



**KNIGHT THERAPEUTICS INC.**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2021**

## INTERIM CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

[Unaudited]

| As at                          | Notes | September 30, 2021 | December 31, 2020 |
|--------------------------------|-------|--------------------|-------------------|
| <b>ASSETS</b>                  |       |                    |                   |
| <b>Current</b>                 |       |                    |                   |
| Cash and cash equivalents      | 3     | 92,490             | 229,592           |
| Marketable securities          | 4     | 63,539             | 147,316           |
| Trade receivables              | 5     | 69,003             | 62,515            |
| Other receivables              | 6     | 21,356             | 12,413            |
| Inventories                    | 7     | 74,912             | 56,505            |
| Prepays and deposits           |       | 2,840              | 2,214             |
| Other current financial assets | 9, 10 | 13,878             | 34,431            |
| Income taxes receivable        |       | 5,052              | 7,115             |
| <b>Total current assets</b>    |       | <b>343,070</b>     | <b>552,101</b>    |
| Marketable securities          | 4     | —                  | 15,317            |
| Prepays and deposits           |       | 3,443              | 4,208             |
| Right-of-use assets            |       | 3,861              | 4,035             |
| Property, plant and equipment  |       | 24,142             | 22,127            |
| Investment properties          |       | 1,385              | 1,539             |
| Intangible assets              | 8     | 359,432            | 156,547           |
| Goodwill                       |       | 75,999             | 77,725            |
| Other financial assets         | 9, 10 | 175,865            | 159,524           |
| Deferred income tax assets     |       | 4,295              | 2,432             |
| Other long-term receivables    | 12    | 43,706             | 41,582            |
|                                |       | <b>692,128</b>     | <b>485,036</b>    |
| Assets held for sale           |       | 2,416              | 2,539             |
| <b>Total assets</b>            |       | <b>1,037,614</b>   | <b>1,039,676</b>  |

## INTERIM CONSOLIDATED BALANCE SHEETS (continued)

[In thousands of Canadian dollars]

[Unaudited]

| As at   | Notes  | September 30, 2021 | December 31, 2020 |
|---|--------|--------------------|-------------------|
| <b>LIABILITIES AND EQUITY</b>                     |        |                    |                   |
| <b>Current</b>                                    |        |                    |                   |
| Accounts payable and accrued liabilities          |        | 76,792             | 44,512            |
| Lease liabilities                                 |        | 1,472              | 1,875             |
| Other liabilities                                 |        | 2,040              | 1,291             |
| Bank loans  | 11     | 36,328             | 51,770            |
| Income taxes payable                              |        | 11,389             | 13,559            |
| Other balances payable                            |        | 4,532              | 1,053             |
| <b>Total current liabilities</b>                  |        | <b>132,553</b>     | <b>114,060</b>    |
| Accounts payable and accrued liabilities          |        | 248                | 316               |
| Lease liabilities                                 |        | 2,718              | 2,543             |
| Other balances payable                            |        | 11,208             | 14,900            |
| Deferred income tax liabilities                   |        | 18,290             | 21,616            |
| <b>Total liabilities</b>                          |        | <b>165,017</b>     | <b>153,435</b>    |
| <b>Shareholders' equity</b>                       |        |                    |                   |
| Share capital                                     | 13 [i] | 652,681            | 694,351           |
| Warrants  |        | 117                | 117               |
| Contributed surplus                               |        | 21,470             | 18,731            |
| Accumulated other comprehensive loss              | 14     | (1,202)            | (1,503)           |
| Retained earnings                                 |        | 199,531            | 174,545           |
| <b>Total shareholders' equity</b>                 |        | <b>872,597</b>     | <b>886,241</b>    |
| <b>Total liabilities and shareholders' equity</b> |        | <b>1,037,614</b>   | <b>1,039,676</b>  |

Commitments [note 19]

See accompanying notes

## INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS)

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

[Unaudited]

|  | Notes | Three months ended<br>September 30, |             | Nine months ended<br>September 30, |             |
|--|-------|-------------------------------------|-------------|------------------------------------|-------------|
|  |       | 2021                                | 2020        | 2021                               | 2020        |
| Revenues   | 16    | 73,340                              | 45,239      | 185,205                            | 144,328     |
| Cost of goods sold   |       | 35,574                              | 25,706      | 97,988                             | 82,698      |
| <b>Gross margin</b>  |       | <b>37,766</b>                       | 19,533      | <b>87,217</b>                      | 61,630      |
| <b>Expenses</b>  |       |                                     |             |                                    |             |
| Selling and marketing  |       | 9,990                               | 7,763       | 26,787                             | 26,928      |
| General and administrative   |       | 8,763                               | 10,835      | 25,296                             | 27,424      |
| Research and development   |       | 3,793                               | 2,967       | 9,196                              | 8,035       |
| Amortization of intangible assets  |       | 11,199                              | 5,703       | 24,136                             | 17,546      |
| <b>Operating income (loss)</b>   |       | <b>4,021</b>                        | (7,735)     | <b>1,802</b>                       | (18,303)    |
| Interest income on financial instruments measured at amortized cost                    |       | (188)                               | (1,754)     | (1,721)                            | (7,477)     |
| Other interest income  |       | (1,214)                             | (1,434)     | (3,465)                            | (4,038)     |
| Interest expense   |       | 959                                 | 822         | 2,287                              | 3,070       |
| Other expense (income)   |       | 286                                 | (243)       | 193                                | (133)       |
| Net loss (gain) on financial instruments measured at fair value through profit or loss | 9     | 21,301                              | (12,873)    | (16,644)                           | (22,642)    |
| Net gain on mandatory tender offer liability   |       | —                                   | (10,502)    | —                                  | (12,072)    |
| Realized gain on sale of asset held for sale   |       | —                                   | —           | —                                  | (2,948)     |
| Realized gain on automatic share purchase plan   |       | —                                   | —           | —                                  | (4,168)     |
| Foreign exchange (gain) loss   |       | (7,143)                             | 703         | 252                                | 9,666       |
| (Gain) loss on hyperinflation  |       | (92)                                | 401         | (214)                              | 1,205       |
| <b>(Loss) income before income taxes</b>   |       | <b>(9,888)</b>                      | 17,145      | <b>21,114</b>                      | 21,234      |
| <b>Income tax</b>  |       |                                     |             |                                    |             |
| Current  |       | 1,351                               | (3,079)     | 1,293                              | 1,386       |
| Deferred   |       | (2,653)                             | 2,732       | (4,155)                            | (3,679)     |
| <b>Income tax recovery</b>   |       | <b>(1,302)</b>                      | (347)       | <b>(2,862)</b>                     | (2,293)     |
| <b>Net (loss) income for the period</b>  |       | <b>(8,586)</b>                      | 17,492      | <b>23,976</b>                      | 23,527      |
| <b>Attributable to:</b>  |       |                                     |             |                                    |             |
| Shareholders of the Company  |       | (8,586)                             | 18,094      | 23,976                             | 33,834      |
| Non-controlling interests  |       | —                                   | (602)       | —                                  | (10,307)    |
| <b>Attributable to shareholders of the Company</b>                                     |       |                                     |             |                                    |             |
| Basic net (loss) earnings per share  | 15    | (0.07)                              | 0.14        | 0.19                               | 0.26        |
| Diluted net (loss) earnings per share  | 15    | (0.07)                              | 0.14        | 0.19                               | 0.26        |
| <b>Weighted average number of common shares outstanding</b>                            |       |                                     |             |                                    |             |
| Basic  | 15    | 123,059,239                         | 130,867,769 | 125,946,921                        | 132,346,922 |
| Diluted  | 15    | 123,059,239                         | 131,051,220 | 125,970,589                        | 132,614,809 |

See accompanying note

## INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

[In thousands of Canadian dollars]

[Unaudited]

|   | Three months ended |          | Nine months ended |          |
|---|--------------------|----------|-------------------|----------|
|   | September 30,      |          | September 30,     |          |
|   | 2021               | 2020     | 2021              | 2020     |
| <b>Net (loss) income for the period</b>   | <b>(8,586)</b>     | 17,492   | <b>23,976</b>     | 23,527   |
| <b>Other comprehensive income (loss), net of taxes</b>  |                    |          |                   |          |
| <b>Items that may be reclassified subsequently to net income or loss:</b>   |                    |          |                   |          |
| Unrealized income (loss) on translation of foreign operations   | 6,671              | (10,377) | 362               | (18,078) |
| <b>Items permanently in other comprehensive income or loss:</b>   |                    |          |                   |          |
| Net loss on equity investments at fair value through other comprehensive income net of tax of \$3 and \$7 (\$172 and \$9 for the three and nine-month periods ended September 30, 2020) | (44)               | (62)     | (61)              | (381)    |
| <b>Other comprehensive income (loss) for the period</b>   | <b>6,627</b>       | (10,439) | <b>301</b>        | (18,459) |
| <b>Total comprehensive (loss) income for the period</b>   | <b>(1,959)</b>     | 7,053    | <b>24,277</b>     | 5,068    |
| <b>Attributable to:</b>   |                    |          |                   |          |
| Shareholders of the Company   | (1,959)            | 9,462    | 24,277            | 24,720   |
| Non-controlling interests   | —                  | (2,409)  | —                 | (19,652) |

## INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[In thousands of Canadian dollars]

[Unaudited]

|  |          | Equity attributable to shareholders of the Company |            |                        |  |                      |                |                                 |                 |
|--|----------|--|------------|------------------------|--|----------------------|----------------|---------------------------------|-----------------|
|  | Notes    | Share<br>capital                                   | Warrants   | Contributed<br>surplus | Accumulated<br>other<br>comprehensive<br>income (loss) | Retained<br>earnings | Total          | Non-<br>controlling<br>interest | Total<br>equity |
| <b>Balance as at January 1, 2020</b>                 |          | <b>723,832</b>                                     | <b>785</b> | <b>16,463</b>          | <b>17,405</b>  | <b>52,246</b>        | <b>810,731</b> | <b>104,375</b>                  | <b>915,106</b>  |
| Net income for the period                            |          | —  | —          | —                      | —  | 33,834               | 33,834         | <b>(10,307)</b>                 | 23,527          |
| Other comprehensive loss for the period              |          | —  | —          | —                      | (9,114)  | —                    | (9,114)        | <b>(9,345)</b>                  | (18,459)        |
| Comprehensive (loss)                                 |          | —  | —          | —                      | (9,114)  | 33,834               | 24,720         | <b>(19,652)</b>                 | 5,068           |
| Share-based compensation expense                     | 13 [ii]  | —  | —          | 1,422                  | —  | —                    | 1,422          | —                               | 1,422           |
| Issuance under share option plan                     |          | 945  | —          | (350)                  | —  | —                    | 595            | —                               | 595             |
| Issuance under share purchase plan                   | 13 [ii]  | 208  | —          | —                      | —  | —                    | 208            | —                               | 208             |
| Shares purchased under Normal Course Issuer Bid      | 13 [iii] | (29,919)   | —          | —                      | —  | (10,258)             | (40,177)       | —                               | (40,177)        |
| Acquisition of shares through mandatory tender offer |          | —  | —          | —                      | (5,761)  | 90,484               | 84,723         | <b>(84,723)</b>                 | —               |
| Expired and surrendered warrants                     |          | —  | (668)      | 668                    | —  | —                    | —              | —                               | —               |
| <b>Balance as at September 30, 2020</b>              |          | <b>695,066</b>                                     | <b>117</b> | <b>18,203</b>          | <b>2,530</b>   | <b>166,306</b>       | <b>882,222</b> | <b>—</b>                        | <b>882,222</b>  |
| <b>Balance as at January 1, 2021</b>                 |          | <b>694,351</b>                                     | <b>117</b> | <b>18,731</b>          | <b>(1,503)</b>   | <b>174,545</b>       | <b>886,241</b> | <b>—</b>                        | <b>886,241</b>  |
| Net income for the period                            |          | —  | —          | —                      | —  | 23,976               | 23,976         | —                               | <b>23,976</b>   |
| Other comprehensive income for the period            |          | —  | —          | —                      | 301  | —                    | 301            | —                               | <b>301</b>      |
| Comprehensive income                                 |          | —  | —          | —                      | 301  | 23,976               | 24,277         | —                               | <b>24,277</b>   |
| Share-based compensation expense                     | 13 [ii]  | —  | —          | 2,739                  | —  | —                    | 2,739          | —                               | <b>2,739</b>    |
| Issuance under share purchase plan                   | 13 [ii]  | 247  | —          | —                      | —  | —                    | 247            | —                               | <b>247</b>      |
| Shares purchased under Normal Course Issuer Bid      | 13 [iii] | (41,917)   | —          | —                      | —  | 1,010                | (40,907)       | —                               | <b>(40,907)</b> |
| <b>Balance as at September 30, 2021</b>              |          | <b>652,681</b>                                     | <b>117</b> | <b>21,470</b>          | <b>(1,202)</b>   | <b>199,531</b>       | <b>872,597</b> | <b>—</b>                        | <b>872,597</b>  |

See accompanying notes

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

[In thousands of Canadian dollars]

[Unaudited]

|   |          | Three months ended<br>September 30, |           | Nine months ended<br>September 30, |           |
|---|----------|-------------------------------------|-----------|------------------------------------|-----------|
|   | Notes    | 2021                                | 2020      | 2021                               | 2020      |
| <b>OPERATING ACTIVITIES</b>   |          |                                     |           |                                    |           |
| <b>Net (loss) income for the period</b>                                   |          | <b>(8,586)</b>                      | 17,492    | <b>23,976</b>                      | 23,527    |
| Adjustments reconciling net income to operating cash flows:               |          |                                     |           |                                    |           |
| Deferred income tax expense (recovery)                                    |          | <b>(2,653)</b>                      | 2,732     | <b>(4,155)</b>                     | (3,679)   |
| Share-based compensation expense  | 13 [iii] | <b>421</b>                          | 725       | <b>2,772</b>                       | 1,422     |
| Depreciation and amortization   |          | <b>12,995</b>                       | 7,085     | <b>28,914</b>                      | 22,462    |
| Net loss (gain) on financial instruments                                  | 9        | <b>21,301</b>                       | (12,873)  | <b>(16,644)</b>                    | (22,642)  |
| Net gain on mandatory tender offer liability                              |          | —                                   | (10,502)  | —                                  | (12,072)  |
| Realized gain on sale of asset held for sale                              |          | —                                   | —         | —                                  | (2,948)   |
| Realized gain on automatic share purchase plan                            |          | —                                   | —         | —                                  | (4,168)   |
| Interest expense  |          | <b>959</b>                          | 822       | <b>2,287</b>                       | 3,070     |
| Unrealized foreign exchange (gain) loss                                   |          | <b>(6,443)</b>                      | 703       | <b>(1,087)</b>                     | 9,666     |
| (Gain) loss on hyperinflation   |          | <b>(92)</b>                         | 401       | <b>(214)</b>                       | 1,205     |
| Other adjustments   |          | <b>(1)</b>                          | 424       | <b>(1)</b>                         | (50)      |
|   |          | <b>17,901</b>                       | 7,009     | <b>35,848</b>                      | 15,793    |
| Changes in non-cash working capital and other items                       | 17       | <b>(7,580)</b>                      | (15,421)  | <b>4,089</b>                       | (32,295)  |
| <b>Cash inflow (outflow) from operating activities</b>                    |          | <b>10,321</b>                       | (8,412)   | <b>39,937</b>                      | (16,502)  |
| <b>INVESTING ACTIVITIES</b>   |          |                                     |           |                                    |           |
| Acquisition of shares through mandatory tender offer                      |          | —                                   | (170,855) | —                                  | (170,855) |
| Purchase of marketable securities   |          | —                                   | (662)     | <b>(47,895)</b>                    | (37,778)  |
| Purchase of intangible assets   |          | <b>(1,705)</b>                      | (1,191)   | <b>(220,198)</b>                   | (14,024)  |
| Purchase of property and equipment  |          | <b>(688)</b>                        | (861)     | <b>(1,118)</b>                     | (3,119)   |
| Exercise of warrants  |          | —                                   | —         | —                                  | (397)     |
| Issuance of loans receivables   |          | —                                   | —         | —                                  | (7,364)   |
| Investment in funds   | 9 [iv]   | <b>(5,359)</b>                      | (2,010)   | <b>(10,963)</b>                    | (15,010)  |
| Proceeds on sale of asset held for sale                                   |          | —                                   | —         | —                                  | 77,000    |
| Proceeds on maturity of marketable securities                             |          | —                                   | 32,440    | <b>146,896</b>                     | 226,999   |
| Proceeds from repayments of loans receivable                              | 9 [i]    | —                                   | 17        | <b>2,494</b>                       | 7,786     |
| Proceeds from disposal of equity investments                              | 9 [ii]   | —                                   | —         | <b>2,624</b>                       | 2,919     |
| Proceeds from distribution of funds                                       | 9 [iv]   | <b>2,042</b>                        | 14,887    | <b>13,412</b>                      | 26,996    |
| <b>Cash (outflow) inflow from investing activities</b>                    |          | <b>(5,710)</b>                      | (128,235) | <b>(114,748)</b>                   | 93,153    |
| <b>FINANCING ACTIVITIES</b>   |          |                                     |           |                                    |           |
| Proceeds from exercise of stock options                                   |          | —                                   | 115       | —                                  | 595       |
| Proceeds from contributions to share purchase plan                        |          | <b>76</b>                           | 62        | <b>210</b>                         | 175       |
| Proceeds from bank loans  |          | <b>2,325</b>                        | —         | <b>2,325</b>                       | 10,998    |
| Repurchase of common shares through Normal Course Issuer Bid              | 13 [iii] | <b>(17,864)</b>                     | (3,736)   | <b>(40,907)</b>                    | (35,001)  |
| Principal repayment of lease liabilities                                  |          | <b>(744)</b>                        | (888)     | <b>(2,141)</b>                     | (2,406)   |
| Principal repayments on bank loans  |          | —                                   | (701)     | <b>(14,911)</b>                    | (8,219)   |
| <b>Cash outflow from financing activities</b>                             |          | <b>(16,207)</b>                     | (5,148)   | <b>(55,424)</b>                    | (33,858)  |
| <b>(Decrease) increase in cash and cash equivalents during the period</b> |          | <b>(11,596)</b>                     | (141,795) | <b>(130,235)</b>                   | 42,793    |
| Cash and cash equivalents, beginning of the period                        |          | <b>102,582</b>                      | 359,593   | <b>229,592</b>                     | 174,268   |
| Net foreign exchange difference   |          | <b>1,504</b>                        | 293       | <b>(6,867)</b>                     | 1,030     |
| <b>Cash and cash equivalents, end of the period</b>                       |          | <b>92,490</b>                       | 218,091   | <b>92,490</b>                      | 218,091   |
| <b>Supplemental cash flow information:</b>                                |          |                                     |           |                                    |           |
| Interest received   |          | <b>846</b>                          | 1,044     | <b>7,774</b>                       | 9,299     |
| Interest paid   |          | <b>(204)</b>                        | (8)       | <b>(1,323)</b>                     | (1,321)   |
| Net income taxes paid   |          | <b>(798)</b>                        | (3,718)   | <b>(3,390)</b>                     | (6,745)   |

See accompanying notes

## GLOSSARY OF ABBREVIATIONS

| <b>Abbreviation</b>   | <b>Company</b>                                  |
|-----------------------|---|
| 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.                               |
| NEMO II               | New Emerging Medical Opportunities Fund II Ltd. |

| <b>Abbreviation</b> | <b>Currency</b> |
|---------------------|-----------------|
| ARS                 | Argentine Peso  |
| BRL                 | Brazilian Real  |
| C\$ or \$ or CAD    | Canadian Dollar |
| CHF                 | Swiss Franc     |
| COP                 | Colombian Peso  |
| EUR                 | Euro            |
| US\$/USD            | U.S. Dollar     |

| <b>Abbreviation</b> | <b>Other</b>   |
|---------------------|--|
| ASPP                | Automatic share purchase plan  |
| CDI                 | Certificados de Depósitos Interfinanceiros (Brazil interbank lending rate) |
| CEO                 | Chief Executive Officer  |
| CRA                 | Canada Revenue Agency  |
| DSU                 | Deferred share units   |
| 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                                |
| LATAM               | Latin America  |
| NCIB                | Normal Course Issuer Bid   |
| PRV                 | Priority Review Voucher  |
| PSU                 | Performance share units  |
| RSU                 | Restricted share units   |
| WAFV                | Weighted average fair value  |

## **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 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

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

The Company's interim condensed consolidated financial statements as at and for the three and nine-month periods ended September 30, 2021 and 2020 were authorized for issue by the Board of Directors on November 10, 2021.

### **Impact of the COVID-19 Pandemic**

There is significant uncertainty regarding the potential impact that the ongoing 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.

In 2021, the global economy has, with certain setbacks, begun reopening, and wider distribution of vaccines will likely encourage greater economic activity. However, COVID-19 cases continue to rise in many locations around the world where vaccination rates remain low and new, more contagious variant strains of COVID-19 have emerged, resulting in continued restrictions. Even as vaccines roll out, the Company continues to see significant variability of vaccination levels throughout its territories from greater than 70% of population fully vaccinated in markets such as Chile and Canada and less than 50% of population fully vaccinated in markets such as Colombia and Mexico. 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, how widely utilized the vaccines will be, whether they will be effective in preventing the spread of COVID-19 (including its variant strains), the speed of the reopening and 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 is not able to predict the impact that the COVID-19 pandemic will have in the future due to numerous uncertainties, including the severity of the disease and its variants, the duration of the pandemic, actions that may be taken by governmental authorities, the impact to the commercial operations and supply chain. 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.

## 2.2 Summary of significant accounting policies

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, except for restricted share units (“RSUs”), performance share units (“PSUs”) and deferred share units (“DSUs”) awarded under Omnibus Equity Incentive Plan (the “Omnibus Plan”) which was approved by shareholder of the Company on May 13, 2021. The related accounting policies are as follows:

### Restricted share units

RSUs are expected to be settled by the issuance of the Company’s shares, although they can be settled in cash at the Company’s option. RSUs vest at the end of the three-year period from the date of the grant. The fair value of each grant of RSUs is the fair value of the Company’s share price on the date of the grant. The number of RSUs expected to vest are estimated on the grant date and subsequently revised on each reporting date. The resulting compensation expense, adjusted for forfeitures, is charged to income over the period the participants unconditionally become entitled to the award, with a corresponding increase to contributed surplus, on a straight-line basis.

### Performance share units

PSUs are expected to be settled by the issuance of the Company’s shares, although they can be settled in cash at the Company’s option. PSUs vest at the end of the three-year period from the date of the grant upon the achievement of certain non-market vesting conditions. The fair value of each grant of PSUs is the fair value of the Company’s share price on the date of the grant. The number of PSUs expected to vest are estimated on the grant date and subsequently revised on each reporting date. The resulting compensation expense, adjusted for expectations related to non-market performance conditions and forfeitures, is charged to income over the period the participants unconditionally become entitled to the award, with a corresponding increase in contributed surplus, on a straight-line basis.

### Deferred share units

DSUs are awarded to Directors of the Company and vest when they cease to be a member of the Board of Directors. DSUs are expected to be settled by the issuance of the Company’s shares and are recognized as general and administrative expenses on the date of grant using the Company’s share price as the fair value.

## 3. CASH AND CASH EQUIVALENTS

| As at            | September 30, 2021 | December 31, 2020 |
|------------------|--------------------|-------------------|
|                  | \$                 | \$                |
| Cash in bank     | 79,737             | 227,011           |
| Cash equivalents | 12,753             | 2,581             |
| <b>Total</b>     | <b>92,490</b>      | <b>229,592</b>    |

#### 4. MARKETABLE SECURITIES

| As at   | September 30, 2021<br>\$ | December 31, 2020<br>\$ |
|---|--------------------------|-------------------------|
| <b>Current</b>  |                          |                         |
| GICs earning interest at rates ranging from 0.65% to 3.37% and maturing from January 2022 to June 2022 (December 31, 2020: 1.25% to 3.30%, January 2021 to June 2021) | 63,539                   | 118,711                 |
| Term deposits of US\$22,467 earning interest at 1.60% to 3.04% and maturing from February 2021 to April 2021  | —                        | 28,605                  |
| <b>Total current</b>  | <b>63,539</b>            | <b>147,316</b>          |
| <b>Non-current</b>  |                          |                         |
| GICs earning interest at rates ranging from 3.09% to 3.37% and maturing from January 2022 to March 2022   | —                        | 15,317                  |
| <b>Total non-current</b>  | <b>—</b>                 | <b>15,317</b>           |
| <b>Total</b>  | <b>63,539</b>            | <b>162,633</b>          |

#### 5. TRADE RECEIVABLES

The Company maintains an allowance for ECL that represents its estimate of uncollectible amounts based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. During the three and nine-month periods ended September 30, 2021, the Company has recorded an increase in ECL of \$53 and decrease in ECL of \$350 (2020: additional ECL \$398 and \$2,819), respectively, in the consolidated statement of income in "Selling and marketing".

#### 6. OTHER RECEIVABLES

| As at                            | September 30, 2021<br>\$ | December 31, 2020<br>\$ |
|----------------------------------|--------------------------|-------------------------|
| Interest receivable              | 1,460                    | 4,270                   |
| Other receivables <sup>1</sup>   | 18,461                   | 4,695                   |
| Sales and other taxes receivable | 1,435                    | 3,448                   |
| <b>Total</b>                     | <b>21,356</b>            | <b>12,413</b>           |

<sup>1</sup> Includes distribution receivable from strategic funds investments of \$14,203 (2020: \$1,545)

#### 7. INVENTORIES

| As at            | September 30, 2021<br>\$ | December 31, 2020<br>\$ |
|------------------|--------------------------|-------------------------|
| Raw materials    | 10,416                   | 9,877                   |
| Work in progress | 2,531                    | 6,182                   |
| Finished goods   | 61,965                   | 40,446                  |
| <b>Total</b>     | <b>74,912</b>            | <b>56,505</b>           |

During the three and nine-month periods ended September 30, 2021, the Company recorded inventory write-down of \$368 and \$940 (2020: \$1,871 and \$6,797), respectively, in the statement of income (loss) in "Cost of goods sold".

#### 8. INTANGIBLE ASSETS

The following table summarizes the movements in net book value of intangible assets during the nine-month period ended September 30, 2021:

|   | \$             |
|---|----------------|
| <b>Net book value as at January 1, 2021</b>     | <b>156,547</b> |
| Additions - Exelon                              | 217,331        |
| Additions - Other                               | 4,335          |
| Disposals and write-offs                        | (1,700)        |
| Amortization charge                             | (24,136)       |
| Foreign exchange and hyperinflation adjustments | 7,055          |
| <b>Net book value as at September 30, 2021</b>  | <b>359,432</b> |

On May 26, 2021, the Company entered into an agreement with Novartis 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. Knight paid an upfront and milestone payment of \$217,331 [US\$180,000] which has been recognized as an intangible asset with a definite useful life of 10 years.

## 9. OTHER FINANCIAL ASSETS

|  | Carrying amount    |                   |
|--|--------------------|-------------------|
|  | September 30, 2021 | December 31, 2020 |
|  | \$                 | \$                |
| <b>Loans and other receivables [i]</b> |                    |                   |
| Measured at amortized cost             | 6,350              | 8,847             |
| Measured at FVTPL                      | 26,454             | 24,261            |
| <b>Equity Investments [ii]</b>         |                    |                   |
| Measured at FVTPL                      | 2,236              | 5,154             |
| Measured at FVOCI                      | 4,465              | 4,464             |
| <b>Derivatives [iii]</b>               |                    |                   |
| Measured at FVTPL                      | 1,334              | 1,493             |
| <b>Fund Investments [iv]</b>           |                    |                   |
| Measured at FVTPL                      | 148,904            | 149,736           |
| <b>Total</b>                           | <b>189,743</b>     | <b>193,955</b>    |

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

| 2021   | Three months ended September 30,                              |   |               | Nine months ended September 30,                               |   |                 |
|--|---|---|---------------|---|---|-----------------|
|  | Unrealized<br>(gain) loss on<br>FA measured<br>at FVTPL<br>\$ | Realized<br>(gain) loss on<br>FA measured<br>at FVTPL<br>\$ | Total<br>\$   | Unrealized<br>(gain) loss on<br>FA measured<br>at FVTPL<br>\$ | Realized<br>(gain) loss on<br>FA measured<br>at FVTPL<br>\$ | Total<br>\$     |
| Loans and other receivables [i] <sup>1</sup> | 30  | —   | 30            | (33)  | —   | (33)            |
| Equity Investments [ii]                      | 1,251   | —   | 1,251         | 1,933   | (1,639)   | 294             |
| Derivatives [iii]                            | 68  | —   | 68            | 158   | —   | 158             |
| Fund Investments [iv]                        | 28,042 <sup>2</sup>   | (8,090) <sup>2</sup>  | 19,952        | (1,071) <sup>2</sup>  | (15,992) <sup>2</sup>                                       | (17,063)        |
| <b>Total</b>                                 | <b>29,391</b>   | <b>(8,090)</b>  | <b>21,301</b> | <b>987</b>  | <b>(17,631)</b>   | <b>(16,644)</b> |

<sup>1</sup>Realized (gain) loss on financial assets measured at FVTPL includes recognition of deferred day 1 gains and change in FV related to early repayment.

<sup>2</sup>Includes reclassification of \$6,456 of unrealized gain to realized as a result of NEMO II fund liquidation. Unrealized loss (gain) from the existing funds' investments for the three and nine-month periods were \$21,586 unrealized loss and \$7,527 unrealized gain respectively. Realized gain from the existing funds' investments for the three and nine-month periods were \$1,634 and \$9,536 respectively.

| 2020   | Three months ended September 30,                              |   |                 | Nine months ended September 30,                               |   |               |
|--|---|---|-----------------|---|---|---------------|
|  | Unrealized<br>(gain) loss on<br>FA measured<br>at FVTPL<br>\$ | Realized<br>(gain) loss on<br>FA measured<br>at FVTPL<br>\$ | Total<br>\$     | Unrealized<br>(gain) loss on<br>FA measured<br>at FVTPL<br>\$ | Realized<br>(gain) loss on<br>FA measured<br>at FVTPL<br>\$ | Total<br>\$   |
| Loans and other receivables [i] <sup>1</sup> | (404)   | —   | (404)           | 179   | (46)  | 133           |
| Equity Investments [ii]                      | (48)  | —   | (48)            | (513)   | 712   | 199           |
| Derivatives [iii] <sup>2</sup>               | (36,400)  | 36,425  | 25              | 1,216   | 36,165  | 37,381        |
| Fund Investments [iv]                        | (3,025)   | (9,348)   | (12,373)        | (7,578)   | (15,256)  | (22,834)      |
| <b>Total</b>                                 | <b>(39,877)</b>   | <b>27,077</b>   | <b>(12,800)</b> | <b>(6,696)</b>  | <b>21,575</b>   | <b>14,879</b> |

<sup>1</sup>Realized (gain) loss on financial assets measured at FVTPL includes recognition of deferred day 1 gains and change in FV related to early repayment.

<sup>2</sup>The unrealized loss for the three and nine-month periods of \$25 and \$37,381 includes an unrealized gain of 36,352 and an unrealized loss of \$1,096 recorded on foreign exchange contracts, related to the mandatory tender offer liability.

### [i] Loans and other receivables

As at September 30, 2021, the nominal loan balance outstanding was \$33,858 [US\$26,574] (December 31, 2020: \$36,338 [US\$28,541]). The following table summarizes the movement in loans and other receivables during the nine-month period ended September 30.

|                | Carrying<br>value as at<br>January 1<br>\$ | Additions<br>\$ | Loan<br>repayments<br>\$ | Net gain<br>(loss) on<br>FA <sup>1</sup><br>\$ | Foreign<br>exchange <sup>2,3</sup><br>\$ | Carrying<br>value end<br>of period<br>\$ | Current<br>other<br>financial<br>assets<br>\$ | Non-<br>current<br>other<br>financial<br>assets<br>\$ |
|----------------|--|-----------------|--------------------------|--|--|--|---|---|
| <b>2021</b>    |  |                 |                          |  |  |  |   |   |
| Amortized Cost | 8,847                                      | 35              | (2,494)                  | —  | (38)                                     | 6,350                                    | 2,561   | 3,789   |
| FVTPL          | 24,261                                     | 2,108           | —                        | 33   | 52                                       | 26,454                                   | 7,548   | 18,906  |
| <b>Total</b>   | <b>33,108</b>                              | <b>2,143</b>    | <b>(2,494)</b>           | <b>33</b>                                      | <b>14</b>                                | <b>32,804</b>                            | <b>10,109</b>                                 | <b>22,695</b>   |
| <b>2020</b>    |  |                 |                          |  |  |  |   |   |
| Amortized Cost | 2,181                                      | 7,364           | (52)                     | —  | (221)                                    | 9,272                                    | 5,349   | 3,923   |
| FVTPL          | 28,390                                     | 3,531           | (7,734)                  | (133)  | 1,104                                    | 25,158                                   | 6,610   | 18,548  |
| <b>Total</b>   | <b>30,571</b>                              | <b>10,895</b>   | <b>(7,786)</b>           | <b>(133)</b>                                   | <b>883</b>                               | <b>34,430</b>                            | <b>11,959</b>                                 | <b>22,471</b>   |

<sup>1</sup> Net changes related to change in the fair value of loan receivables and recognition of day 1 gains

<sup>2</sup> During the three-months period ended September 30, 2021, recorded a gain of \$632 in the statement of income (loss) in "Foreign exchange loss (gain)" (2020: loss of \$472) and a gain of \$236 in the statement of other comprehensive (loss) income in "Unrealized income (loss) on translation of foreign operations" (2020: loss of \$228)

<sup>3</sup> During the nine-month period ended September 30, 2021, recorded a gain of \$59 in the statement of income (loss) in "Foreign exchange loss" (2020: gain of \$788) and a loss of \$45 in the statement of other comprehensive (loss) income in "Unrealized gain (loss) on translation of foreign operations" (2020: gain of \$95)

## [ii] Equity investments

The following table summarizes the movement in equity investments during the nine-month period ended September 30.

|              | Carrying<br>value as at<br>January 1<br>\$ | Additions <sup>1</sup><br>\$ | Disposals <sup>2</sup><br>\$ | Net gain<br>(loss) on<br>FA <sup>3</sup><br>\$ | Foreign<br>exchange<br>\$ | Carrying<br>value end<br>of period<br>\$ | Current<br>other<br>financial<br>assets<br>\$ | Non-<br>current<br>other<br>financial<br>assets<br>\$ |
|--------------|--|------------------------------|------------------------------|--|---------------------------|--|---|---|
| <b>2021</b>  |  |                              |                              |  |                           |  |   |   |
| FVTPL        | 5,154                                      | —                            | (2,624)                      | (294)  | —                         | 2,236                                    | 2,236   | —   |
| FVOCI        | 4,464                                      | —                            | —                            | —  | 1                         | 4,465                                    | 1,353   | 3,112   |
| <b>Total</b> | <b>9,618</b>                               | <b>—</b>                     | <b>(2,624)</b>               | <b>(294)</b>                                   | <b>1</b>                  | <b>6,701</b>                             | <b>3,589</b>                                  | <b>3,112</b>  |
| <b>2020</b>  |  |                              |                              |  |                           |  |   |   |
| FVTPL        | 3,712                                      | 782                          | (1,094)                      | (199)  | 4                         | 3,205                                    | 3,205   | —   |
| FVOCI        | 6,473                                      | —                            | (1,825)                      | (638)  | 90                        | 4,100                                    | 987   | 3,113   |
| <b>Total</b> | <b>10,185</b>                              | <b>782</b>                   | <b>(2,919)</b>               | <b>(837)</b>                                   | <b>94</b>                 | <b>7,305</b>                             | <b>4,192</b>                                  | <b>3,113</b>  |

<sup>1</sup> Equities purchased or received as consideration with the strategic lending transactions

<sup>2</sup> Cash received upon disposal of equities during the period

<sup>3</sup> Net changes due to revaluation to fair market value recorded in the statement of income (loss) (FVTPL) or statement of comprehensive income (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.

|                          | September 30, 2021               |              | December 31, 2020                |              |
|--------------------------|----------------------------------|--------------|----------------------------------|--------------|
|                          | Number of common<br>shares owned | FV<br>\$     | Number of common<br>shares owned | FV<br>\$     |
| Crescita                 | 1,935,489                        | 1,353        | 1,935,489                        | 1,355        |
| Synergy <sup>1</sup>     | 17,645,812                       | —            | 17,645,812                       | —            |
| Medimetriks <sup>2</sup> | 2,315,007                        | 3,112        | 2,315,007                        | 3,109        |
| <b>Total</b>             |                                  | <b>4,465</b> |                                  | <b>4,464</b> |

<sup>1</sup> Valued using the quoted market price (closing share price on the OTCXD) less the day 1 gain on initial measurement that the Company deferred. FV before considering the deferred day 1 gain is \$1,349 [US\$1,059] (December 31, 2020: \$1,198 [US\$935])

<sup>2</sup> Valued using the income approach valuation method less the day 1 gain on initial measurement that the Company deferred. FV, net of the day 1 gain, in original currency is US\$2,442 (December 31, 2020: US\$2,442)

### [iii] Derivatives

The following table summarizes the movement in derivatives recorded at FVTPL during the nine-month period ended September 30.

|             | Carrying<br>value as at<br>January 1<br>\$ | Additions <sup>1</sup><br>\$ | Disposals <sup>2</sup><br>\$ | Net (loss) on<br>FA<br>\$ | Foreign<br>exchange <sup>4,5</sup><br>\$ | Carrying<br>value end of<br>period<br>\$ | Current<br>other<br>financial<br>assets<br>\$ | Non-current<br>other financial<br>assets<br>\$ |
|-------------|--|------------------------------|------------------------------|---------------------------|--|--|---|--|
| <b>2021</b> | <b>1,493</b>                               | —                            | —                            | <b>(158)</b>              | <b>(1)</b>                               | <b>1,334</b>                             | <b>180</b>                                    | <b>1,154</b>                                   |
| 2020        | 4,334                                      | —                            | 34,689                       | (37,381) <sup>3</sup>     | (101)                                    | 1,541                                    | 180   | 1,361  |

<sup>1</sup> Derivatives recognized during the period

<sup>2</sup> Derivatives derecognized or disposed of during the period

<sup>3</sup> In 2020, includes a loss of \$37,448 recorded on foreign exchange contracts related to the mandatory tender offer liability

<sup>4</sup> During the three-month period ended September 30, 2021, recorded a gain of \$24 (2020: loss of \$23) in the statement of income (loss) in "Foreign exchange loss" and a loss of \$nil (2020: gain of \$12) in the statement of other comprehensive income (loss) in "Unrealized income (loss) on translation of foreign operations"

<sup>5</sup> During the nine-month period ended September 30, 2021, recorded a loss of \$1 (2020: loss of \$87) 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) income in "Unrealized income (loss) on translation of foreign operations"

### [iv] Fund investments

The following table summarizes the movement in fund investments recorded at FVTPL during the nine-month period ended September 30.

|             | Carrying<br>value as at<br>January 1<br>\$ | Additions <sup>1</sup><br>\$ | Distributions <sup>2,3</sup><br>\$ | Net gain on<br>FA<br>\$ | Foreign<br>exchange <sup>4,5</sup><br>\$ | Carrying<br>value end<br>of period<br>\$ | Current<br>other<br>financial<br>assets<br>\$ | Non-current<br>other<br>financial<br>assets<br>\$ |
|-------------|--|------------------------------|------------------------------------|-------------------------|--|--|---|---|
| <b>2021</b> | <b>149,736</b>                             | <b>10,963</b>                | <b>(27,615)</b>                    | <b>17,063</b>           | <b>(1,243)</b>                           | <b>148,904</b>                           | —   | <b>148,904</b>                                    |
| 2020        | 114,061                                    | 15,010                       | (26,085)                           | 22,834                  | 4,020                                    | 129,840                                  | 9,917   | 119,923   |

<sup>1</sup> Investments in equity or debt funds including US\$2,875 and EUR 1,771 (2020: including US\$4,125 and EUR 1,766)

<sup>2</sup> Distributions received from funds including US\$12,297 and EUR 1,090 (2020: including US\$4,338 and EUR 7,804)

<sup>3</sup> Includes distribution receivable of \$14,203 (2020: \$1,545), including \$12,297 (US\$8,157) final distribution from NEMO II following its liquidation

<sup>4</sup> During the three-month period ended September 30, 2021, recorded a loss of \$502 in the statement of income (loss) in "Foreign exchange loss (gain)" (2020: gain of \$1,344) and a gain of \$3,463 in the statement of other comprehensive income (loss) in "Unrealized income (loss) on translation of foreign operations" (2020: loss of \$1,923)

<sup>5</sup> During the nine-month period ended September 30, 2021, recorded a loss of \$2,763 in the statement of income (loss) in "Foreign exchange loss" (2020: gain of \$2,126) and a gain of \$1,520 in the statement of other comprehensive (loss) income in "Unrealized income (loss) on translation of foreign operations" (2020: gain of \$1,940)

## 10. 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.   | <ul style="list-style-type: none"> <li>Investments in equities<sup>1</sup></li> </ul>   |
| 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. | <ul style="list-style-type: none"> <li>Investments in equities<sup>2</sup></li> </ul>   |
| Level 3 | Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.                      | <ul style="list-style-type: none"> <li>Investments in equities<sup>3</sup></li> <li>Investments in funds</li> <li>Loans and receivables measured at FVTPL</li> <li>Loans and receivables measured at Amortized Cost</li> <li>Derivatives</li> </ul> |

<sup>1</sup> Publicly-traded equities in active markets

<sup>2</sup> Publicly-traded equities in inactive markets

<sup>3</sup> Privately-held equities

### [i] Fair value hierarchy

| As at                                    | September 30, 2021 | Level 1      | Level 2  | Level 3        |
|--|--------------------|--------------|----------|----------------|
|  | \$                 | \$           | \$       | \$             |
| <b>Recurring fair value measurements</b> |                    |              |          |                |
| Loans measured at FVTPL                  | 26,454             | —            | —        | 26,454         |
| Equity investments measured at FVTPL     | 2,236              | 2,236        | —        | —              |
| Equity investments measured at FVOCI     | 4,465              | 1,353        | —        | 3,112          |
| Derivatives                              | 1,334              | —            | —        | 1,334          |
| Fund investments measured at FVTPL       | 148,904            | —            | —        | 148,904        |
| <b>Total</b>                             | <b>183,393</b>     | <b>3,589</b> | <b>—</b> | <b>179,804</b> |
|  |                    |              |          |                |
|  | December 31, 2020  | Level 1      | Level 2  | Level 3        |
|  | \$                 | \$           | \$       | \$             |
| <b>Recurring fair value measurements</b> |                    |              |          |                |
| 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        |
| <b>Total</b>                             | <b>185,108</b>     | <b>6,509</b> | <b>—</b> | <b>178,599</b> |

There were no transfers between levels of the fair value hierarchy for the nine-month period ended September 30, 2021 or year ended December 31, 2020.

### [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                                       | September 30, 2021 |              | December 31, 2020 |              |
|---|--------------------|--------------|-------------------|--------------|
|   | US\$               | \$           | US\$              | \$           |
| <b>Equity investments measured at FVOCI</b> |                    |              |                   |              |
| Medimetriks                                 | 730                | 930          | 730               | 929          |
| Synergy                                     | 3,764              | 4,796        | 3,764             | 4,792        |
| <b>Total</b>                                | <b>4,494</b>       | <b>5,726</b> | <b>4,494</b>      | <b>5,721</b> |

## 11. BANK LOANS

The Company had the following indebtedness as at the end of the following periods:

|                         | Currency of debt | Interest rate    | Effective annual interest rate | Maturity          | September 30, 2021 | December 31, 2020 |
|-------------------------|------------------|------------------|--------------------------------|-------------------|--------------------|-------------------|
|                         |                  |                  |                                |                   | Current \$         | Current \$        |
| <b>Banks</b>            |                  |                  |                                |                   |                    |                   |
| Itaú Unibanco           | BRL              | 1.65% +100% CDI  | 5.01%                          | December 8, 2023  | 19,705             | 24,167            |
| Banco Santander         | BRL              | 2.00% +100% CDI  | 5.35%                          | December 13, 2021 | 1,863              | 3,815             |
| Banco Santander         | BRL              | 1.49% +100% CDI  | N/A                            | March 4, 2021     | —                  | 10,111            |
| Bancolombia             | COP              | 2.10% + IBR      | 3.94%                          | December 14, 2021 | 12,435             | 13,677            |
| Banco ICBC Overdraft    | ARS              | 42% <sup>1</sup> | N/A                            | N/A               | 835                | —                 |
| Banco Itau Overdraft    | ARS              | 40% <sup>2</sup> | N/A                            | N/A               | 1,490              | —                 |
| <b>Total Bank Loans</b> |                  |                  |                                |                   | <b>36,328</b>      | <b>51,770</b>     |

<sup>1</sup> Fixed rate renewed monthly

<sup>2</sup> Fixed rate renewed daily

Subsequent to September 30, 2021, Knight re-financed its Bancolombia loan at the interest rate of 2.28% + IBR extending the maturity date to October 26, 2026.

## 12. 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 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. In October 2021, CRA responded to Knight's notice of objection with a confirmation of their initial tax reassessments. Knight will file a notice of appeal to the Tax Court of Canada.

Based on the Company's view of the likely outcome of the appeals process, Knight expects to recover the total of \$41,582 deposited with the taxation authorities 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.

## 13. SHAREHOLDERS' EQUITY

### [i] Share capital

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

|   | <i>Notes</i> | <b>Number of<br/>common shares</b> | <b>\$</b>      |
|---|--------------|------------------------------------|----------------|
| <b>Balance as at January 1, 2021</b>    |              | <b>130,039,341</b>                 | <b>694,351</b> |
| Issuance under share purchase plan      | <i>[ii]</i>  | 46,967                             | 247            |
| Shares purchased under NCIB             | <i>[iii]</i> | (7,844,438)                        | (41,917)       |
| <b>Balance as at September 30, 2021</b> |              | <b>122,241,870</b>                 | <b>652,681</b> |

### [ii] Stock-based compensation plans

The Company has three stock-based compensation plans: the Share Option Plan, the Share Purchase Plan, the Omnibus Equity Incentive Plan.

#### Share Option Plan

The Company had an equity-settled Share Option Plan ("the Option Plan") in place for employees, directors, officers and consultants of the Company. The Option Plan was approved by the Board of Directors and the shareholders on May 9, 2017 and re-approved by the shareholders on June 25, 2020. 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. Effective May 13, 2021, the Company's Omnibus Equity Incentive Plan replaced the Share Option Plan for the new awards of Stock Options to directors, employees, officers and consultants of Knight.

#### Omnibus Equity Incentive Plan

On May 13, 2021 the Company adopted an Omnibus Plan upon approval by the shareholders. The Omnibus Plan permits the grant of stock options to employees, directors, officers and consultants of the Company, restricted share units ("RSUs") and performance share units ("PSUs") to employees and officers and deferred share units ("DSUs") to non-employee members of the Board of Directors of Knight. Under the Omnibus Plan, each holder of a unit of a RSU, PSU, and DSU has the right to receive upon vesting one common share of Knight or the equivalent amount in cash at the election of the Company.

The maximum number of common shares available for issuance pursuant to the Omnibus Plan and the Option Plan shall not exceed 10% of the then issued and outstanding common shares on a rolling basis. not

#### Stock options

Stock options issued under the Share Option Plan and issued or issuable under the Omnibus Plan must be exercised within a period of time fixed by the Board of Directors that may not exceed ten-years from the grant date. 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 Omnibus 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 fair value of the options granted during the nine-month period ended September 30, 2021 was estimated at \$1.63 using Black-Scholes option pricing model using the following assumptions:

**Nine months ended September 30, 2021**

|  |            |
|--|------------|
| Share price on the date of grant         | 5.65       |
| Weighted average risk-free interest rate | 1.22%      |
| Dividend yield                           | Nil        |
| Weighted average volatility factor [i]   | 26.48%     |
| Unvested forfeiture rate                 | 2%         |
| Weighted average expected life           | 6.26 years |

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

**Nine months ended September 30,**

|   | 2021                            |  | 2020                            |  |
|---|---------------------------------|--|---------------------------------|--|
|   | Number of<br>share options<br># | Weighted average<br>exercise price<br>\$ | Number of share<br>options<br># | Weighted average<br>exercise price<br>\$ |
| <b>Balance beginning of the period</b>              | <b>5,298,806</b>                | <b>7.50</b>                              | 4,892,872                       | 7.63                                     |
| Granted   | 174,417                         | 5.65                                     | 937,778                         | 7.00                                     |
| Exercised   | —                               | —  | (105,000)                       | 5.67                                     |
| Expired/forfeited                                   | (248,399)                       | 8.06                                     | (381,255)                       | 8.32                                     |
| <b>Balance at end of the period</b>                 | <b>5,224,824</b>                | <b>7.42</b>                              | 5,344,395                       | 7.51                                     |
| <b>Options exercisable at the end of the period</b> | <b>3,990,708</b>                | <b>7.50</b>                              | 3,557,176                       | 7.47                                     |

In May 2021, upon shareholders' approval the Company extended the expiry date of certain stock options held by its executive officers, directors and employees granted during the year ended December 31, 2014 and expiring in 2021 by an additional 3 years. The incremental fair value of \$1,210 was expensed in the three-months ended June 30, 2021 in general and administrative expense. The fair value of the modified stock options was determined using the Black-Scholes model with the following assumptions:

|  |            |
|--|------------|
| Share price on the date of grant extension | 5.65       |
| Weighted average exercise price            | 5.63       |
| Weighted average risk-free interest rate   | 0.53%      |
| Dividend yield                             | Nil        |
| Weighted average volatility factor [i]     | 25.66%     |
| Weighted average expected life             | 3.07 years |

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

**Deferred share units**

The Company may grant DSUs to any non-employee director of Knight under the Omnibus Plan. The number of DSUs granted at any particular time pursuant to the Omnibus Plan is calculated by dividing the value of the grant over the market price of a share of Knight on the award date. The DSUs vest when the holder ceases to be a director of Knight for any reason. During the three months ended June 30, 2021, the Company granted 29,205 DSUs to non-employee board members. There were no DSUs granted during the three-month period ended September 30, 2021. As at September 30, 2021, the number of outstanding DSUs was 29,205 (nil as at September 30, 2020).

**Restricted share units and performance share units**

The Company may grant RSUs to any participant under the Omnibus Plan. The RSUs expire and are settled by no later than December 31st of the third calendar year commencing after the date of award.

The Company may grant PSUs to any employee under the Omnibus Plan. The vesting of the PSUs is subject to the achieving future performance targets. No awards vest when the minimum performance thresholds are not achieved.

The PSUs expire and are settled by no later than December 31st of the third calendar year commencing after the date of award.

The following table shows the RSUs and PSUs granted and outstanding at the beginning and end of the reporting period and the weighted average fair value at grant date per unit (“WAFV”):

|  | Nine months ended September 30, 2021 |             |                      |             |
|--|--------------------------------------|-------------|----------------------|-------------|
|  | RSUs                                 |             | PSUs                 |             |
|  | Number of units<br>#                 | WAFV<br>\$  | Number of units<br># | WAFV<br>\$  |
| <b>Balance beginning of the period</b>   | —                                    | —           | —                    | —           |
| Granted  | 104,216                              | 5.65        | 216,904              | 5.65        |
| Forfeited/cancelled  | (5,393)                              | 5.65        | (5,393)              | 5.65        |
| <b>Balance at end of the period</b>  | <b>98,823</b>                        | <b>5.65</b> | <b>211,511</b>       | <b>5.65</b> |
| <b>Weighted average remaining contractual life of the share units outstanding at end of period</b> | <b>2.63 years</b>                    |             | <b>2.63 years</b>    |             |

The Company recorded an expense of \$421 and \$2,772 (2020: \$725 and \$1,422) for the three and nine-month periods ended September 30, 2021 with corresponding credits to contributed surplus net of forfeitures related to the share-based compensation under the Share Option Plan and the Omnibus Plan.

### 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 nine-month period ended September 30, 2021, the Company issued 46,967 shares (2020: 30,025 shares) under the Purchase Plan for a total of \$247 (2020: \$208).

### (iii) 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 ended July 13, 2021.

On July 12, 2021, the Company announced that the Toronto Stock Exchange approved its notice of intention to launch a NCIB (“2021 NCIB”). Under the terms of the 2021 NCIB, Knight may purchase for cancellation up to 10,267,956 common shares of the Company which represented 10% of its public float as at September 30, 2021. The 2021 NCIB commenced on July 14, 2021 and will end on the earlier of July 13, 2022 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.

During the three and nine-month periods ended September 30, 2021, the Company purchased 2,963,022 and 7,844,438 common shares for an aggregate cash consideration of \$17,864 and \$40,907, of which \$2,503 represents common share purchases from June 2021 that were settled in July 2021. Subsequent to quarter-end, the Company purchased an additional 1,009,725 common shares for an aggregate cash consideration of \$5,258.

## 14. ACCUMULATED OTHER COMPREHENSIVE LOSS

|   | September 30, 2021 | December 31, 2020 |
|---|--------------------|-------------------|
|   | \$                 | \$                |
| Net losses on equities at FVOCI net of tax of \$808 (2020: \$1,331) | <b>(8,574)</b>     | (8,513)           |
| Unrealized gain on translation of foreign operations                | <b>7,372</b>       | 7,010             |
| <b>Total</b>  | <b>(1,202)</b>     | (1,503)           |

## 15. EARNINGS PER SHARE

### Basic

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

|   | Three months ended September 30, |             | Nine months ended September 30, |             |
|---|----------------------------------|-------------|---------------------------------|-------------|
|   | 2021                             | 2020        | 2021                            | 2020        |
|   | \$                               | \$          | \$                              | \$          |
| Net (loss) income attributable to shareholders of the Company | <b>(8,586)</b>                   | 18,094      | <b>23,976</b>                   | 33,834      |
| Weighted average shares outstanding                           | <b>123,059,239</b>               | 130,867,769 | <b>125,946,921</b>              | 132,346,922 |
| <b>Basic net (loss) income per share</b>                      | <b>\$(0.07)</b>                  | \$0.14      | <b>\$0.19</b>                   | \$0.26      |

### Diluted

Diluted earnings per share have 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 and the DSUs, PSUs and RSUs issued under Omnibus plan. Diluted earnings per share is determined using the treasury stock method to evaluate the dilutive effect of stock options and DSUs, PSUs and RSUs. PSUs are included in the dilutive calculation only when the performance target associated with the PSU is met.

|   | Three months ended September 30, |             | Nine months ended September 30, |             |
|---|----------------------------------|-------------|---------------------------------|-------------|
|   | 2021                             | 2020        | 2021                            | 2020        |
|   | \$                               | \$          | \$                              | \$          |
| Net (loss) income attributable to shareholders of the Company | <b>(8,586)</b>                   | 18,094      | <b>23,976</b>                   | 33,834      |
| Weighted average shares outstanding                           | <b>123,059,239</b>               | 130,867,769 | <b>125,946,921</b>              | 132,346,922 |
| Adjustment for share options, RSUs and DSUs                   | — <sup>1</sup>                   | 183,451     | <b>23,668</b>                   | 267,887     |
| Weighted average shares outstanding                           | <b>123,059,239</b>               | 131,051,220 | <b>125,970,589</b>              | 132,614,809 |
| <b>Diluted net (loss) earnings per share</b>                  | <b>\$(0.07)</b>                  | \$0.14      | <b>\$0.19</b>                   | \$0.26      |

<sup>1</sup> Adjustments for diluted earnings per share have not been included as the share options, RSUs and DSUs are anti-dilutive for the three month period ended September 30, 2021.

## 16. SEGMENT REPORTING

Upon the acquisition of an additional 48.7% of GBT (resulting in 99.9% ownership of GBT) in August 2020, 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, 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.

|                    | Three months ended September 30, |               | Nine months ended September 30, |                |
|--------------------|----------------------------------|---------------|---------------------------------|----------------|
|                    | 2021                             | 2020          | 2021                            | 2020           |
|                    | \$                               | \$            | \$                              | \$             |
| <b>Revenues</b>    |                                  |               |                                 |                |
| Brazil             | 31,271                           | 16,020        | 79,071                          | 51,839         |
| Colombia           | 13,967                           | 7,659         | 33,464                          | 25,215         |
| Argentina          | 10,418                           | 8,497         | 28,255                          | 29,686         |
| Rest of LATAM      | 12,042                           | 8,398         | 29,463                          | 25,428         |
| Canada             | 2,023                            | 1,162         | 5,313                           | 3,284          |
| Other <sup>1</sup> | 3,619                            | 3,503         | 9,639                           | 8,876          |
| <b>Total</b>       | <b>73,340</b>                    | <b>45,239</b> | <b>185,205</b>                  | <b>144,328</b> |

<sup>1</sup>Includes Europe, US and other countries.

As at September 30, 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 September 30, 2021 | Net book value of property, plant and equipment | Intangibles, net | Goodwill      | Assets held for sale | Right-of-use assets | Other long-term receivables |
|--------------------------|---|------------------|---------------|----------------------|---------------------|-----------------------------|
|                          | \$  | \$               | \$            | \$                   | \$                  | \$                          |
| Canada                   | 52  | 26,015           | —             | —                    | 302                 | 43,706                      |
| Brazil                   | 1,269   | 30,749           | 22,172        | —                    | 784                 | —                           |
| Argentina                | 22,344  | 10,419           | 13,125        | —                    | 2,299               | —                           |
| Colombia                 | 101   | 16,657           | 10,580        | 1,889                | 26                  | —                           |
| Uruguay                  | 143   | 175,853          | 868           | 527                  | 125                 | —                           |
| Luxembourg               | —   | 46,402           | —             | —                    | —                   | —                           |
| Rest of LATAM            | 233   | 53,337           | 29,254        | —                    | 325                 | —                           |
| <b>Total</b>             | <b>24,142</b>                                   | <b>359,432</b>   | <b>75,999</b> | <b>2,416</b>         | <b>3,861</b>        | <b>43,706</b>               |

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 | Right-of-use assets | Other long-term receivables |
|-------------------------|---|------------------|---------------|----------------------|---------------------|-----------------------------|
|                         | \$  | \$               | \$            | \$                   | \$                  | \$                          |
| Canada                  | 106   | 27,392           | —             | —                    | 511                 | 41,582                      |
| Brazil                  | 1,519   | 34,986           | 23,105        | —                    | 1,022               | —                           |
| Argentina               | 19,966  | 10,129           | 11,270        | —                    | 1,712               | —                           |
| Colombia                | 360   | 23,509           | 11,759        | 2,012                | 11                  | —                           |
| Uruguay                 | 176   | 1,481            | 885           | —                    | 261                 | —                           |
| Luxembourg              | —   | —                | —             | —                    | —                   | —                           |
| Rest of LATAM           | —   | 59,050           | 30,706        | —                    | 518                 | —                           |
| Other                   | —   | —                | —             | 527                  | —                   | —                           |
| <b>Total</b>            | <b>22,127</b>                                   | <b>156,547</b>   | <b>77,725</b> | <b>2,539</b>         | <b>4,035</b>        | <b>41,582</b>               |

## 17. STATEMENT OF CASH FLOWS

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

|   | Three months ended September 30, |                 | Nine months ended September 30, |                 |
|---|----------------------------------|-----------------|---------------------------------|-----------------|
|   | 2021                             | 2020            | 2021                            | 2020            |
|   | \$                               | \$              | \$                              | \$              |
| <b>Changes in non-cash working capital:</b> |                                  |                 |                                 |                 |
| Decrease (increase) in                      |                                  |                 |                                 |                 |
| Trade and other receivables                 | (160)                            | 10,977          | (4,993)                         | 31,211          |
| Prepays and deposits                        | (567)                            | 7,661           | 1,434                           | (1,311)         |
| Inventories                                 | (19,248)                         | (445)           | (19,742)                        | 1,876           |
| Income taxes receivable                     | 1,359                            | (3,386)         | 978                             | (3,377)         |
| Increase (decrease) in                      |                                  |                 |                                 |                 |
| Accounts payable and accrued liabilities    | 10,055                           | (27,140)        | 28,132                          | (51,364)        |
| Other liabilities                           | 672                              | 33              | 738                             | 66              |
| Income tax payable                          | 513                              | (2,273)         | (1,135)                         | (5,806)         |
| <b>Other:</b>                               |                                  |                 |                                 |                 |
| Other Financial Assets                      | —                                | (840)           | —                               | (2,269)         |
| Interest payment on bank loans              | (204)                            | (8)             | (1,323)                         | (1,321)         |
|   | <b>(7,580)</b>                   | <b>(15,421)</b> | <b>4,089</b>                    | <b>(32,295)</b> |

## 18. RELATED PARTY TRANSACTIONS

Pharmascience Inc., a company related to the Company's CEO, provided administrative services of approximately \$17 and \$62 (2020: \$5 and \$13) to the Company for the three and nine-month periods ended September 30, 2021.

## 19. COMMITMENTS

In the normal course of business, the Company secures development, sales, marketing and distribution rights to innovative drug products requiring royalties or product payments considered normal operating commitments and as such not included herein. The Company has entered into various agreements which include contractual 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 September 30, 2021 are as follows:

### [i] Fund commitments

As at September 30, 2021, under the terms of Company's agreements with life sciences venture capital funds, \$24,845 (December 31, 2020: \$31,500), including \$2,448 [US\$1,922] and \$6,734 [EUR 4,550] (December 31, 2020: \$5,952 [US\$4,675] and \$7,102 [EUR 4,500]), 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 \$318,747 including \$43,220 [US\$34,155], \$144,999 [CHF 98,800] and \$524 [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 \$1,004 [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 \$296,354 [BRL 787,865, USD 65,961 and CHF 18,793], which will be purchased over the next 8 years.

|                 | \$             |
|-----------------|----------------|
| 2021            | 41,806         |
| 2022            | 50,201         |
| 2023            | 59,541         |
| 2024            | 62,797         |
| 2025            | 50,841         |
| 2026 and beyond | 31,168         |
| <b>Total</b>    | <b>296,354</b> |

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 \$10,830 [US\$8,500] should the borrower meet certain pre-defined profitability targets over its 2020 to 2021 financial years.

**Stock Exchange Listing**  
Toronto Stock Exchange  
Trading Symbol: GUD

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