 2021, the Company announced that it has entered into a definitive agreement to acquire the exclusive rights to manufacture, market and sell Exelon®, indicated for the symptomatic treatment of mild to moderately severe dementia in people with Alzheimer's disease, in Canada and Latin America ("Territory"). In addition, the Company obtained an exclusive license to use the intellectual property and the Exelon trademark in the Territory. At closing, Knight will pay $211,260[1] [USD 168,000] in cash and may pay up to $15,090[1] [USD 12,000] upon the achievement of certain conditions.

The closing of this transaction is subject to completion of the anti-trust clearance process in Brazil. In conjunction with closing, Knight will enter into a transition service agreement until transfer of marketing authorization, on a country by country basis during which Knight will receive a net profit transfer. Knight will begin distributing Exelon upon transfer of marketing authorization, on a country by country basis.

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[1]Converted using the March 31, 2021 closing foreign exchange rate, actual amount in CAD will vary depending on the exchange rate on the close of the transaction

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Toronto Stock Exchange
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