

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-36672

**KIORA PHARMACEUTICALS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or other jurisdiction of  
Incorporation or organization)

**98-0443284**  
(I.R.S. Employer  
Identification No.)

**1371 East 2100 South  
Suite 200  
Salt Lake City, UT 84105**  
(Address of Principal Executive Offices, including zip code)

**(781) 788-8869**  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	KPRX	The Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)  
 Yes  No

At July 7, 2022, there were 13,067,426 shares of the registrant's common stock outstanding.

**KIORA PHARMACEUTICALS, INC.**  
**Table of Contents**  
**QUARTERLY REPORT ON FORM 10-Q**  
**For the Period Ended March 31, 2022**

**INDEX**

	<u>Page</u>
<u>PART I - FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements.</u>	4
<u>Condensed Consolidated Balance Sheets as of March 31, 2022 (unaudited) and December 31, 2021</u>	4
<u>Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited) for the Three Months Ended March 31, 2022 and 2021</u>	5
<u>Condensed Consolidated Statement of Stockholders' Equity (unaudited) for the Three Months Ended March 31, 2022 and 2021</u>	6
<u>Condensed Consolidated Statements of Cash Flows (unaudited) for the Three Months Ended 31, 2022 and 2021</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	17
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk.</u>	21
<u>Item 4. Controls and Procedures.</u>	21
<u>PART II - OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings.</u>	23
<u>Item 1A. Risk Factors.</u>	23
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u>	23
<u>Item 3. Defaults Upon Senior Securities.</u>	23
<u>Item 4. Mine Safety Disclosures.</u>	23
<u>Item 5. Other Information.</u>	23
<u>Item 6. Exhibits.</u>	23
<u>SIGNATURES</u>	24

## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements that are not statements of historical fact and are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The forward-looking statements are principally, but not exclusively, contained in “Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about management’s confidence or expectations, and our plans, objectives, expectations, and intentions that are not historical facts. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “goals,” “sees,” “estimates,” “projects,” “predicts,” “intends,” “think,” “potential,” “objectives,” “optimistic,” “strategy,” and similar expressions intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- the timing and success of preclinical studies and clinical trials conducted by us and our development partners;
- the ability to obtain and maintain regulatory approval of our product candidates, and the labeling for any approved products;
- the scope, progress, expansion, and costs of developing and commercializing our product candidates;
- the size and growth of the potential markets for our product candidates and the ability to serve those markets;
- our expectations regarding our expenses and revenue, the sufficiency of our cash resources and needs for additional financing;
- the rate and degree of market acceptance of any of our product candidates;
- our expectations regarding competition;
- our anticipated growth strategies;
- our ability to attract or retain key personnel;
- our ability to establish and maintain development partnerships;
- our expectations regarding federal, state and foreign regulatory requirements;
- regulatory developments in the U.S. and foreign countries;
- our ability to obtain and maintain intellectual property protection for our product candidates;
- the anticipated trends and challenges in our business and the market in which we operate; and
- the impact of the evolving COVID-19 pandemic and the global response thereto.

[Table of Contents](#)

We discuss many of these risks in detail under the heading “Item 1A. Risk Factors” beginning on page 23 of our Annual Report on Form 10-K/A, as filed with the Securities and Exchange Commission, or the SEC, on July 7, 2022, or the Annual Report. You should carefully review all of these factors, as well as other risks described in our public filings, and you should be aware that there may be other factors, including factors of which we are not currently aware, that could cause these differences.

Also, these forward-looking statements represent our estimates and assumptions only as of the date of this report. We may not update these forward-looking statements, even though our situation may change in the future, unless we have obligations under the federal securities laws to update and disclose material developments related to previously disclosed information.

Kiora Pharmaceuticals, Inc. is referred to herein as “we,” “our,” “us,” and “the Company.”

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**KIORA PHARMACEUTICALS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2022 (unaudited)	December 31, 2021
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 5,067,354	\$ 7,854,690
Prepaid Expenses	930,345	606,520
Tax Receivables	552,237	529,560
Total Current Assets	6,549,936	8,990,770
<b>Non-Current Assets:</b>		
Property and Equipment, Net	67,297	73,999
Restricted Cash	45,000	45,000
Intangible Assets and In-Process R&D, Net	10,761,914	10,768,164
Operating Lease Assets	158,309	209,411
Other Assets	53,820	42,964
Total Assets	\$ 17,636,276	\$ 20,130,308
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 302,263	\$ 160,621
Accrued Expenses	1,832,934	1,330,141
Operating Lease Liabilities	92,317	118,846
Contingent Consideration	293,947	—
Total Current Liabilities	2,521,461	1,609,608
<b>Non-Current Liabilities:</b>		
Contingent Consideration, Non-Current	2,988,898	3,048,955
Deferred Tax Liability	802,131	802,131
Operating Lease Liabilities, Non-Current	65,992	90,566
Total Non-Current Liabilities	3,857,021	3,941,652
Total Liabilities	6,378,482	5,551,260
Commitments and Contingencies (Note 10)		
<b>Stockholders' Equity:</b>		
Preferred Stock, \$0.01 Par Value: 10,000,000 shares authorized; 3,750 designated Series A, 0 shares issued and outstanding at March 31, 2022 and December 31, 2021; 10,000 designated Series B, 0 shares issued and outstanding at March 31, 2022 and December 31, 2021; 10,000 shares designated Series C, 0 shares issued and outstanding at March 31, 2022 and December 31, 2021; 20,000 shares designated Series D, 7 shares issued and outstanding at March 31, 2022 and December 31, 2021	—	—
Common Stock, \$0.01 Par Value: 50,000,000 shares authorized and 12,663,965 and shares issued and outstanding at March 31, 2022 and December 31, 2021	126,640	126,640
Additional Paid-In Capital	135,634,109	135,418,188
Accumulated Deficit	(124,444,363)	(120,879,349)
Accumulated Other Comprehensive Loss	(58,592)	(86,431)
Total Stockholders' Equity	11,257,794	14,579,048
Total Liabilities and Stockholders' Equity	\$ 17,636,276	\$ 20,130,308

*See Accompanying Notes to Condensed Consolidated Financial Statements.*

**KIORA PHARMACEUTICALS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**(unaudited)**

	Three Months Ended	
	March 31, 2022	March 31, 2021
<b>Operating Expenses:</b>		
General and Administrative	\$ 1,664,791	\$ 1,300,143
Research and Development	707,928	1,280,242
Executive Severance	962,833	—
Change in Fair Value of Contingent Consideration	233,890	(570,203)
Total Operating Expenses	3,569,442	2,010,182
Operating Loss Before Other Income (Expense)	(3,569,442)	(2,010,182)
<b>Other Expense, Net:</b>		
Gain on Disposal	4,211	—
Interest Income	217	250
Interest Expense	—	(686)
Total Other Expense, Net	4,428	(436)
<b>Net Loss</b>	<b>\$ (3,565,014)</b>	<b>\$ (2,010,618)</b>
Net Loss per Common Share - Basic and Diluted	\$ (0.27)	\$ (0.27)
Weighted Average Shares Outstanding - Basic and Diluted	13,058,629	7,357,899
<b>Other Comprehensive Loss:</b>		
Net Loss	\$ (3,565,014)	\$ (2,010,618)
Foreign Currency Translation Adjustments	27,839	10,473
<b>Comprehensive Loss</b>	<b>\$ (3,571,175)</b>	<b>\$ (2,000,145)</b>

*See Accompanying Notes to Condensed Consolidated Financial Statements.*

**KIORA PHARMACEUTICALS, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**Three Months Ended March 31, 2022 and 2021**  
**(unaudited)**

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
<b>Balance at December 31, 2021</b>	<u>7</u>	<u>\$ —</u>	<u>12,663,965</u>	<u>\$ 126,640</u>	<u>\$ 135,418,188</u>	<u>\$ (86,431)</u>	<u>\$ (120,879,349)</u>	<u>\$ 14,579,048</u>
Stock-Based Compensation	—	—	—	—	215,921	—	—	215,921
Foreign Currency Translation Adjustment	—	—	—	—	—	27,839	—	27,839
Net Loss	—	—	—	—	—	—	(3,565,014)	(3,565,014)
<b>Balance at March 31, 2022</b>	<u>7</u>	<u>\$ —</u>	<u>12,663,965</u>	<u>\$ 126,640</u>	<u>\$ 135,634,109</u>	<u>\$ (58,592)</u>	<u>\$ (124,444,363)</u>	<u>\$ 11,257,794</u>

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
<b>Balance at December 31, 2020</b>	<u>4,138</u>	<u>\$ 41</u>	<u>5,556,394</u>	<u>\$ 55,564</u>	<u>\$ 116,783,602</u>	<u>\$ (802)</u>	<u>\$ (107,108,664)</u>	<u>\$ 9,729,741</u>
Stock-Based Compensation	—	—	—	—	216,945	—	—	216,945
Issuance of Common Stock from Warrants, Net	—	—	10,417	104	49,897	—	—	50,001
Issuance of Common Stock from Private Placement, Net of Offering Costs of \$11,142	—	—	1,531,101	15,311	7,973,550	—	—	7,988,861
Foreign Currency Translation Adjustment	—	—	—	—	—	10,473	—	10,473
Net Loss	—	—	—	—	—	—	(2,010,618)	(2,010,618)
<b>Balance at March 31, 2021</b>	<u>4,138</u>	<u>\$ 41</u>	<u>7,097,912</u>	<u>\$ 70,979</u>	<u>\$ 125,023,994</u>	<u>\$ 9,671</u>	<u>\$ (109,119,282)</u>	<u>\$ 15,985,403</u>

*See Accompanying Notes to Condensed Consolidated Financial Statements.*

**KIORA PHARMACEUTICALS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Operating Activities:</b>		
Net Loss	\$ (3,565,014)	\$ (2,010,618)
<b>Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:</b>		
Depreciation and Amortization	10,773	10,599
Reduction of Right-of-Use Assets	51,102	39,490
Stock-Based Compensation	215,921	216,945
Change in Fair Value of Contingent Consideration	233,890	(570,203)
Gain on Disposal of Equipment	(4,211)	—
<b>Changes in Operating Assets and Liabilities:</b>		
Prepaid Expenses	(323,825)	216,078
Tax Receivable	(33,497)	(59,706)
Other Assets	(10,856)	8,073
Accounts Payable	141,641	22,583
Lease Liabilities	(51,102)	(39,490)
Accrued Expenses	502,792	(403,802)
<b>Net Cash Used in Operating Activities</b>	<b>(2,832,386)</b>	<b>(2,570,051)</b>
<b>Investing Activities:</b>		
Purchases of Property and Equipment	—	(58,119)
Proceeds on Sale of Equipment	6,375	—
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>6,375</b>	<b>(58,119)</b>
<b>Financing Activities:</b>		
Proceeds from Stock Offerings, Net of Offering Costs	—	7,988,861
Exercise of Warrants	—	50,001
<b>Net Cash Provided by Financing Activities</b>	<b>—</b>	<b>8,038,862</b>
Effect of Exchange Rate Changes on Cash	38,675	14,123
Net (Decrease) Increase in Cash	(2,787,336)	5,424,815
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	7,899,690	1,230,677
Cash, Cash Equivalents and Restricted Cash, End of Period	<b>\$ 5,112,354</b>	<b>\$ 6,655,492</b>
<b>Supplemental Disclosures of Noncash Operating and Financing Activities</b>		
Creation of Right-of-Use Assets and Related Lease Liabilities	\$ —	\$ 201,089

*See Accompanying Notes to Condensed Consolidated Financial Statements.*



**KIORA PHARMACEUTICALS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2022**

**1. Business, Presentation and Recent Accounting Pronouncements**

**Overview**

Kiora Pharmaceuticals, Inc. (“Kiora” or the “Company”) was formed as a Delaware corporation December 28, 2004 as amended. Kiora is a clinical-stage specialty pharmaceutical company developing and commercializing therapies for the treatment of ophthalmic diseases.

Since its inception, Kiora has devoted substantially all of its efforts to business planning, research and development, and raising capital.

**Going Concern**

The accompanying Condensed Consolidated Financial Statements have been prepared assuming that Kiora will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. At March 31, 2022, Kiora had unrestricted Cash and Cash Equivalents of \$5.067 million, and an Accumulated Deficit of \$124.444 million. Kiora has incurred losses and negative cash flows since inception, and future losses are anticipated. Based on its cash on hand at March 31, 2022, the Company anticipates having sufficient cash to fund planned operations through July 2022, however, the acceleration or reduction of cash outflows by Company management can significantly impact the timing for the need to raise additional capital to complete development of its products. To continue development, Kiora will need to raise additional capital through equity financing, license agreements, and/or additional U.S. government grants. Although historically the Company has been successful at raising capital, most recently raising net proceeds of approximately \$9.756 million in a registered direct offering that closed on August 11, 2021, additional capital may not be available on terms favorable to Kiora, if at all. The Company does not know if any future offerings will succeed. Accordingly, no assurances can be given that Company management will succeed in these endeavors. The Company’s recurring losses from operations have caused management to determine there is substantial doubt about the Company’s ability to continue as a going concern. The Condensed Consolidated Financial Statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

**Unaudited Interim Financial Information**

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Pursuant to these rules and regulations, they do not include all information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the Company’s financial condition and results of operations have been included. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the full year. We believe that the disclosures provided herein are adequate to make the information presented not misleading when these unaudited interim condensed consolidated financial statements are read in conjunction with the audited financial statements and notes previously distributed in the Company’s 2021 Annual Report on Form 10-K/A dated July 6, 2022. The balance sheet as of December 31, 2021 was derived from audited consolidated financial statements of the Company but does not include all the disclosures required by U.S. GAAP.

*Recent Accounting Pronouncements*

None noted

**KIORA PHARMACEUTICALS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2022**

## 2. Balance Sheet Information

### Cash, Cash Equivalents and Restricted Cash

A summary of cash and cash equivalents and restricted cash is as follows:

	March 31, 2022 (unaudited)	December 31, 2021
Cash and Cash Equivalents	\$ 5,067,354	\$ 7,854,690
Restricted Cash, Non-current	45,000	45,000
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 5,112,354</u>	<u>\$ 7,899,690</u>

Noncurrent restricted cash consists of an deposit with a financial institution for corporate credit card.

### Accrued Expenses

Accrued expenses consist of the following:

	March 31, 2022 (unaudited)	December 31, 2021
Executive Severance	\$ 1,049,808	\$ 200,605
Payroll and Benefits	336,680	737,365
Professional Fees	384,452	194,425
Clinical Trials	61,994	168,785
Other	—	28,961
Total Accrued Expenses	<u>\$ 1,832,934</u>	<u>\$ 1,330,141</u>

For the three months ended March 31, 2022, executive severance increased due to a one-time severance benefit accrual of \$0.963 million for the Company's previous Chief Executive Officer.

## 3. Acquisition

Effective October 21, 2021, the Company acquired all of the capital stock of Bayon Therapeutics, Inc. ("Bayon"), a privately held ophthalmic specialty pharmaceutical company focused on developing light sensitive small molecules.

The fair value of the consideration for the Bayon acquisition is comprised of the following:

	Common Shares	Price per Share <sup>(a)</sup>	Amount
Contingent Consideration at Fair Value			\$ 1,007,556
Cash Consideration			97,066
Kiora Common Stock	33,798	\$ 2.01	67,934
Total Fair Value of Consideration			<u>\$ 1,172,556</u>

<sup>(a)</sup> Average closing price of the Company's common stock for five trading days immediately preceding October 21, 2021.

**KIORA PHARMACEUTICALS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2022**

The former stockholders of Bayon are also eligible to receive up to \$7.135 million in additional cash or stock payments based on clinical trial and FDA approval milestones for Bayon's product candidates, as set forth in the Purchase Agreement. Brian M. Strem, Ph.D., our President and Chief Executive Officer and Eric J. Daniels, MD, MBA, our Chief Development Officer, are former shareholders of Bayon, and received 9,517 and 9,520 shares of Common Stock, respectively, at the closing of the Bayon acquisition. Bayon shareholders, including Drs. Strem and Daniels, will also be entitled to receive up to approximately \$7.135 million in milestone payments, which we may elect to pay in cash or in shares.

The Company accounted for the Bayon acquisition using the acquisition method of accounting whereby the total purchase price was preliminarily allocated to tangible and intangible assets acquired and liabilities assumed based on respective fair values. The following table summarizes the preliminary fair value of the assets acquired and liabilities assumed at the date of acquisition.

Current Assets	\$ 5,290
Intangible Assets	1,063,000
Goodwill	406,599
Accounts Payable	(36,525)
Deferred Tax Liability	(265,808)
Total Fair Value of Asset and Liabilities Purchased	<u>\$ 1,172,556</u>

As of March 31, 2022, the purchase price allocation for the Bayon acquisition was preliminary in nature and subject to completion. Adjustments to the current fair value estimates in the above table may occur as the process conducted for various valuations and assessments is finalized, including tax liabilities and other working capital accounts. Nearly 100% of the goodwill represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. The factors contributing to the recognition of goodwill are based on several strategic and synergistic benefits that are expected to be realized from the acquisition. The goodwill is not expected to be tax deductible. As a result of the impairment evaluation of the Company as a single reporting unit, goodwill was considered impaired at December 31, 2021.

The acquired intangible assets, which consist solely of in-process R&D, will not be amortized until the underlying development programs are completed. Upon obtaining regulatory approval, the intangible assets are then accounted for as finite-lived intangible assets and amortized on a straight-line basis over its estimated useful life.

#### *Consolidated Pro Forma Results*

Net loss in the Condensed Consolidated Statement of Operations for the three months ended March 31, 2022 includes net losses of Bayon of \$0.179 million.

#### **4. Fair Value Disclosures**

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction to a third party under current market conditions at the measurement date. U.S. GAAP establishes a hierarchical disclosure framework that prioritizes and ranks the level of observability of inputs used in measuring fair value. In connection with historical acquisitions, additional consideration may be paid related to the achievement of certain milestones. The following table provides information for liabilities measured at fair value on a recurring basis using Level 3 inputs:

	March 31, 2022 (unaudited)	December 31, 2021
Contingent Consideration:		
Current	293,947	—
Noncurrent	2,988,898	3,048,955
Total Contingent Consideration	<u>\$ 3,282,845</u>	<u>\$ 3,048,955</u>

**KIORA PHARMACEUTICALS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2022**

The Company initially values contingent consideration related to business combinations using a probability-weighted calculation of potential payment scenarios discounted at rates reflective of the risks associated with the expected future cash flows for certain milestones. Key assumptions used to estimate the fair value of contingent consideration include projected financial information, market data and the probability and timing of achieving the specific targets as discussed in Note 3. Acquisition. After the initial valuation, the Company generally uses its best estimate to measure contingent consideration at each subsequent reporting period using the following unobservable Level 3 inputs:

Valuation Technique	Unobservable Inputs	March 31, 2022 Range	December 31, 2021 Range
Discounted cash flow	Payment discount rate	13.5 %	13.1 %
Bayon	Payment period	2023 - 2028	2023 - 2028
Panoptes	Payment period	2024 - 2028	2024 - 2028
Jade	Payment period	2026	2026
Bayon	Probability of Success for payment	17% - 67 %	12% - 72 %
Panoptes	Probability of Success for payment	17% - 36 %	17% - 36 %
Jade	Probability of Success for payment	47 %	47 %

Significant changes in these assumptions could result in a significantly higher or lower fair value. The contingent consideration reported in the above table resulted is adjusted quarterly based upon the passage of time or the anticipated success or failure of achieving certain milestones. The change in fair value of contingent consideration of \$0.234 million for the three months ended March 31, 2022, was primarily driven by changes in estimated probabilities of success related to the orphan drug status designation of the Bayon drug candidate which occurred in March of 2022. The change in fair value of contingent consideration of (\$0.507) million for the three months ended March 31, 2021 was primarily driven by changes in the estimated probabilities of success derived from an updated industry study published in the first quarter of 2021. The change in fair value of contingent consideration is recorded within operating expenses on the condensed consolidated statements of operation and comprehensive loss.

**5. Capital Stock**

On January 6, 2021, the Company completed a private placement of 1,531,101 shares of Common Stock and warrants to purchase up to 1,531,101 shares of Common Stock to an affiliate of Armistice Capital, LLC, with a combined purchase price per share and warrant of \$5.225. The total net proceeds from the private placement were approximately \$8.000 million. Steven J. Boyd and Keith Maher, each of whom were members of the Company's board of directors through August 3, 2021, are affiliates of Armistice Capital, LLC, and Mr. Boyd holds voting and investment power over such entity.

In connection with the Company's acquisition of Panoptes Pharma Ges.m.b.H in December 2020 ("Panoptes Acquisition"), the Company held back consideration of 1,500 shares of Series D convertible preferred stock at closing ("Holdback Shares) which was valued at \$1.500 million and recorded in Additional Paid-In Capital. These preferred shares are convertible into 403,461 shares of the Company's common stock. The shares were held back so that if there were any post-closing adjustments or indemnification obligations the number of share issued could have been lower. On the 18-month anniversary of the acquisition or June 2022, the common shares were issued (see Note 10 for further information).

The following is a summary of the Company's reserved common stock as of March 31, 2022:

Common Stock Warrants	6,757,180
Holdback Shares	403,461
Preferred Stock outstanding	2,089
Total	7,162,730

**KIORA PHARMACEUTICALS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2022**

**6. Warrants**

The following is a summary of warrant activity for the Company's equity-classified warrants:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Term in Years
Outstanding as of March 31, 2022 and December 31, 2021	<u>6,757,180</u>	<u>\$ 4.99</u>	<u>3.42</u>

No warrants were issued or exercised during the three months ended March 31, 2022. The Company received net proceeds of \$0.050 million from the exercise of warrants during the three months ended March 31, 2021.

**7. Net Loss per Share**

Basic net loss per share, does not include the weighted-average unvested restricted common stock that has been issued and is subject to forfeiture totaling 8,797 and 54,709 shares for the three months ended March 31, 2022 and 2021, respectively. The following is a summary of potential common shares excluded from the calculation of net loss per share because their inclusion would be anti-dilutive as of March 31:

	2022	2021
Common Stock Warrants	6,757,180	4,247,384
Employee Stock Options	678,150	370,359
Preferred Stock	2,089	865,500
Total	<u>7,437,419</u>	<u>5,483,243</u>

**8. Stock-Based Compensation****2014 Plan**

The Company operates an equity-based compensation plan (the "2014 Plan"). The 2014 Plan provides for the granting of stock options (incentive and nonqualified), restricted stock or other stock-based awards to employees, officers, directors, consultants, and advisors. As of March 31, 2022, 829,339 shares of common stock were authorized to be awarded and no shares were available for awards.

Stock-based compensation expense is presented in the same expense line items as cash compensation paid and for the three months ended March 31 are as follows:

	2022	2021
Research and Development	\$ 32,620	\$ 71,586
General and Administrative	183,301	145,359
Total Stock-Based Compensation Expense	<u>\$ 215,921</u>	<u>\$ 216,945</u>

*Stock Options*

During the three months ended March 31, 2022 the Company granted time-based stock options which vest one-third of the underlying shares on the one-year anniversary of the grant date and the remainder ratably over a 24-month period. The fair value of time-based stock options is determined using the Black-Scholes Option Pricing Model, with such value recognized as expense over the

**KIORA PHARMACEUTICALS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2022**

service period, which is typically 3 years, net of actual forfeitures. A summary of the Company's assumptions used in determining the fair value of the stock options granted during the three months ended March 31, 2022 is shown in the following table.

Risk-Free Interest Rate	2.42 %
Expected Life (years)	5.00
Expected Stock Price Volatility	140 %
Expected Dividend Yield	— %

The weighted-average grant date fair value of options granted during the three months ended March 31, 2022 was \$0.68. The expected term of the options granted is based on management estimate. Expected volatility is based on the historical volatility of the Company's peers common stock. The risk-free interest rate is determined based upon a constant U.S. Treasury security rate with a contractual life that approximates the expected term of the option. Unamortized compensation expense related to the options amounted to \$0.647 million at March 31, and is expected to be recognized over a weighted average period of approximately 2.30 years.

Following is a summary of stock option activity for the three months ended March 31, 2022:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Term in Years
Outstanding at December 31, 2021	515,922	\$ 10.43	8.30
Granted	260,500	\$ 0.76	9.84
Expired	(12,662)	\$ 6.87	—
Forfeited	(85,610)	\$ 2.79	—
Outstanding at March 31, 2022	678,150	\$ 7.85	8.55
Exercisable and vested at March 31, 2022	241,683	\$ 18.57	2.30

The stock options outstanding and exercisable at March 31, 2022 had no aggregate intrinsic value. The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the market price of the Company's common stock for options that had exercise prices lower than \$0.62, the closing price of the Company's stock on March 31, 2022.

*Restricted Stock Units*

There were no grants of time-based restricted stock units during the three months ended March 31, 2022. Restricted stock options compensation expense is recognized over the vesting period, which is typically one-third of the underlying shares on the one-year anniversary of the grant date and the remainder ratably over a 24-month period. Unamortized expense is nominal. The following is a summary of restricted stock activity for the three months ended March 31, 2022:

	Number of Units	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2021	15,012	\$ 6.55
Vested	(9,079)	\$ 6.55
Forfeited	(3,350)	\$ 6.55
Non-vested at March 31, 2022	2,583	\$ 6.55

*Employee Stock Purchase Plan*

The Company has a non-qualified Employee Stock Purchase Plan (ESPP), which provides for the issuance of shares of the Company's common stock to eligible employees of the Company that elect to participate in the plan and purchase shares of common stock through payroll deductions at a discounted price. Six month offering periods are made at the Board's discretion. The ESPP provides for 11,371 aggregate shares of the Company's common stock for participants to purchase. As of March 31, 2022, the remaining 7,806 shares are reserved for future offerings.

**KIORA PHARMACEUTICALS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2022**

## 9. Commitments and Contingencies

### Leases

The Company leases its office facilities as well as other property under operating leases. The Company's Waltham, Massachusetts lease ended March 31, 2022. In February 2022, the Company entered into a lease for an office facility in Encinitas, California and took possession of the space May 1, 2022. The Company recorded an ROU asset and lease liability upon lease commencement in May 2022. Additionally, lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. The remaining lease terms range from 1.6 to 1.7 years.

Total operating lease cost for the three months ended March 31, 2022 and 2021 was \$0.055 million and \$0.051 million, respectively, and includes variable lease cost which are immaterial. As of March 31, 2022, the Company has no short-term leases.

Supplemental cash flow information and non-cash activity related to operating leases for the three months ended March 31 were as follows:

	2022	2021
Operating Cash Flow From Operating Leases	\$ 55,779	\$ 55,738

Supplemental balance sheet and other information related to operating leases were as follows:

	2022	2021
Weighted Average Discount Rate	4.66 %	5.32 %
Weighted Average Remaining Lease Term (years)	1.7	2.1

### License and Exclusive Rights Agreements

We are a party to seven license agreements as described below. These license agreements require us to pay or receive royalties or fees to or from the licensor based on revenue or milestones related to the licensed technology.

On July 2, 2013, we (through our subsidiary, Kiora Pharmaceuticals, GmbH) entered into a patent and know-how assignment agreement with 4SC Discovery GmbH ("4SC") transferring to us all patent rights and know-how to the compound KIO-101. We are responsible for paying royalties of 3.25% on net sales of KIO-101.

On July 2, 2013, we (through our subsidiary, Kiora Pharmaceuticals, GmbH) entered into an out-license agreement with 4SC granting 4SC the exclusive worldwide right to commercialize the compound KIO-101 for rheumatoid arthritis and inflammatory bowel disease, including Crohn's Disease and Ulcerative Colitis. We are eligible to receive milestone payments totaling up to 155 million euros, upon and subject to the achievement of certain specified developmental and commercial milestones. We have not received any milestones from 4SC. In addition, we are eligible to receive royalties of 3.25% on net sales of KIO-101.

On September 12, 2013, we (through our subsidiary, Jade Therapeutics, Inc.) entered into an agreement with Lineage Cell Therapeutics, Inc. ("Lineage"), formerly known as BioTime, Inc. granting to us the exclusive worldwide right to commercialize cross-linked thiolated carboxymethyl hyaluronic acid ("modified HA") for ophthalmic treatments in humans. The agreement requires us to pay an annual fee of \$30,000 and a royalty of 6% on net sales of KIO-201 to Lineage based on revenue relating to any product incorporating the modified HA technology. The agreement expires when patent protection for the modified HA technology lapses in August 2027.

On November 17, 2014, we (through our subsidiary Kiora Pharmaceuticals GmbH) entered into an intellectual property and know-how licensing agreement with Laboratoires Leurquin Mediolanum S.A.S. ("Mediolanum") for the commercialization of KIO-101 (the "Mediolanum agreement") in specific territories. Under the Mediolanum agreement, we out-licensed rights to commercialize KIO-101 for uveitis, dry eye and viral conjunctivitis in Italy, and France. This Agreement was amended on December 10, 2015 to also include

**KIORA PHARMACEUTICALS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2022**

Belgium and The Netherlands. Under the Mediolanum Agreement, Mediolanum is obligated to pay up to approximately 20.0 million EUROS in development and commercial milestones and a 7% royalty on net sales of KIO-101 in the territories through the longer of the expiry of the valid patents covering KIO- 101 or 10 years from the first commercial sale. The royalty is reduced to 5% after patent expiry.

On September 26, 2018, we entered into an intellectual property licensing agreement (the “SentrX Agreement”) with SentrX, a veterinary medical device company that develops and manufactures veterinary wound care products. Under the SentrX Agreement, we in-licensed the rights to trade secrets and know-how related to the manufacturing of KIO-201. The SentrX Agreement enables us to pursue a different vendor with a larger capacity for manufacturing and an FDA-inspected facility for commercialization of a product for human use. Under the SentrX Agreement, SentrX is eligible to receive milestone payments totaling up to \$4.75 million, upon and subject to the achievement of certain specified developmental and commercial milestones. The term of the agreement is until the Product is no longer in the commercial marketplace.

On May 1, 2020, we (through our subsidiary, Kiora Pharmaceuticals Pty Ltd) entered into an agreement with the University of California (“UC”) granting to us the exclusive rights to its pipeline of photoswitch molecules. The agreement requires us to pay an annual fee to UC of \$5,000, as well as payments to UC upon the achievement of certain development milestone and royalties based on revenue relating to any product incorporating KIO-301. The Company is obligated to pay royalties on net sales of two percent (2%) of the first \$250 million of net sales, one and a quarter percent (1.25%) of net sales between \$250 million and \$500 million, and one half of one percent (0.5%) of net sales over \$500 million. The agreement expires on the date of the last-to-expire patent included in the licensed patent portfolio which is January 2030.

On May 1, 2020, we (through our subsidiary, Kiora Pharmaceuticals Pty Ltd) entered into an agreement with Photoswitch Therapeutics, Inc. (“Photoswitch”) granting to us access to certain patent applications and IP rights with last-to-expire patent terms of January 2030. The agreement calls for payments to Photoswitch upon the achievement of certain development milestones and upon first commercial sale of the product.

#### Contingent Consideration

The purchase price of various acquisitions in prior periods included contingent consideration, which consisted of various cash earn-out payments upon the achievement of certain milestones. Below are the maximum obligation payments per the respective agreements and estimated fair value of contingent consideration payments remaining as of March 31, 2022.

	Maximum Obligation per Agreements	Current Fair Value Estimated
Bayon	\$ 7,135,000	\$ 1,068,833
Panoptes	9,500,000	1,624,621
Jade	2,164,451	589,391
	<u>\$ 18,799,451</u>	<u>\$ 3,282,845</u>

#### Other

In the normal course of business, the Company periodically becomes involved in various claims and lawsuits, as well as governmental proceedings and investigations that are incidental to the business. The Company accrues a liability when a loss is considered probable and the amount can be reasonably estimated. When a material loss contingency is reasonably possible but not probable, the Company does not record a liability, but instead discloses the nature and amount of the claim, and an estimate of the possible loss or range of loss, if such an estimate can be made. Legal fees are expensed as incurred. With respect to governmental proceedings and investigations, like other companies in the industry, the Company is subject to extensive regulation by national, state and local governmental agencies in the U.S. and in other jurisdictions in which the Company and its affiliates operate. As a result, interaction with governmental agencies is ongoing. The Company’s standard practice is to cooperate with regulators and investigators in responding to inquiries.



**KIORA PHARMACEUTICALS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2022**

The Company currently maintains insurance for risks associated with the operation of its business, provision of professional services and ownership of property. These policies provide coverage for a variety of potential losses, including loss or damage to property, bodily injury, general commercial liability, professional errors and omissions and medical malpractice.

**10. Subsequent Events**

On February 1, 2022, Kiora Pharmaceuticals, Inc. entered into a 18 month lease agreement commencing on May 1, 2022 for approximately 1,100 square feet located at 332 Encinitas Blvd., Encinitas, California. The lease costs \$38,700 per annum, paid in equal monthly payments. The purpose of the facility is for general office use for Brian Strem, President and Chief Executive Officer.

On May 3, 2022, the Company filed a Registration Statement on Form S-1 registering a proposed offering of shares of common stock (or common stock equivalent), warrants and shares underlying such warrants. The Form S-1 has not yet been declared effective by the Securities and Exchange Commission. The Company can provide no assurance that it will consummate an offering under the Form S-1. The foregoing does not constitute an offer of any securities for sale.

On May 13, 2022, Kiora Pharmaceuticals Pty Ltd entered into a 12 month lease agreement commencing May 16, 2022 for approximately 100 square meters located at 11 North Terrace, Adelaide SA 5000 Australia. The lease costs Kiora AUD25,000 per annum, broken into equal monthly payments. The purpose of this facility is to house specific clinical assessment as part of the ABACUS Phase 1b clinical trial for KIO-301.

On May 25, 2022, the Company received a notice from The Nasdaq Stock Market LLC (“Nasdaq”) stating that because the Company had not yet filed its Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2022, the Company was no longer in compliance with Nasdaq Listing Rule 5250(c)(1). Nasdaq Listing Rule 5250(c)(1) requires listed companies to timely file all required periodic financial reports with the Securities and Exchange Commission. The Notice stated that the Company had 60 calendar days from May 25, 2022, or until July 25, 2022, to regain compliance by filing the late Form 10-Q or to submit to Nasdaq a plan to regain compliance with the Nasdaq Listing Rules. As a result of the filing of this Quarterly Report on Form 10-Q, the Company has regained compliance with Nasdaq Listing Rule 5250(c)(1).

On June 18, 2022, the Company issued an aggregate of 403,461 shares of common stock to former shareholders of Panoptes, which had been held back for a period of eighteen months following the closing of the Panoptes acquisition to satisfy post-closing adjustment and indemnification obligations pursuant to the terms of the Share Purchase Agreement between the Company and the former shareholders of Panoptes.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

*The following section of this Quarterly Report on Form 10-Q entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contains statements that are not statements of historical fact and are forward-looking statements within the meaning of federal securities laws. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Factors that may cause our actual results to differ materially from those in the forward-looking statements include those factors described in “Item 1A. Risk Factors” beginning on page 23 of our Annual Report on Form 10-K/A as filed with the Securities and Exchange Commission on July 7, 2022. You should carefully review all of these factors, as well as the comprehensive discussion of forward-looking statements on page 1 of this Quarterly Report on Form 10-Q.*

Kiora Pharmaceuticals, Inc. is referred to herein as “Kiora”, “we,” “our,” “us,” and “the Company”.

### **Executive Summary**

We are a specialty clinical-stage pharmaceutical company developing and commercializing products for the treatment of ophthalmic diseases.

Our lead product is KIO-301 with an initial focus on patients with later stages of disease progression due to Retinitis Pigmentosa (any and all sub-forms). KIO-301 is a potential vision-restoring small molecule that acts as a “photoswitch” specifically designed to restore vision in patients with inherited and age-related degenerative retinal diseases. We expect to initiate a Phase 1b clinical trial in the third quarter of 2022. On March 17, 2022, we were granted Orphan Drug Designation by the United States (“U.S.”) Food and Drug Administration (“FDA”) for the Active Pharmaceutical Ingredient (“API”) in KIO-301. KIO-301 (formerly known as B-203) was acquired through the Bayon transaction which closed October 21, 2021.

KIO-101 is a product that focuses on patients with Ocular Presentation of Rheumatoid Arthritis (“OPRA”). KIO-101 is a next generation, non-steroidal, immuno-modulatory, small-molecule inhibitor of Dihydroorotate Dehydrogenase (“DHODH”) with what we believe to be best-in-class picomolar potency and a validated immune modulating mechanism designed to overcome the off-target side effects and safety issues associated with commercially available DHODH inhibitors. We expect to initiate a Phase 2 clinical trial in the second half of 2022. KIO-101 (formerly known as PP-001) was acquired through the acquisition of Panoptes in the fourth quarter of 2020.

In addition, we are developing KIO-201 for patients with corneal wounds to accelerate healing, including patients undergoing laser vision correction surgery. KIO-201 is a modified form of the natural polymer hyaluronic acid, designed to protect the ocular surface to permit re-epithelialization of the cornea and improve and maintain ocular surface integrity. KIO-201 has unique properties that help hydrate and protect the ocular surface.

Throughout our history, we have not generated significant revenue. We have never been profitable and from inception through March 31, 2022, our losses from operations have aggregated \$124.4 million. Our Net Loss was \$3.565 million and \$2.011 million for the three months ended March 31, 2022 and 2021, respectively. We expect to incur significant expenses and increasing operating losses for the foreseeable future as we continue the development and clinical trials of and seek regulatory approval for our product candidates. If we obtain regulatory approval for our product candidates, we expect to incur significant expenses in order to create an infrastructure to support their commercialization including sales, marketing, and distribution functions.

We will need additional financing to support our continuing operations. We will seek to fund our operations through public or private equity, debt financings, license and development agreements, or other sources, which may include collaborations with third parties. Adequate additional financing may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy. These conditions raise substantial doubt about our ability to continue as a going concern. We will need to generate significant revenue to achieve profitability, and we may never do so.

**COVID-19 pandemic impact**

Our business, results of operations and financial condition have been and may continue to be impacted by the COVID-19 pandemic and could be further impacted by supply chain interruptions, extended "shelter-in-place" orders or advisories, facility closures or other reasons related to the pandemic. As of the date of this Quarterly Report on Form 10-Q, the extent to which COVID-19 could materially impact our financial conditions, liquidity or results of operations is uncertain.

To the extent COVID-19 disruptions continue to adversely impact our business, results of operations and financial condition, it may also have the effect of heightening risks relating to our ability to successfully commercialize newly developed or acquired products, consolidation in the healthcare industry, and maintenance of our contractual relationships.

**Recent Developments**

On February 23, 2022, we received a written notification (the "Notice Letter") from Nasdaq indicating that we were not in compliance with Nasdaq Listing Rule 5450(a)(1), as the closing bid price for our common stock was below the \$1.00 per share requirement for the last 30 consecutive business days. The Notice Letter stated that we have 180 calendar days, or until August 22, 2022 (the "Initial Compliance Period"), to regain compliance with the minimum bid price requirement. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we can regain compliance if the closing bid price of our common stock is at least \$1.00 for a minimum of 10 consecutive business days.

In the event that we do not regain compliance with Listing Rule 5450(a)(1) prior to the expiration of the compliance period, we will receive written notification that our securities are subject to delisting. At that time, we may appeal the delisting determination to a hearings panel pursuant to the procedures set forth in the applicable Nasdaq Listing Rules. A delisting of our common stock would have an adverse effect on the market liquidity of our common stock and, as a result, the market price for our common stock could become more volatile. Further, a delisting also could make it more difficult for us to raise additional capital. We intend to monitor the closing bid price of our common stock and may conduct a reverse stock split, if necessary, to regain compliance with the Nasdaq bid price rule.

On May 25, 2022, we received a notice from The Nasdaq Stock Market LLC ("Nasdaq") stating that because we had not yet filed its Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2022, we were no longer in compliance with Nasdaq Listing Rule 5250(c)(1). Nasdaq Listing Rule 5250(c)(1) requires listed companies to timely file all required periodic financial reports with the Securities and Exchange Commission. The Notice stated that we had 60 calendar days from May 25, 2022, or until July 25, 2022, to regain compliance by filing the late Form 10-Q or to submit to Nasdaq a plan to regain compliance with the Nasdaq Listing Rules. As a result of the filing of this Quarterly Report on Form 10-Q, we have regained compliance with Nasdaq Listing Rule 5250(c)(1).

**Results of Operations****Comparison of Three Months ended, March 31, 2022 and 2021**

The following table summarizes the results of our operations for the three months ended March 31, 2022 and 2021:

	<b>Three Months Ended March 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>Change</b>
Operating Expenses:			
General and Administrative	\$ 1,664,791	\$ 1,300,143	\$ 364,648
Research and Development	707,928	1,280,242	(572,314)
Executive Severance	962,833	—	962,833
Change in Fair Value in Contingent Consideration	233,890	(570,203)	804,093
Total Operating Expenses	3,569,442	2,010,182	1,559,260
Other Expense, Net	4,428	(436)	4,864
Net Loss	<u>\$ (3,565,014)</u>	<u>\$ (2,010,618)</u>	<u>\$ 1,554,396</u>

*General and Administrative Expenses.* The increase of \$0.365 million was primarily due to increases in professional fees of \$0.151 million for consulting and audit, personnel related expenses of \$0.156 million, travel and other office expenses of \$0.123 million offset by a decrease in legal related costs of \$0.058 million.

[Table of Contents](#)

*Research and Development Expenses.* The decrease of \$0.572 million was primarily development costs for KIO-101 of \$0.501 million and personnel related costs of \$0.149 million.

*Executive Severance.* The increase was due primarily to an accrual for the severance agreement with the Company's former Chief Executive Officer.

*Change in Fair Value of Contingent Consideration.* Contingent consideration increased by \$0.804 million. The change in contingent consideration is primarily due to a change in the probability of success primarily due to the designation of orphan drug status for KIO-301 which occurred in March of 2022, and discount rate for the calculation of fair value of the contingent consideration.

*Other Expense, Net.* The increase was due to a sale of office furniture in connection with the closure of the Waltham, MA office in March 2022.

**Liquidity and Capital Resources**

Our principal liquidity needs have historically been for acquisitions, working capital, research and development, and capital expenditures. We expect these needs to continue as we develop and work toward commercialize new products. We will need additional financing to support our continuing operations. We will seek to fund our operations through public or private equity, debt financings, license and development agreements, or other sources, which may include collaborations with third parties.

If we raise additional funds by issuing equity securities or convertible debt, our stockholders will experience dilution. Debt financing, if available, would result in increased fixed payment obligations and may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, or making capital expenditures. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish valuable rights to our products, future revenue streams or product candidates, or to grant licenses on terms that may not be favorable to us. Adequate additional financing may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy. These conditions raise substantial doubt about our ability to continue as a going concern. We will need to generate significant revenue to achieve profitability, and we may never do so.

[Table of Contents](#)

**Information regarding cash flows**

As of March 31, 2022, we had unrestricted cash and cash equivalents totaling \$5.067 million and restricted cash totaling \$0.045 million for a total of \$5.112 million compared to \$7.900 million at December 31, 2021. The following table sets forth the primary uses of cash for the three months ended March 31,:

	<u>2022</u>	<u>2021</u>
Net Cash Used in Operating Activities	\$ (2,832,386)	\$ (2,570,051)
Net Cash Provided By (Used in) Investing Activities	\$ 6,375	\$ (58,119)
Net Cash Provided by Financing Activities	\$ —	\$ 8,038,862

*Operating Activities.* Net cash used in operating activities increased \$0.262 million, primarily due to the Bayon acquisitions in October 2021 and the resulting integration costs, higher employee compensation and increased operating costs.

*Investing Activities.* There was a nominal change in net cash provided by (used in) investing activities.

*Financing Activities.* During the three months ended March 31, 2021, we received net proceeds of \$8.000 million from the completion of a private placement.

***Funding Requirements and Other Liquidity Matters***

Our KIO-301, KIO-101 and KIO-201 product pipeline is still in various stages of preclinical and clinical development. We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. We anticipate that our expenses will increase substantially if and as we:

- seek marketing approval for our KIO-301, KIO-101 or KIO-201 products or any other products that we successfully develop;
- establish a sales and marketing infrastructure to commercialize our KIO-301, KIO-101 or KIO-201 products in the United States, if approved; and
- add operational, financial and management information systems and personnel, including personnel to support our product development and future commercialization efforts.

## [Table of Contents](#)

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. We do not have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of holders of common stock. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through collaborations, strategic alliances or licensing arrangements with pharmaceutical partners, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates, including our KIO-301, KIO-101 and KIO-201 products, on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market KIO-301, KIO-101 and KIO-201 products, or any other products that we would otherwise prefer to develop and market ourselves.

Based on our cash on hand at March 31, 2022, we believe we will have sufficient cash to fund planned operations through July 2022. However, the acceleration or reduction of cash outflows by management can significantly impact the timing for raising additional capital to complete development of its products. To continue development, we will need to raise additional capital through debt and/or equity financing, or access additional funding through grants. Although we successfully completed our IPO and several subsequent registered offerings and private placements of our securities, additional capital may not be available on terms favorable to us, if at all. We do not know if our future offerings will succeed. Accordingly, no assurances can be given that management will be successful in these endeavors. Our recurring losses from operations have caused management to determine there is substantial doubt about our ability to continue as a going concern. Our Condensed Consolidated Financial Statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should we be unable to continue as a going concern.

### **Other**

For information regarding Commitments and Contingencies, refer to Note 9. Commitments and contingencies and Note 3. Acquisitions to the Notes to the Unaudited condensed consolidated financial statements of Part 1, Item 1. Financial Statements of this Form 10-Q.

### **Critical Accounting Estimates**

Our discussion of operating results is based upon the unaudited condensed consolidated financial statements and accompanying notes. The preparation of these statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Our critical accounting estimates are detailed in Item 7 of our 2021 10-K/A and we have no material changes from such disclosures.

### **Recently Issued Accounting Pronouncements**

Refer to Note 1. Business, Presentation and Recent Accounting Pronouncements, in the Notes to the Unaudited condensed consolidated financial statements of Part 1, Item 1. Financial Statements of this Form 10-Q for detailed information regarding the status of recently issued accounting pronouncements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable.

### **Item 4. Controls and Procedures.**

This Report includes the certifications of our Chief Executive Officer (who is our principal executive and financial / accounting officer) required by Rule 13a-14 of the Exchange Act. *See* Exhibit 31.1. This Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

### **Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Quarterly Report on the Form 10-Q, the Company's Management, under the supervision of, and with the participation of, our Chief Executive Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2022. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and our management necessarily was required to apply its judgment in evaluating and implementing our disclosure controls and procedures. Based upon the evaluation described above and material weaknesses identified in our Form 10-K as of December 31, 2021, our Chief Executive Officer has concluded that they believe that our disclosure controls and procedures were not effective as of the end of the period covered by this report.

### **Changes in Internal Control over Financial Accounting and Reporting**

Our management, with the participation of the Chief Executive Officer, has evaluated whether any change in our internal control over financial accounting and reporting occurred during the 3 months ended March 31, 2022. Management concluded that changes to our internal control over financial accounting and reporting did occur during the 3 months ended March 31, 2022. These changes were made to address the material weaknesses identified in the Form 10-K as of December 31, 2021. We have identified and implemented and continue to implement, certain remediation efforts to improve the effectiveness of our internal control over financial reporting and disclosure controls and procedures. The following changes are underway.

- We hired consultants who began working with the company in March 2022 and we hired additional full time resources with the appropriate levels of experience and reallocated responsibilities across the team.
- We are in the process of performing a detailed financial reporting risk assessment to identify areas that require improvement and are currently implementing changes to address these areas.

While progress has been made to enhance our internal control over financial reporting, we are still in the process of implementing, documenting and testing these processes, procedures and controls. Additional time is required to complete implementation and to assess and ensure the sustainability of these procedures. We will continue to devote significant time and attention to these remedial efforts. However, the material weaknesses cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

While we are not currently a party to any legal proceedings as of March 31, 2022, from time to time we may be a party to a variety of legal proceedings that arise in the normal course of our business.

### Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K/A for the year ended December 31, 2021, which is incorporated herein by reference and which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. We do not believe that there have been any material changes from the risk factors previously disclosed in our Annual Report on Form 10-K/A for the year ended December 31, 2021.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

#### Unregistered Sales of Equity Securities

None.

#### Purchase of Equity Securities

We did not purchase any of our registered equity securities during the period covered by this Quarterly Report on Form 10-Q.

### Item 3. Defaults Upon Senior Securities.

Not applicable.

### Item 4. Mine Safety Disclosure.

Not applicable.

### Item 5. Other Information.

None.

### Item 6. Exhibits.

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index immediately preceding such exhibits and are incorporated herein by reference.



**SIGNATURES**

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 8, 2022

By: /s/ Brian M. Strem, Ph.D.  
President and Chief Executive Officer  
(Principal executive officer and Principal financial and accounting officer)

## EXHIBIT INDEX

The following exhibits are filed as part of this Quarterly Report on Form 10-Q. Where such filing is made by incorporation by reference to a previously filed document, such document is identified.

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
10.1#	<a href="#">Separation Agreement by and between the Registrant and Stephen From, dated January 31, 2022 (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K with the SEC on February 1, 2022 and incorporated herein by reference).</a>
10.2#	<a href="#">Consulting Agreement by and between the Registrant and Danforth Advisors, LLC, dated March 9, 2022 (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on April 26, 2022 and incorporated herein by reference).</a>
31.1	<a href="#">Certification of principal executive officer and principal financial and accounting officer pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">Certification of principal executive officer and principal financial and accounting officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document (embedded within the Inline XBRL document)
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

# Management contract or compensatory plan or arrangement.

\*\* This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act.

**Certification**

I, Brian M. Strem, Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kiora Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 8, 2022

/s/ Brian M. Strem, Ph.D.

\_\_\_\_\_  
Brian M. Strem, Ph.D.

President and Chief Executive Officer

(Principal executive officer and Principal financial and accounting officer)

---

**CERTIFICATION OF PERIODIC FINANCIAL REPORT  
PURSUANT TO 18 U.S.C. SECTION 1350**

The undersigned officer of Kiora Pharmaceuticals, Inc. (the “Company”) hereby certifies to his knowledge that the Company’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (the “Report”) to which this certification is being furnished as an exhibit, as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350 and Item 601(b)(32) of Regulation S-K (“Item 601(b)(32)”) promulgated under the Securities Act of 1933, as amended (the “Securities Act”), and the Exchange Act. In accordance with clause (ii) of Item 601(b)(32), this certification (A) shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and (B) shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: July 8, 2022

/s/ Brian M. Strem, Ph.D.

\_\_\_\_\_  
Brian M. Strem, Ph.D.

President and Chief Executive Officer

(Principal executive officer and Principal financial and accounting officer)

---