



KNIGHT THERAPEUTICS INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2022

INTERIM CONSOLIDATED BALANCE SHEETS
[In thousands of Canadian dollars]

[Unaudited]

| As at | <i>Notes</i> | September 30, 2022 | December 31, 2021 |
|--------------------------------|--------------|---------------------------|-------------------|
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | 3 | 101,822 | 85,963 |
| Marketable securities | 4 | 43,320 | 63,539 |
| Trade receivables | 5 | 80,054 | 55,388 |
| Other receivables | 6 | 10,345 | 5,056 |
| Inventories | 7 | 84,942 | 72,397 |
| Prepays and deposits | | 2,000 | 2,165 |
| Other current financial assets | 9, 10 | 17,172 | 13,491 |
| Income taxes receivable | | 3,193 | 6,970 |
| Total current assets | | 342,848 | 304,969 |
| Prepays and deposits | | 3,777 | 3,046 |
| Right-of-use assets | | 5,647 | 4,671 |
| Property, plant and equipment | | 29,927 | 25,265 |
| Investment properties | | — | 1,457 |
| Intangible assets | 8 | 370,888 | 350,299 |
| Goodwill | | 83,412 | 75,403 |
| Other financial assets | 9, 10 | 149,739 | 178,952 |
| Deferred income tax assets | | 1,308 | 2,048 |
| Other long-term receivables | 12 | 46,011 | 43,431 |
| | | 690,709 | 684,572 |
| Assets held for sale | | 1,786 | 2,350 |
| Total assets | | 1,035,343 | 991,891 |

INTERIM CONSOLIDATED BALANCE SHEETS (continued)

[In thousands of Canadian dollars]

[Unaudited]

| As at | Notes | September 30, 2022 | December 31, 2021 |
|---|--------|--------------------|-------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current | | | |
| Accounts payable and accrued liabilities | | 90,865 | 65,309 |
| Lease liabilities | | 2,293 | 1,614 |
| Other liabilities | | 6,447 | 1,989 |
| Bank loans | 11 | 25,148 | 26,662 |
| Income taxes payable | | 2,728 | 7,073 |
| Other balances payable | | 12,051 | 2,655 |
| Total current liabilities | | 139,532 | 105,302 |
| Accounts payable and accrued liabilities | | 269 | 281 |
| Lease liabilities | | 3,550 | 3,417 |
| Bank loan | 11 | 8,072 | 9,265 |
| Other balances payable | | 24,321 | 19,235 |
| Deferred income tax liabilities | | 5,083 | 12,373 |
| Total liabilities | | 180,827 | 149,873 |
| Shareholders' equity | | | |
| Share capital | 14 [i] | 607,765 | 628,854 |
| Warrants | | 117 | 117 |
| Contributed surplus | | 23,196 | 21,776 |
| Accumulated other comprehensive income (loss) | 15 | 46,529 | (376) |
| Retained earnings | | 176,909 | 191,647 |
| Total shareholders' equity | | 854,516 | 842,018 |
| Total liabilities and shareholders' equity | | 1,035,343 | 991,891 |

Commitments [note 20]

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS)

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

| [Unaudited] | | Three months ended September 30, | | Nine months ended September 30, 2022 | |
|---|-------|-------------------------------------|-------------|---|-------------|
| | Notes | 2022 | 2021 | 2022 | 2021 |
| Revenues | 17 | 72,281 | 73,340 | 211,908 | 185,205 |
| Cost of goods sold | | 41,880 | 35,574 | 110,735 | 97,988 |
| Gross margin | | 30,401 | 37,766 | 101,173 | 87,217 |
| Expenses | | | | | |
| Selling and marketing | | 13,456 | 9,990 | 34,072 | 26,787 |
| General and administrative | | 10,416 | 8,763 | 29,814 | 25,296 |
| Research and development | | 4,220 | 3,793 | 10,615 | 9,196 |
| Amortization of intangible assets | | 12,243 | 11,199 | 34,586 | 24,136 |
| Impairment of intangible assets | | 2,080 | — | 2,080 | — |
| Operating (loss) income | | (12,014) | 4,021 | (9,994) | 1,802 |
| Interest income on financial instruments measured at amortized cost | | (1,096) | (188) | (2,150) | (1,721) |
| Other interest income | | (1,366) | (1,214) | (4,219) | (3,465) |
| Interest expense | | 1,479 | 959 | 4,307 | 2,287 |
| Other (income) expense | 13 | (5,860) | 286 | (5,989) | 193 |
| Net loss (gain) on financial instruments measured at fair value through profit or loss | 9 | 5,446 | 21,301 | 29,501 | (16,644) |
| Foreign exchange (gain) loss | | (10,787) | (7,143) | (9,105) | 252 |
| Gain on hyperinflation | | (681) | (92) | (1,514) | (214) |
| Income (loss) before income taxes | | 851 | (9,888) | (20,825) | 21,114 |
| Income tax | | | | | |
| Current | | 1,204 | 1,351 | 2,175 | 1,293 |
| Deferred | | (1,944) | (2,653) | (8,296) | (4,155) |
| Income tax recovery | | (740) | (1,302) | (6,121) | (2,862) |
| Net income (loss) for the period | | 1,591 | (8,586) | (14,704) | 23,976 |
| Basic net earnings (loss) per share | 16 | 0.01 | (0.07) | (0.13) | 0.19 |
| Diluted net earnings (loss) per share | 16 | 0.01 | (0.07) | (0.13) | 0.19 |
| Weighted average number of common shares outstanding | | | | | |
| Basic | 16 | 114,466,484 | 123,059,239 | 115,569,933 | 125,946,921 |
| Diluted | 16 | 114,597,655 | 123,059,239 | 115,569,933 | 125,970,589 |

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, | |
| | 2022 | 2021 | 2022 | 2021 |
| Net income (loss) for the period | 1,591 | (8,586) | (14,704) | 23,976 |
| Other comprehensive income (loss), net of taxes | | | | |
| Items that may be reclassified subsequently to net income or loss: | | | | |
| Unrealized income on translation of foreign operations | 27,462 | 6,671 | 47,222 | 362 |
| Items permanently in other comprehensive income or loss: | | | | |
| Net loss on equity investments at fair value through other comprehensive income | (99) | (44) | (317) | (61) |
| Other comprehensive income for the period | 27,363 | 6,627 | 46,905 | 301 |
| Total comprehensive income (loss) for the period | 28,954 | (1,959) | 32,201 | 24,277 |

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[In thousands of Canadian dollars]

[Unaudited]

| | <i>Notes</i> | Share capital | Warrants | Contributed surplus | Accumulated other comprehensive income (loss) | Retained earnings | Total equity |
|---|--------------|------------------|------------|------------------------|--|----------------------|----------------|
| Balance as at January 1, 2021 | | 694,351 | 117 | 18,731 | (1,503) | 174,545 | 886,241 |
| Net income for the period | | — | — | — | — | 23,976 | 23,976 |
| Other comprehensive income for the period | | — | — | — | 301 | — | 301 |
| Comprehensive income | | — | — | — | 301 | 23,976 | 24,277 |
| Share-based compensation expense | 14 [ii] | — | — | 2,739 | — | — | 2,739 |
| Issuance under share purchase plan | 14 [ii] | 247 | — | — | — | — | 247 |
| Shares purchased under Normal Course Issuer Bid | 14 [iii] | (41,917) | — | — | — | 1,010 | (40,907) |
| Balance as at September 30, 2021 | | 652,681 | 117 | 21,470 | (1,202) | 199,531 | 872,597 |
| Balance as at January 1, 2022 | | 628,854 | 117 | 21,776 | (376) | 191,647 | 842,018 |
| Net loss for the period | | — | — | — | — | (14,704) | (14,704) |
| Other comprehensive income for the period | | — | — | — | 46,905 | — | 46,905 |
| Comprehensive income (loss) | | — | — | — | 46,905 | (14,704) | 32,201 |
| Share-based compensation expense | 14 [ii] | — | — | 1,420 | — | — | 1,420 |
| Issuance under share purchase plan | 14 [ii] | 262 | — | — | — | — | 262 |
| Shares purchased under Normal Course Issuer Bid | 14 [iii] | (21,351) | — | — | — | (34) | (21,385) |
| Balance as at September 30, 2022 | | 607,765 | 117 | 23,196 | 46,529 | 176,909 | 854,516 |

See accompanying notes

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

[In thousands of Canadian dollars]

| [Unaudited] | | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------|----------------------------------|----------|---------------------------------|-----------|
| | Notes | 2022 | 2021 | 2022 | 2021 |
| OPERATING ACTIVITIES | | | | | |
| Net income (loss) for the period | | 1,591 | (8,586) | (14,704) | 23,976 |
| Adjustments reconciling net income to operating cash flows: | | | | | |
| Deferred income tax recovery | | (1,944) | (2,653) | (8,296) | (4,155) |
| Share-based compensation (income) expense | 14 [ii] | 261 | 421 | 1,492 | 2,772 |
| Depreciation and amortization | | 15,268 | 12,995 | 42,427 | 28,914 |
| Impairment of intangible assets | | 2,080 | — | 2,080 | — |
| Net loss (gain) on financial instruments | 9 | 5,446 | 21,301 | 29,501 | (16,644) |
| Interest expense | | 1,479 | 959 | 4,307 | 2,287 |
| Unrealized foreign exchange gain | | (8,104) | (6,443) | (7,435) | (1,087) |
| Gain on hyperinflation | | (681) | (92) | (1,514) | (214) |
| Other expense (income) | | 47 | (1) | — | (1) |
| | | 15,443 | 17,901 | 47,858 | 35,848 |
| Changes in non-cash working capital and other items | 18 | (4,114) | (7,580) | (12,129) | 4,089 |
| Cash inflow from operating activities | | 11,329 | 10,321 | 35,729 | 39,937 |
| INVESTING ACTIVITIES | | | | | |
| Purchase of marketable securities | | (21,412) | — | (80,647) | (47,895) |
| Purchase of intangible assets | | (74) | (1,705) | (18,524) | (220,198) |
| Purchase of property and equipment | | (563) | (688) | (639) | (1,118) |
| Investment in funds | 9 [iv] | (2,847) | (5,359) | (3,300) | (10,963) |
| Proceeds on maturity of marketable securities | | 21,370 | — | 101,240 | 146,896 |
| Proceeds from repayments of loans receivable | 9 [i] | — | — | 407 | 2,494 |
| Proceeds from disposal of equity investments | 9 [ii] | — | — | — | 2,624 |
| Proceeds from distribution of funds | 9 [iv] | 230 | 2,042 | 3,408 | 13,412 |
| Cash (outflow) inflow from investing activities | | (3,296) | (5,710) | 1,945 | (114,748) |
| FINANCING ACTIVITIES | | | | | |
| Proceeds from contributions to share purchase plan | 14 [ii] | 65 | 76 | 228 | 210 |
| Proceeds from bank loans | | — | 2,325 | 422 | 2,325 |
| Repurchase of common shares through Normal Course Issuer Bid | 14 [iii] | (4,463) | (17,864) | (21,385) | (40,907) |
| Principal repayment of lease liabilities | | (625) | (744) | (1,914) | (2,141) |
| Principal repayments on bank loans | | (56) | — | (5,447) | (14,911) |
| Cash outflow from financing activities | | (5,079) | (16,207) | (28,096) | (55,424) |
| Increase (decrease) in cash and cash equivalents during the period | | 2,954 | (11,596) | 9,578 | (130,235) |
| Cash and cash equivalents, beginning of the period | | 93,119 | 102,582 | 85,963 | 229,592 |
| Net foreign exchange difference | | 5,749 | 1,504 | 6,281 | (6,867) |
| Cash and cash equivalents, end of the period | | 101,822 | 92,490 | 101,822 | 92,490 |
| Supplemental cash flow information: | | | | | |
| Interest received | | 1,379 | 846 | 5,322 | 7,774 |
| Interest paid | | (510) | (204) | (2,633) | (1,323) |
| Net income taxes paid | | (1,104) | (798) | (6,327) | (3,390) |

See accompanying notes

GLOSSARY OF ABBREVIATIONS

| Abbreviation | Company |
|-----------------------|----------------------------------|
| Crescita | Crescita Therapeutics Inc. |
| GBT | Biotoscana Investments Inc. |
| Knight or the Company | Knight Therapeutics Inc. |
| Medimetriks | Medimetriks Pharmaceuticals Inc. |
| Moksha8 | Moksha8, Inc. |
| Synergy | Synergy CHC Corp. |

| Abbreviation | Currency |
|------------------|-----------------|
| 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 |

| Abbreviation | Other |
|------------------------------|--|
| Annual Financial Statements | Audited annual consolidated financial statements |
| AOCI | Accumulated other comprehensive income |
| 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 |
| G&A | General and administrative |
| GIC | Guaranteed Investment Certificate |
| IBR | Incremental borrowing rate |
| IFRS | International Financial Reporting Standards |
| Interim Financial Statements | Unaudited interim condensed consolidated financial statements |
| LATAM | Latin America |
| NCIB | Normal Course Issuer Bid |
| PRV | Priority Review Voucher |
| PSU | Performance share units |
| RE | Retained earnings |
| 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 for the three and nine-month periods ended September 30, 2022, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those set out in note 2 "Summary of significant accounting policies" of the Company's annual consolidated financial statements for the year ended December 31, 2021.

These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

The Company's interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2022 and 2021 were authorized for issue by the Board of Directors on November 9, 2022.

External Environment and Inflation Risk

The current global macroeconomic environment is characterized by elevated levels of inflation due to several external factors including global supply chain constrains, the global COVID-19 pandemic, conflict in Ukraine and volatile global financial and economic conditions. Knight continues to experience increased inflationary pressures, across all our geographies, on operating expenses including but not limited to compensation costs largely for unionized employees, raw material and product costs driven by rising costs of our partners and suppliers in both developed and developing markets. Such increase in costs cannot be matched to the same extent by increase in our product prices due to local regulations and competitive pressure for certain of our products. There is no assurance that continued inflation pressures will not have similar impacts on Knight's future operations.

Impact of the COVID-19 Pandemic

We continue to monitor the ongoing impact of the COVID-19 on our business in areas including but not limited to manufacturing and supply chain operations, regulatory approval process as well as the impact to the pharmaceutical industry, the local and global economy.

As with much of the pharmaceutical industry, the Company's revenues from newly launched products and resulting prescription growth has been adversely affected by COVID-19 in the past two years. However, in the nine-month period ended September 30, 2022 we saw an increase in patient treatments as our markets reduce COVID-19 restrictions. The long-term effects, market dynamics, the scope or duration of the financial and other challenges arising from the COVID-19 pandemic cannot be predicted and it is possible that we will continue to see variable demand in future periods.

Despite, our close monitoring of the COVID-19 pandemic impact, including the emergence of variant strains of the virus, on our business, it is difficult to predict the future impact COVID-19 may have on our business, results of operations, financial position and cash flows. Knight's revenues and growth may be negatively impacted as governments implement

new or additional pricing regulations as a measure to balance budgets and recover COVID-19 pandemic spending while private payers may face budget constraints and continue to increase hurdle rate for drug reimbursement.

In the nine-month period ended September 30, 2022 Knight field teams across most of the countries, have increased field activities including in-person medical visits to physicians and increased volume of such activities is expected in the future. The Company, both in Canada and LATAM, has returned to the office using a hybrid work model following the protocols to ensure compliance with local regulations, ensuring safety of employees, patients and healthcare professionals.

It is possible that the estimates used in the preparation of the Interim Financial Statements can change in the near term and may have a material impact. Potential impacts may include, but are not limited to, impairment of intangible assets, goodwill, property plant and equipment, and financial assets, write-downs on inventory and a change in the expected credit loss on accounts receivable. The Company has sufficient liquidity to meet all operating requirements for the foreseeable future.

Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these unaudited interim consolidated financial statements.

As at September 30, 2022, the Company assessed the possible impacts of COVID-19 and inflation risk on its financial results. The Company has evaluated its other financial assets, property, plant and equipment, intangible assets, and goodwill for impairment and no changes from the carrying amount were required in the reporting period related to COVID-19 and inflation risk.

3. CASH AND CASH EQUIVALENTS

| As at | September 30, 2022 \$ | December 31, 2021 \$ |
|------------------|--------------------------|-------------------------|
| Cash in bank | 97,550 | 76,929 |
| Cash equivalents | 4,272 | 9,034 |
| Total | 101,822 | 85,963 |

4. MARKETABLE SECURITIES

| As at | September 30, 2022 \$ | December 31, 2021 \$ |
|--|--------------------------|-------------------------|
| Current | | |
| GICs earning interest at rates ranging from 3.45% to 4% and maturing October 2022 to September 2023 (December 31, 2021: 0.65% to 3.37%, January 2022 to June 2022) | 43,320 | 63,539 |
| Total current | 43,320 | 63,539 |

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, 2022, the Company has recorded an additional ECL of \$164 and \$609 (2021: increase in ECL of \$53 and decrease in ECL of \$350), respectively, in the statement of income (loss) in "Selling and marketing".

6. OTHER RECEIVABLES

| As at | September 30, 2022 | December 31, 2021 |
|----------------------------------|--------------------|-------------------|
| | \$ | \$ |
| Interest receivable | 2,546 | 1,545 |
| Other receivables ¹ | 5,317 | 2,288 |
| Sales and other taxes receivable | 2,482 | 1,223 |
| Total | 10,345 | 5,056 |

¹ Includes distribution receivable from strategic funds investments of \$2,500 (2021: \$389).

7. INVENTORIES

| As at | September 30, 2022 | December 31, 2021 |
|------------------|--------------------|-------------------|
| | \$ | \$ |
| Raw materials | 11,389 | 11,168 |
| Work in progress | 5,108 | 2,409 |
| Finished goods | 68,445 | 58,820 |
| Total | 84,942 | 72,397 |

During the three and nine-month periods ended September 30, 2022, the Company recorded inventory write-downs of \$236 and \$1,098 (2021: \$368 and \$940), in the consolidated statement of income (loss) in “Cost of goods sold”.

8. INTANGIBLE ASSETS

Impairment

During the three-month period ended September 30, 2022, the Company recorded an impairment loss of \$2,080 (2021: Nil) in the consolidated statement of income (loss) in “Impairment of intangible assets”. The loss represents a write-down of the upfront and certain milestones payments made under certain product license agreements as a result of a change in commercial expectations. The recoverable amount was determined based on value in use (“VIU”) at the individual intangible asset level. The value-in-use calculations considers the forecasted cash flows of the intangible assets based on the commercialization plans for the products.

9. OTHER FINANCIAL ASSETS

| As at | September 30, 2022 | December 31, 2021 |
|--|--------------------|-------------------|
| | \$ | \$ |
| Loans and other receivables [i] | | |
| Measured at amortized cost | 9,299 | 6,272 |
| Measured at FVTPL | 28,838 | 26,796 |
| Equity Investments [ii] | | |
| Measured at FVTPL | 1,972 | 1,824 |
| Measured at FVOCI | 3,136 | 4,876 |
| Derivatives [iii] | | |
| Measured at FVTPL | 1,137 | 1,286 |
| Fund Investments [iv] | | |
| Measured at FVTPL | 122,529 | 151,389 |
| Total | 166,911 | 192,443 |

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

| 2022 | Three months ended September 30 | | | Nine months ended September 30 | | |
|--|--|---------------------------------------|--------------|--|--|---------------|
| | Unrealized loss (gain) on FA measured at FVTPL | Realized gain on FA measured at FVTPL | Total | Unrealized loss (gain) on FA measured at FVTPL | Realized loss (gain) on FA measured at FVTPL | Total |
| For the period ended September 30, 2022 | \$ | \$ | \$ | \$ | \$ | \$ |
| Loans and other receivables [i] ¹ | (473) | — | (473) | (58) | — | (58) |
| Equity Investments [ii] | (151) | — | (151) | (147) | — | (147) |
| Derivatives [iii] | (98) | — | (98) | (64) | 82 | 18 |
| Fund Investments [iv] | 6,168 | — | 6,168 | 32,213 | (2,525) | 29,688 |
| Total | 5,446 | — | 5,446 | 31,944 | (2,443) | 29,501 |

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

| 2021 | Three months ended September 30 | | | Nine months ended September 30 | | |
|--|--|---------------------------------------|---------------|--|---------------------------------------|-----------------|
| | Unrealized (gain) loss on FA measured at FVTPL | Realized gain on FA measured at FVTPL | Total | Unrealized (gain) loss on FA measured at FVTPL | Realized gain on FA measured at FVTPL | Total |
| For the period ended September 30, 2021 | \$ | \$ | \$ | \$ | \$ | \$ |
| Loans and other receivables [i] ¹ | 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 ² | (8,090) ² | 19,952 | (1,071) ² | (15,992) ² | (17,063) |
| Total | 29,391 | (8,090) | 21,301 | 987 | (17,631) | (16,644) |

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

²Includes 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.

[i] Loans and other receivables

As at September 30, 2022, the nominal loan balance outstanding was \$39,166 [US\$28,574] (December 31, 2021: \$33,691 [US\$26,574]). The following table summarizes the movement in loans and other receivables during the nine-month period ended September 30.

| | Carrying value as at January 1 \$ | Additions \$ | Loan repayments \$ | Net loss on FA \$ | Foreign exchange ^{1,2} \$ | Carrying value end of period \$ | Current other financial assets \$ | Non- current other financial assets \$ |
|----------------|--|--------------------|--------------------------|-------------------------|--|--|---|---|
| 2022 | | | | | | | | |
| Amortized Cost | 6,272 | 3,130 ³ | (407) | — | 304 | 9,299 | 5,497 | 3,802 |
| FVTPL | 26,796 | — | — | 58 | 1,984 | 28,838 | 8,122 | 20,716 |
| Total | 33,068 | 3,130 | (407) | 58 | 2,288 | 38,137 | 13,619 | 24,518 |
| 2021 | | | | | | | | |
| 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 |
| Total | 33,108 | 2,143 | (2,494) | 33 | 14 | 32,804 | 10,109 | 22,695 |

¹ During the three-month period ended September 30, 2022, the Company recorded a gain of \$1,329 in the statement of income (loss) in "Foreign exchange loss" (2021: gain of \$632) and a gain of \$530 in the statement of other comprehensive income (loss) in "Unrealized income (loss) on translation of foreign operations" (2021: gain of \$236)

² During the nine-month period ended September 30, 2022, the Company recorded a gain of \$1,624 in the statement of income (loss) in "Foreign exchange loss" (2021: gain of \$59) and a gain of \$664 in the statement of other comprehensive income (loss) in "Unrealized income (loss) on translation of foreign operations" (2021: loss of \$45)

³ Includes a reclassification of \$1,348 to "Other Receivables"

[ii] Equity investments

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

| | Carrying value as at January 1 \$ | Additions \$ | Disposals \$ | Net gain (loss) on FA \$ | Foreign exchange \$ | Carrying value end of period \$ | Current other financial assets \$ | Non- current other financial assets \$ |
|--------------|--|-----------------|-----------------|-----------------------------------|---------------------------|--|---|---|
| 2022 | | | | | | | | |
| FVTPL | 1,824 | — | — | 147 | 1 | 1,972 | 1,972 | — |
| FVOCI | 4,876 | — | (1,550) | (343) | 153 | 3,136 | 1,180 | 1,956 |
| Total | 6,700 | — | (1,550) | (196) | 154 | 5,108 | 3,152 | 1,956 |
| 2021 | | | | | | | | |
| FVTPL | 5,154 | — | (2,624) | (294) | — | 2,236 | 2,236 | — |
| FVOCI | 4,464 | — | — | — | 1 | 4,465 | 1,353 | 3,112 |
| Total | 9,618 | — | (2,624) | (294) | 1 | 6,701 | 3,589 | 3,112 |

Equity investments measured at FVOCI

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

| As at | September 30, 2022 | | December 31, 2021 | |
|--------------------------|-------------------------------|--------------|-------------------------------|--------------|
| | Number of common shares owned | FV \$ | Number of common shares owned | FV \$ |
| Crescita | 1,935,489 | 1,180 | 1,935,489 | 1,258 |
| Synergy ¹ | 17,645,812 | — | 17,645,812 | — |
| Medimetriks ² | 1,157,504 | 1,956 | 2,315,007 | 3,618 |
| Total | | 3,136 | | 4,876 |

¹ Valued using the quoted market price (closing share price on the OTCXD) less the day 1 gain on initial measurement that the Company deferred. FV before considering the deferred day 1 gain is \$133 [US\$97] (December 31, 2021: \$25 [US\$19])

² 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\$1,427 (December 31, 2021: US\$2,855)

[iii] Derivatives

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

| | Carrying value as at January 1 \$ | Additions \$ | Disposals \$ | Net loss on FA \$ | Foreign exchange \$ | Carrying value end of period \$ | Current other financial assets \$ | Non-current other financial assets \$ |
|-------------|-----------------------------------|--------------|--------------|-------------------|---------------------|---------------------------------|-----------------------------------|---------------------------------------|
| 2022 | 1,286 | — | (187) | (18) | 56 | 1,137 | 401 | 736 |
| 2021 | 1,493 | — | — | (158) | (1) | 1,334 | 180 | 1,154 |

[iv] Fund investments

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

| | Carrying value as at January 1 \$ | Additions ¹ \$ | Distributions ^{2,3} \$ | Net (loss) gain on FA \$ | Foreign exchange ^{4,5} \$ | Carrying value end of period \$ | Current other financial assets \$ | Non-current other financial assets \$ |
|-------------|-----------------------------------|---------------------------|---------------------------------|--------------------------|------------------------------------|---------------------------------|-----------------------------------|---------------------------------------|
| 2022 | 151,389 | 3,300 | (5,520) | (29,688) | 3,048 | 122,529 | — | 122,529 |
| 2021 | 149,736 | 10,963 | (27,615) | 17,063 | (1,243) | 148,904 | — | 148,904 |

¹ Investments in equity or debt funds including US\$870 and EUR 1,552 (2021: including US\$2,875 and EUR 1,771)

² Distributions received or receivable from funds including EUR 2,221 (2021: including US\$12,297 and EUR 1,090)

³ Includes distribution receivable of \$2,500 (2021: \$14,203, including US\$ 8,157 final distribution from NEMO II following its liquidation)

⁴ During the three-month period ended September 30, 2022, recorded a loss of \$1,902 in the statement of income (loss) in "Foreign exchange loss" (2021: loss of \$502) and a gain of \$5,627 in the statement of other comprehensive income (loss) in "Unrealized income (loss) on translation of foreign operations" (2021: gain of \$3,463)

⁵ During the nine-month period ended September 30, 2022, recorded a loss of \$3,781 in the statement of (loss) income in "Foreign exchange loss" (2021: loss of \$2,763) and a gain of \$6,830 in the statement of other comprehensive income (loss) in "Unrealized income (loss) on translation of foreign operations" (2021: gain of \$1,520)

10. MEASUREMENT OF FINANCIAL ASSETS

[i] Fair value hierarchy

| As at September 30, | 2022 | Level 1 | Level 2 | Level 3 |
|--|----------------|--------------|----------|----------------|
| | \$ | \$ | \$ | \$ |
| Recurring fair value measurements | | | | |
| Loans measured at FVTPL | 28,838 | — | — | 28,838 |
| Equity investments measured at FVTPL | 1,972 | 1,972 | — | — |
| Equity investments measured at FVOCI | 3,136 | 1,180 | — | 1,956 |
| Derivatives | 1,137 | — | — | 1,137 |
| Fund investments measured at FVTPL | 122,529 | — | — | 122,529 |
| Total | 157,612 | 3,152 | — | 154,460 |

| As at December 31, | 2021 | Level 1 | Level 2 | Level 3 |
|--|----------------|--------------|----------|----------------|
| | \$ | \$ | \$ | \$ |
| Recurring fair value measurements | | | | |
| Loans measured at FVTPL | 26,796 | — | — | 26,796 |
| Equity investments measured at FVTPL | 1,824 | 1,824 | — | — |
| Equity investments measured at FVOCI | 4,876 | 1,258 | — | 3,618 |
| Derivatives | 1,286 | — | — | 1,286 |
| Fund investments measured at FVTPL | 151,389 | — | — | 151,389 |
| Total | 186,171 | 3,082 | — | 183,089 |

There were no transfers between levels of the fair value hierarchy for the nine-month period ended September 30, 2022 or year ended December 31, 2021.

[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, 2022 | | December 31, 2021 | |
|---|--------------------|--------------|-------------------|--------------|
| | US\$ | \$ | US\$ | \$ |
| Equity investments measured at FVOCI | | | | |
| Medimetriks | 365 | 500 | 730 | 925 |
| Synergy | 3,764 | 5,159 | 3,764 | 4,772 |
| Total | 4,129 | 5,659 | 4,494 | 5,697 |

11. BANK LOANS

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

As at September 30, 2022

| | Currency of debt | Interest rate | Effective interest rate | Maturity | Current \$ | Non-current \$ | Total \$ |
|-----------------------------------|------------------|------------------|-------------------------|--------------|---------------|----------------|---------------|
| Banks | | | | | | | |
| Itaú Unibanco Brasil | BRL | 1.65% + CDI | 13.31% | Dec 8, 2023 | 13,112 | — | 13,112 |
| Itaú Unibanco Brasil | BRL | 2.20% + CDI | 13.87% | Dec 28, 2022 | 6,665 | — | 6,665 |
| Bancolombia | COP | 2.28% + IBR | 7.35% | Oct 12, 2026 | 2,385 | 8,072 | 10,457 |
| Banco ICBC Argentina ¹ | ARS | 63% ² | 63% | N/A | 768 | — | 768 |
| Banco Itaú Argentina ¹ | ARS | 65% ³ | 65% | N/A | 2,218 | — | 2,218 |
| Total Bank Loans | | | | | 25,148 | 8,072 | 33,220 |

¹ Overdraft balances

² Fixed rate renewed monthly

³ Fixed rate renewed daily

As at December 31, 2021

| | Currency of debt | Interest rate | Effective interest rate | Maturity | Current \$ | Non-current \$ | Total \$ |
|-----------------------------------|------------------|------------------|-------------------------|--------------|---------------|----------------|---------------|
| Banks | | | | | | | |
| Itaú Unibanco Brasil | BRL | 1.65% + CDI | 5.97% | Dec 8, 2023 | 15,028 | — | 15,028 |
| Itaú Unibanco Brasil | BRL | 2.20% + CDI | 11.35% | Dec 28, 2022 | 5,601 | — | 5,601 |
| Bancolombia | COP | 2.28% + IBR | 4.47% | Oct 12, 2026 | 2,448 | 9,265 | 11,713 |
| Banco ICBC Argentina ¹ | ARS | 42% ² | 42% | N/A | 694 | — | 694 |
| Banco Itaú Argentina ¹ | ARS | 40% ³ | 40% | N/A | 2,891 | — | 2,891 |
| Total Bank Loans | | | | | 26,662 | 9,265 | 35,927 |

¹ Overdraft balances

² Fixed rate renewed monthly

³ Fixed rate renewed daily

12. OTHER LONG-TERM RECEIVABLE

| As at | September 30, 2022 | December 31, 2021 |
|---------------------------------------|--------------------|-------------------|
| | \$ | \$ |
| Tax deposit – notices of reassessment | 41,582 | 41,582 |
| Other | 4,429 | 1,849 |
| Total | 46,011 | 43,431 |

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. In addition, interest income on the deposit is payable to Knight by the CRA and QRA if the Company wins the process. The amount, as at September 30, 2022 is estimated at \$2,406 and has not been recorded by the Company.

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 filed a notice of appeal to the Tax Court of Canada in December 2021.

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 accrual.

13. OTHER INCOME

In Q3-22, Knight executed a settlement agreement and general release ("Settlement Agreement") with the former shareholders of GBT. The Company made certain claims ("Claims") with respect to its indemnification rights under the purchase agreement for the acquisition of GBT. Under the Settlement Agreement, Knight received \$6,030 (US\$4,600) as settlement for the Claims, which was recorded in the "Other (income) expense" in the consolidated statement of income (loss).

14. SHAREHOLDERS' EQUITY

[i] Share capital

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

| | Notes | Number of common shares | \$ |
|---|-------|----------------------------|----------------|
| Balance as at January 1, 2022 | | 117,783,189 | 628,854 |
| Issuance under share purchase plan | [ii] | 48,564 | 262 |
| Shares purchased under NCIB | [iii] | (3,995,689) | (21,351) |
| Shares purchased under NCIB not yet cancelled | | 122,189 | — ¹ |
| Balance as at September 30, 2022 | | 113,958,253 | 607,765 |

¹ Represents shares purchased under NCIB for \$655 that were cancelled subsequent to the quarter end.

[ii] Stock-based compensation plans

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

Stock options

The fair value of the options granted during the nine-month period ended September 30, 2022 was estimated at \$1.53 using Black-Scholes option pricing model using the following assumptions:

Nine-months ended September 30, 2022

| | |
|--|-----------|
| Weighted average risk-free interest rate | 2.28% |
| Dividend yield | Nil |
| Weighted average volatility factor [i] | 24% |
| Forfeiture rate | 2% |
| Weighted average expected life | 6.2 years |

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

| | Nine-month period ended September 30, | | | |
|---|---------------------------------------|--|---------------------------------|--|
| | 2022 | | 2021 | |
| | Number of share options # | Weighted average exercise price \$ | Number of share options # | Weighted average exercise price \$ |
| Balance beginning of the period | 5,166,130 | 7.40 | 5,298,806 | 7.50 |
| Granted | 261,783 | 5.21 | 174,417 | 5.65 |
| Expired/forfeited | (554,367) | 8.56 | (248,399) | 8.06 |
| Balance at end of the period | 4,873,546 | 7.15 | 5,224,824 | 7.42 |
| Options exercisable at the end of the period | 3,941,942 | 7.34 | 3,990,708 | 7.50 |

Deferred share units

The Company may grant DSUs to any non-employee director of Knight under the Omnibus Plan. During the three months ended September 30, 2022, the Company granted 3,295 DSUs to non-employee board members (2021: nil). As at September 30, 2022, the number of outstanding DSUs was 80,793 (29,205 as at September 30, 2021).

Restricted share units and performance share units

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-month period ended September 30, 2022 | | | |
|--|--|-------------|----------------------|-------------|
| | RSUs | | PSUs | |
| | Number of units # | WAFV \$ | Number of units # | WAFV \$ |
| Balance beginning of the period | 111,751 | 5.58 | 215,487 | 5.63 |
| Granted | 139,353 | 5.21 | 279,873 | 5.21 |
| Forfeited/ cancelled | (18,814) | 5.27 | (20,393) | 5.33 |
| Balance at end of the period | 232,290 | 5.38 | 474,967 | 5.40 |
| Weighted average remaining contractual life of the share units outstanding at end of period | 2.10 years | | 2.11 years | |

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

The Company recorded an expense of \$189 and \$1,420 (2021: \$421 and \$2,772) for the three-month and nine-month period ended September 30, 2022 related to the share-based compensation for stock options, DSUs, PSUs and RSUs, with corresponding credits to contributed surplus net of forfeitures and accrued liabilities for social security contributions and employer taxes.

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 11, 2022. 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, 2022, the Company issued 48,564 shares (2021: 46,967 shares) under the Purchase Plan for a total of \$262 (2021: \$247).

[iii] NCIB

On July 12, 2021, 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 10,267,956 common shares of the Company which represented 10% of its public float as at June 30, 2021. The NCIB commenced on July 14, 2021 and ended July 13, 2022.

On July 12, 2022, the Company announced that the Toronto Stock Exchange approved its notice of intention to launch a NCIB (“2022 NCIB”). Under the terms of the 2022 NCIB, Knight may purchase for cancellation up to 7,988,986 common shares of the Company which represented 10% of its public float as at June 30, 2022. The 2022 NCIB commenced on July 14, 2022 and will end on the earlier of July 13, 2023 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, 2022, the Company purchased 800,700 and 3,995,689 (2021: 2,963,022 and 7,844,438) common shares at an average price of \$5.57 and \$5.35 (2021: \$6.03 and \$5.21) for aggregate cash consideration of \$4,463 and \$21,385 (2021: \$17,864 and \$40,907), of which \$655 remains to be settled as at September 30, 2022. Subsequent to quarter-end up to November 9, 2022, the Company purchased an additional 887,800 common shares at an average purchase price of \$5.35 for an aggregate cash consideration of \$4,750.

15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

| As at | September 30, 2022 | December 31, 2021 |
|---|--------------------|-------------------|
| | \$ | \$ |
| Net losses on equities at FVOCI net of tax of \$656 (2021: \$681) | (8,553) | (8,236) |
| Unrealized gain on translation of foreign operations | 55,082 | 7,860 |
| Total | 46,529 | (376) |

16. 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, | |
|--|----------------------------------|-----------------|---------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ |
| Net income (loss) | 1,591 | (8,586) | (14,704) | 23,976 |
| Weighted average shares outstanding | 114,466,484 | 123,059,239 | 115,569,933 | 125,946,921 |
| Basic net income (loss) per share | \$0.01 | \$(0.07) | \$(0.13) | \$0.19 |

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, | |
|--|----------------------------------|--------------------|---------------------------------|--------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ |
| Net income (loss) | 1,591 | (8,586) | (14,704) | 23,976 |
| Weighted average shares outstanding | 114,466,484 | 123,059,239 | 115,569,933 | 125,946,921 |
| Adjustment for share options, RSUs and DSUs | 131,171 | — ¹ | — ¹ | 23,668 |
| Weighted average shares outstanding | 114,597,655 | 123,059,239 | 115,569,933 | 125,970,589 |
| Diluted net earnings (loss) per share | \$0.01 | \$(0.07) | \$(0.13) | \$0.19 |

¹Adjustments 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 and nine-month period ended September 31, 2022

17. SEGMENT REPORTING

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. This reflects the revised management structure and the way that the chief operating decision-maker evaluates the business.

Geographic Information

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------|----------------------------------|---------------|---------------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ |
| Revenues | | | | |
| Brazil | 29,398 | 31,271 | 92,708 | 79,071 |
| Colombia | 11,643 | 13,967 | 34,612 | 33,464 |
| Argentina | 15,417 | 10,418 | 39,208 | 28,255 |
| Rest of LATAM | 10,994 | 12,042 | 28,937 | 29,463 |
| Canada | 2,697 | 2,023 | 7,338 | 5,313 |
| Other ¹ | 2,132 | 3,619 | 9,105 | 9,639 |
| Total | 72,281 | 73,340 | 211,908 | 185,205 |

¹Includes Europe, US and other countries.

As at September 30, 2022 and December 31, 2021 non-current operating assets consisting of property, plant and equipment, intangible assets, goodwill, assets held for sale, right-of-use assets and other long-term receivables were held in the following geographic areas:

| As at | September 30, 2022 | December 31, 2021 |
|---------------|--------------------|-------------------|
| | \$ | \$ |
| Canada | 63,493 | 63,858 |
| Brazil | 57,623 | 53,753 |
| Argentina | 56,842 | 50,839 |
| Colombia | 21,438 | 22,812 |
| Uruguay | 212,123 | 182,917 |
| Luxembourg | 45,055 | 45,286 |
| Rest of LATAM | 81,097 | 81,954 |
| Total | 537,671 | 501,419 |

18. STATEMENT OF CASH FLOWS

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|----------------|---------------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ |
| Changes in non-cash working capital: | | | | |
| Decrease (increase) in | | | | |
| Trade and other receivables | 64 | (160) | (22,303) | (4,993) |
| Prepays and deposits | (842) | (567) | (356) | 1,434 |
| Inventories | (3,956) | (19,248) | (1,994) | (19,742) |
| Income taxes receivable | 253 | 1,359 | 1,453 | 978 |
| Increase (decrease) in | | | | |
| Accounts payable and accrued liabilities | (233) | 10,055 | 13,204 | 28,132 |
| Other liabilities | 1,425 | 672 | 1,255 | 738 |
| Income tax payable | (315) | 513 | (755) | (1,135) |
| Other: | | | | |
| Interest payment on bank loans | (510) | (204) | (2,633) | (1,323) |
| | (4,114) | (7,580) | (12,129) | 4,089 |

19. RELATED PARTY TRANSACTIONS

Pharmascience Inc., a company related to the Company's Executive Chairman of the Board of Directors, provided administrative services of approximately \$10 and \$24 (2021: \$17 and \$62) to the Company for the three and nine-month periods ended September 30, 2022.

20. COMMITMENTS

In the normal course of business, the Company secures development, sales, marketing and distribution rights to innovative drug products requiring royalties or product payments considered normal operating commitments and as such not included herein. The Company has entered into various agreements which include contractual commitments extending beyond the current year. These commitments are classified into three major categories: Fund commitments, milestones and purchase commitments, and loan commitments. The commitments of the Company as at September 30, 2022 are as follows:

[i] Fund commitments

As at September 30, 2022, under the terms of Company's agreements with life sciences venture capital funds, \$14,694 (December 31, 2021: \$17,785), including \$875 [US\$639] and \$934 [EUR 698] (December 31, 2021: \$1,913 [US\$1,509] and \$3,113 [EUR 2,163]), may be called over the life of the funds (based on the closing foreign exchange rate on September 30, 2022).

[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 \$353,691 including \$75,676 [US\$55,210], \$138,182 [CHF 98,800] and \$1,329 [EUR 993] (December 31, 2021: up to \$322,318, including \$46,224 [US\$36,460], \$137,299 [CHF 98,800] and \$792 [EUR 550]) upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to \$11,332 [EUR 738, CHF 5,412, USD 2,000] (December 31, 2021: \$11,118 [EUR 738, CHF 5,412 and USD 2,000]), 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 \$217,686 [BRL 442,060, USD 65,576 and CHF 11,127] (December 31, 2021: \$278,793 [BRL 787,865, USD 63,961 and CHF 13,286]), which will be purchased over the next 8 years.

| | \$ |
|-----------------|----------------|
| 2022 | 8,094 |
| 2023 | 54,087 |
| 2024 | 54,872 |
| 2025 | 52,509 |
| 2026 | 12,923 |
| 2027 and beyond | 35,201 |
| Total | 217,686 |

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.

Stock Exchange Listing
Toronto Stock Exchange
Trading Symbol: GUD

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