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 June 30, 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	**98-0443284**
(State or other jurisdiction of Incorporation or organization)	(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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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 August 10, 2022, there were 36,763,123 shares of the registrant's common stock outstanding.

KIORA PHARMACEUTICALS, INC.
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QUARTERLY REPORT ON FORM 10-Q
For the Period Ended June 30, 2022

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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.

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

	June 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 2,427,902	$ 7,854,690
Prepaid Expenses	1,399,190	606,520
Tax Receivables	552,951	529,560
Total Current Assets	4,380,043	8,990,770
Non-Current Assets:		
Property and Equipment, Net	63,232	73,999
Restricted Cash	49,307	45,000
Intangible Assets and In-Process R&D, Net	10,755,664	10,768,164
Operating Lease Assets	175,250	209,411
Other Assets	39,367	42,964
Total Assets	$ 15,462,863	$ 20,130,308
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 785,766	$ 160,621
Accrued Expenses	1,631,400	1,330,141
Operating Lease Liabilities	137,672	118,846
Contingent Consideration	301,808	—
Total Current Liabilities	2,856,646	1,609,608
Non-Current Liabilities:		
Contingent Consideration, Non-Current	3,013,980	3,048,955
Deferred Tax Liability	802,131	802,131
Operating Lease Liabilities, Non-Current	28,138	90,566
Total Non-Current Liabilities	3,844,249	3,941,652
Total Liabilities	6,700,895	5,551,260
Commitments and Contingencies (Note 9)		
Stockholders' Equity:		
Preferred Stock, $0.01 Par Value: 10,000,000 shares authorized; 3,750 designated Series A, 0 shares issued and outstanding at June 30, 2022 and December 31, 2021; 10,000 designated Series B, 0 shares issued and outstanding at June 30, 2022 and December 31, 2021; 10,000 shares designated Series C, 0 shares issued and outstanding at June 30, 2022 and December 31, 2021; 20,000 shares designated Series D, 7 shares issued and outstanding at June 30, 2022 and December 31, 2021	—	—
Common Stock, $0.01 Par Value: 50,000,000 shares authorized and 13,067,426 and 12,663,965 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	130,675	126,640
Additional Paid-In Capital	135,701,328	135,418,188
Accumulated Deficit	(126,845,174)	(120,879,349)
Accumulated Other Comprehensive Loss	(224,861)	(86,431)
Total Stockholders' Equity	8,761,968	14,579,048
Total Liabilities and Stockholders' Equity	$ 15,462,863	$ 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		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Operating Expenses:				
General and Administrative	$ 1,801,878	$ 1,305,865	$ 3,466,669	$ 2,606,008
Research and Development	567,227	1,439,922	1,275,155	2,720,164
Executive Severance	—	—	962,833	—
Change in Fair Value of Contingent Consideration	32,943	73,717	266,833	(496,486)
Total Operating Expenses	2,402,048	2,819,504	5,971,490	4,829,686
Operating Loss Before Other Expense	(2,402,048)	(2,819,504)	(5,971,490)	(4,829,686)
Other Expenses, Net:				
Gain on Forgiveness of Loan	—	278,190	—	278,190
Gain on Disposal	—	—	4,211	—
Interest Income	1,237	332	1,454	582
Interest Expense	—	(2,033)	—	(2,719)
Total Other Expenses, Net	1,237	276,489	5,666	276,053
Net Loss	$ (2,400,811)	$ (2,543,015)	$ (5,965,825)	$ (4,553,633)
Net Loss per Common Share - Basic and Diluted	$ (0.18)	$ (0.34)	$ (0.46)	$ (0.61)
Weighted Average Shares Outstanding - Basic and Diluted	13,065,714	7,466,211	13,061,281	7,409,363
Other Comprehensive Loss:				
Net Loss	$ (2,400,811)	$ (2,543,015)	$ (5,965,825)	$ (4,553,633)
Foreign Currency Translation Adjustments	(166,269)	(24,807)	(138,430)	(14,334)
Comprehensive Loss	$ (2,567,080)	$ (2,567,822)	$ (6,104,255)	$ (4,567,967)

See Accompanying Notes to Condensed Consolidated Financial Statements.

KIORA PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Three Months Ended June 30, 2022 and 2021
(unaudited)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at March 31, 2022	**7**	**$ —**	**12,663,965**	**$ 126,640**	**$135,634,109**	**$(124,444,363)**	**$ (58,592)**	**$11,257,794**
Stock-Based Compensation	—	—	—	—	71,254	—	—	71,254
Issuance of Common Stock from Panoptes Holdback Shares	—	—	403,461	4,035	(4,035)	—	—	—
Foreign Currency Translation Adjustment	—	—	—	—	—	—	(166,269)	(166,269)
Net Loss	—	—	—	—	—	(2,400,811)	—	(2,400,811)
Balance at June 30, 2022	**7**	**$ —**	**13,067,426**	**$ 130,675**	**$135,701,328**	**(126,845,174)**	**$ (224,861)**	**$ 8,761,968**

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at March 31, 2021	**4,138**	**$ 41**	**7,097,912**	**$ 70,979**	**$125,023,994**	**$(109,119,282)**	**$ 9,671**	**$15,985,403**
Stock-Based Compensation	—	—	—	—	262,892	—	—	262,892
Foreign Currency Translation Adjustment	—	—	—	—	—	—	(24,807)	(24,807)
Net Loss	—	—	—	—	—	(2,543,015)	—	(2,543,015)
Balance at June 30, 2021	**4,138**	**$ 41**	**7,097,912**	**$ 70,979**	**$125,286,886**	**$(111,662,297)**	**$ (15,136)**	**$13,680,473**

KIORA PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Six Months Ended June 30, 2022 and 2021
(unaudited)

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Equity
Balance at December 31, 2021	**7**	**$ —**	**12,663,965**	**$ 126,640**	**$ 135,418,188**	**$(120,879,349)**	**$ (86,431)**	**$ 14,579,048**
Stock-Based Compensation	—	—	—	—	287,175	—	—	287,175
Issuance of Common Stock from Panoptes Holdback Shares	—	—	403,461	4,035	(4,035)	—	—	—
Foreign Currency Translation Adjustment	—	—	—	—	—	—	(138,430)	(138,430)
Net Loss	—	—	—	—	—	(5,965,825)	—	(5,965,825)
Balance at June 30, 2022	**7**	**$ —**	**13,067,426**	**$ 130,675**	**$ 135,701,328**	**(126,845,174)**	**$ (224,861)**	**$ 8,761,968**

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Equity
Balance at December 31, 2020	**4,138**	**$ 41**	**5,556,394**	**$ 55,564**	**$ 116,783,602**	**$(107,108,664)**	**$ (802)**	**$ 9,729,741**
Stock-Based Compensation	—	—	—	—	479,837	—	—	479,837
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 $11,142	—	—	1,531,101	15,311	7,973,550	—	—	7,988,861
Foreign Currency Translation Adjustment	—	—	—	—	—	—	(14,334)	(14,334)
Net Loss	—	—	—	—	—	(4,553,633)	—	(4,553,633)
Balance at June 30, 2021	**4,138**	**$ 41**	**7,097,912**	**$ 70,979**	**$ 125,286,886**	**$(111,662,297)**	**$ (15,136)**	**$ 13,680,473**

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2022	2021
Operating Activities:		
Net Loss	$ (5,965,825)	$ (4,553,633)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation and Amortization	21,054	23,203
Reduction of Right-of-Use Assets	87,242	86,387
Stock-Based Compensation	287,175	479,837
Change in Fair Value of Contingent Consideration	266,833	(496,486)
Paycheck Protection Program Loan Forgiveness	—	(278,190)
Gain on Disposal of Equipment	(4,211)	—
Changes in Operating Assets and Liabilities:		
Prepaid Expenses	(838,528)	8,786
Tax Receivable	(68,046)	(222,645)
Other Assets	(3,397)	11,153
Accounts Payable	641,443	(142,444)
Lease Liabilities	(96,682)	(86,387)
Accrued Expenses	341,616	(315,196)
Net Cash Used in Operating Activities	(5,331,325)	(5,485,615)
Investing Activities:		
Purchases of Property and Equipment	—	(63,865)
Proceeds on Sale of Equipment	6,375	—
Net Cash Provided by (Used in) Investing Activities	6,375	(63,865)
Financing Activities:		
Proceeds from Stock Offerings, Net of Offering Costs	—	7,988,861
Exercise of Warrants	—	50,001
Net Cash Provided by Financing Activities	—	8,038,862
Effect of Exchange Rate Changes on Cash	(97,530)	(11,835)
Net (Decrease) Increase in Cash	(5,422,481)	2,477,547
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	7,899,690	1,230,677
Cash, Cash Equivalents and Restricted Cash, End of Period	$ 2,477,209	$ 3,708,224
Supplemental Disclosures of Noncash Operating and Financing Activities		
Creation of Right-of-Use Assets and Related Lease Liabilities	$ 55,415	$ 201,089

See Accompanying Notes to Condensed Consolidated Financial Statements.

KIORA PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 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 June 30, 2022, Kiora had unrestricted Cash and Cash Equivalents of $2.428 million, and an Accumulated Deficit of $126.845 million. Kiora has incurred losses and negative cash flows since inception, and future losses are anticipated. Based on the cash on hand at June 30, 2022, and the $5.297 million net cash raised in the underwritten public offering that closed on July 26, 2022 (Note 10), the Company anticipates having sufficient cash to fund planned operations through March 2023, 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 $5.297 million in a registered direct offering that closed on July 26, 2022, 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 7, 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

We have evaluated all issued and unadopted Accounting Standards Updates and believe the adoption of these standards will not have a material impact on our condensed consolidated statements of operations and comprehensive loss, balance sheets or cash flows.

KIORA PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

2. Balance Sheet Information

Cash, Cash Equivalents and Restricted Cash

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

	June 30, 2022 (unaudited)	December 31, 2021
Cash and Cash Equivalents	$ 2,427,902	$ 7,854,690
Restricted Cash, Non-current	49,307	45,000
Total Cash, Cash Equivalents and Restricted Cash	$ 2,477,209	$ 7,899,690

Non-current restricted cash consists of deposits with financial institutions for corporate credit cards.

Prepaid Expenses

Prepaid expenses consist of the following:

	June 30, 2022 (unaudited)	December 31, 2021
Research and Development	$ 1,117,475	$ 319,208
Insurance	109,439	130,765
Other	172,276	156,547
Total Prepaid Expenses	$ 1,399,190	$ 606,520

Accrued Expenses

Accrued expenses consist of the following:

	June 30, 2022 (unaudited)	December 31, 2021
Executive Severance	$ 896,524	$ 200,605
Payroll and Benefits	362,736	737,365
Professional Fees	313,853	194,425
Clinical Trials	58,287	168,785
Other	—	28,961
Total Accrued Expenses	$ 1,631,400	$ 1,330,141

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.

KIORA PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

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

	Common Shares	Price per Share [a]	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			1,172,556

[a] Average closing price of the Company's common stock for five trading days immediately preceding October 21, 2021.

The former stockholders of Bayon are 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 the Company 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	$ 1,172,556

As of June 30, 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 and six months ended June 30, 2022 includes net losses of Bayon of $0.270 million and $0.449 million, respectively.

KIORA PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

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:

	June 30, 2022 (unaudited)	December 31, 2021
Contingent Consideration:		
Current	301,808	—
Noncurrent	3,013,980	3,048,955
Total Contingent Consideration	$ 3,315,788	$ 3,048,955

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	June 30, 2022	December 31, 2021
	Discounted cash flow	Payment discount rate	14.3 %	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. There was a nominal change in fair value of contingent consideration for the three months ended June 30, 2022 and 2021 of $0.033 million and $0.074 million, respectively. The change in fair value of contingent consideration of $0.267 million for the six months ended June 30, 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 $(0.496) million for the six months ended June 30, 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 of1,531,101 shares of Common Stock and warrants to purchase up to1,531,101 shares of Common Stock at an exercise price of $5.225 per share 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.

KIORA PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

In connection with the Company's acquisition of Panoptes Pharma Ges.m.b.H in December 2020 ("Panoptes Acquisition"), 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.

The following is a summary of the Company's reserved common stock as of June 30, 2022:

Common Stock Warrants	6,312,721
Preferred Stock outstanding	2,089
Total	6,314,810

6. Warrants

The following is a summary of warrant activity for the Company's equity-classified warrants for the six months ended June 30, 2022 and 2021:

	Number of Warrants		Weighted Average Exercise Price	Weighted Average Remaining Term in Years
Outstanding at December 31, 2021	6,757,180	$	4.99	3.42
Expired	(444,459)	$	22.50	
Outstanding at June 30, 2022	6,312,721	$	3.76	3.14
Outstanding at December 31, 2020	2,726,700	$	8.41	2.45
Issued	1,531,101	$	5.23	4.52
Exercised	(10,417)	$	4.80	1.80
Outstanding at June 30, 2021	4,247,384	$	7.27	2.88

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 1,712 and 35,162 shares for the three months ended June 30, 2022 and 2021, respectively and6,145 and 47,873 shares for the six months ended June 30, 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 June 30:

	2022	2021
Common Stock Warrants	6,312,721	4,247,384
Employee Stock Options	522,066	377,361
Preferred Stock	2,089	865,500
Total	6,836,876	5,490,245

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 June 30, 2022, 829,339 shares of common stock were authorized to be awarded and 146,735 shares were available for awards.

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Stock-based compensation expense is presented in the same expense line items as cash compensation paid and for the three and six months ended June 30 are as follows:

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Research and Development	$ 26,540	$ 69,219	59,160	140,805
General and Administrative	44,714	193,673	228,015	339,032
Total Stock-Based Compensation Expense	$ 71,254	$ 262,892	287,175	479,837

Stock Options

The Company grants time-based stock options which generally vestone-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 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 six months ended June 30, 2022 and 2021 is shown in the following table.

	2022	2021
Risk-Free Interest Rate	2.42 %	1.82 %
Expected Life (years)	5.00	10.00
Expected Stock Price Volatility	140 %	141 %
Expected Dividend Yield	— %	— %

The weighted-average grant date fair value of options granted during the six months ended June 30, 2022 and 2021 was $0.68 and $6.12, respectively. 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 $0.473 million as of June 30, 2022 and is expected to be recognized over a weighted average period of approximately 2.48 years.

Following is a summary of stock option activity for the six months ended June 30, 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	9.60
Expired	(138,526)	$ 18.42	
Forfeited	(115,830)	$ 2.65	
Outstanding at June 30, 2022	522,066	$ 5.34	8.73
Exercisable and vested at June 30, 2022	123,271	$ 16.69	6.72
Outstanding at December 31, 2020	246,893	$ 20.90	7.20
Granted	150,365	$ 6.19	
Expired	(7,599)	$ 10.82	
Forfeited	(12,298)	$ 6.51	
Outstanding at June 30, 2021	377,361	$ 15.71	7.82
Exercisable and vested at June 30, 2021	198,822	$ 24.25	6.46

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The stock options outstanding and exercisable as of June 30, 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 $0.47, the closing price of the Company's stock on June 30, 2022.

Restricted Stock Units

There were no grants of time-based restricted stock units during the three and six months ended June 30, 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 six months ended June 30, 2022:

	Number of Units	Weighted- Average Grant Date Fair Value	Weighted- Average Remaining Term in Years
Non-vested at December 31, 2021	15,012	$ 6.55	1.09
Vested	(9,781)	$ 6.55	
Forfeited	(5,097)	$ 6.55	
Non-vested at June 30, 2022	134	$ 6.55	0.59
Non-vested Outstanding at December 31, 2020	67,420	$ 7.10	1.66
Vested	(37,041)	$ 7.39	
Forfeited	(2,051)	$ 6.86	
Non-vested Outstanding at June 30, 2021	28,328	$ 6.73	1.59

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 June 30, 2022, the remaining 7,806 shares are reserved for future offerings.

9. Commitments and Contingencies

Leases

The Company leases its office facilities as well as other property under operating leases. 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. On May 16, 2022, a nominal short-term lease commenced in Australia. 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 less than 1.0 to 1.67 years. The Company's Waltham, Massachusetts lease ended March 31, 2022.

Total operating lease cost for the three months ended June 30, 2022 and 2021 was $0.035 million, $0.055 million and for the six months ended was $0.081 million and $0.106 million, respectively, and includes a nominal short term and variable lease cost.

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Supplemental cash flow information and non-cash activity related to operating leases for the six months ended June 30 were as follows:

Cash paid for amounts included in the measurement of lease liabilities:

	2022	2021
Operating cash flows from operating leases	$ 88,027	$ 86,387

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

	June 30, 2022	December 31, 2021
Weighted Average Discount Rate	5.19 %	5.32 %
Weighted Average Remaining Lease Term (years)	1.58	2.1

Future annual minimum lease payments under non-cancellable operating leases as of June 30, 2022 are as follows:

Years Ending December 31,	
2022 (remaining months)	$ 71,057
2023	105,498
Total Lease Liabilities	176,555
Less Amounts Representing Interest	(10,745)
Total	165,810
Less Current Portion	(137,672)
	$ 28,138

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 payments 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

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Belgium and The Netherlands. Under the Mediolanum Agreement, Mediolanum is obligated to pay up to approximately20.0 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 to5% 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 June 30, 2022.

	Maximum Obligation per Agreements	Current Fair Value Estimated
Bayon	$ 7,135,000	$ 1,080,858
Panoptes	9,500,000	1,643,435
Jade	2,164,451	591,495
	$ 18,799,451	$ 3,315,788

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.

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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 July 22, 2022, the Company entered into an Underwriting Agreement (the "Underwriting Agreement") with Ladenburg Thalmann & Co. Inc., as underwriter (the "Underwriter"), pursuant to which the Company agreed to issue and sell, in a firm commitment underwritten public offering by the Company (the "Public Offering"), (i) 19,770,172 shares of common stock (the "Common Shares"), (ii)1,280 shares of Series E Convertible Preferred Stock (the "Preferred Shares") convertible into up to 6,400,000 shares of common stock, (iii) Class A Warrants (the "Class A Warrants") to purchase up to 26,170,172 shares of common stock, and (iv) Class B Warrants to purchase up to26,170,172 shares of common stock (the "Class B Warrants" and, together with the Class A Warrants, the "Warrants"), priced at a public offering price of $ 0.20 per Common Shares, Class A Warrants and Class B Warrants or $1,000 per Preferred Share, 5,000 Class A Warrants and 5,000 Class B Warrants. In addition, pursuant to the Underwriting Agreement, the Company granted the Underwriter a 45-day option (the "Overallotment Option") to purchase up to (i)3,925,525 additional Common Shares, (ii) 3,925,525 additional Class A Warrants and/or (ii) 3,925,525 additional Class B Warrants, solely to cover over-allotments. The Underwriter fully exercised the Overallotment Option on July 25, 2022. The securities were offered by the Company pursuant to the Registration Statement on Form S-1 (File No. 333-264641), which was initially filed with the Securities and Exchange Commission (the "Commission") on May 3, 2022, amended on July 13, 2022, July 19, 2022 and July 21, 2022, and declared effective by the Commission on July 21, 2022.

On July 26, 2022, the Public Offering closed, and the Company issued and sold (i)23,695,697 Common Shares, (ii) 1,280 Preferred Shares, (iii) 30,095,697 Class A Warrants, and (iv) 30,095,697 Class B Warrants. The Company received net proceeds of approximately $5.297 million net of underwriting discount and commissions of $0.435 million and expense of $0.287 million. The exercise price for Class A and Class B warrants was $0.20 per share.

During July 2022, the Company became aware of an apparent payroll irregularity that occurred in June 2022 and resulting in approximately $0.120 million being paid to unauthorized recipients. The Company promptly retained an independent firm to investigate the irregularity and to review the Company's internal control over financial reporting in light of the irregularity.

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. The molecule is specifically designed to restore the eyes' ability to perceive and interpret light in visually impaired patients. It selectively enters viable downstream retinal ganglion cells (no longer receiving electrical input due to degenerated rods and cones) and is intended to turn them into light sensing cells, capable of signaling the brain as to the presence or absence of light. 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. In a 14-Day GLP intravenous (IV) repeated dose toxicity study in rats, no adverse or test item related effects were observed in any of the tested parameters (mortality, clinical observations, ophthalmoscopy, body weight and food consumption, hematology and coagulation, clinical biochemistry, organ weight, pathology and histopathology) at the highest doses tested (1.0 mg/kg). In the fourth quarter of 2021, we reported topline safety and tolerability data from a Phase 1b proof-of-concept ("POC") study evaluating KIO-101 in patients with ocular surface inflammation. As a further sign of safety, there were zero clinically significant laboratory (including liver enzymes) findings observed in both healthy patients and those with ocular surface inflammation. 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 Persistent Corneal Epithelial Defects (PCED), which is an orphan disease and as such, we are currently seeking orphan drug designation. We also are evaluating KIO-201 in patients recovering from surgical wounds, such as those undergoing photorefractive keratectomy ("PRK") 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. We are currently evaluating KIO-201 in a Phase 2 clinical trial in patients with PCEDs and expect topline results in Q1 2023. We also are in planning stages of a potential Phase 3b trial for patients recovering from the laser vision correction procedure PRK and could initiate the study before the end of 2023.

Throughout our history, we have not generated significant revenue. We have never been profitable and from inception through June 30, 2022, our losses from operations have aggregated $126.845 million. Our net loss was $5.966 million and $4.554 million for the six months ended June 30, 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.

Results of Operations

Comparison of Three Months ended, June 30, 2022 and 2021

The following table summarizes the results of our operations for the three months ended June 30, :

	2022	2021	Change
Operating Expenses:			
General and Administrative	$ 1,801,878	$ 1,305,865	$ 496,013
Research and Development	567,227	1,439,922	(872,695)
Change in Fair Value of Contingent Consideration	32,943	73,717	(40,774)
Total Operating Expenses	2,402,048	2,819,504	(417,456)
Other Expense, Net	1,237	276,489	(275,252)
Net Loss	$ (2,400,811)	$ (2,543,015)	$ (142,204)

General and Administrative Expenses. The increase of $0.496 million was primarily due to increases in professional fees of $0.706 million for consulting and audit, travel and other office expenses of $0.044 million offset by a decrease in personnel related expenses of $0.255 million.

Research and Development Expenses. The decrease of $0.873 million was primarily development costs for KIO-101 of $0.725 million and for KIO-201 of $0.119 million and personnel related costs of $0.269 million offset by development costs for KIO-301 of $0.117 million and research and development refundable credit of $0.133 million.

Change in Fair Value of Contingent Consideration. Contingent consideration decreased by $0.041 million and the change is primarily due to a change in the discount rate for the calculation of fair value of the contingent consideration.

Other Expense, Net. The decrease of $0.275 million was due to recording a gain as a result of the full forgiveness of the loan under the PPP in second quarter of 2021.

Comparison of Six Months ended, June 30, 2022 and 2021

The following table summarizes the results of our operations for the six months ended June 30, :

	2022	2021	Change
Operating Expenses:			
General and Administrative	$ 3,466,669	$ 2,606,008	$ 860,661
Research and Development	1,275,155	2,720,164	(1,445,009)
Executive Severance	962,833	—	962,833
Change in Fair Value of Contingent Consideration	266,833	(496,486)	763,319
Total Operating Expenses	5,971,490	4,829,686	1,141,804
Other Expense, Net	5,665	276,053	(270,388)
Net Loss	$ (5,965,825)	$ (4,553,633)	$ (1,412,192)

General and Administrative Expenses. The increase of $0.861 million was primarily due to increases in professional fees of $0.744 million for consulting, audit and legal related costs, travel and other office expenses of $0.216 million offset by a decrease in personnel related expenses of $0.099 million.

Research and Development Expenses. The decrease of $1.445 million was primarily development costs for KIO-101 of $0.740 million and KIO-201 of $0.463 million and personnel related costs of $0.417 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. The change in fair value of contingent consideration of $0.267 million for the six months ended June 30, 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 ($0.496) million for the six months ended June 30, 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.

Other Expense, Net. The decrease of $0.270 million was due to recording a gain as a result of the full forgiveness of the loan under the PPP in second quarter of 2021.

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. Although historically the Company has been successful at raising capital, most recently raising net proceeds of approximately $5.297 million in a registered direct offering that closed on July 26, 2022, net of underwriting discount and commissions of $0.435 million and expense of $0.287 million. 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. 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.

Information regarding cash flows

As of June 30, 2022, we had unrestricted cash and cash equivalents totaling $2.428 million and restricted cash totaling $0.049 million for a total of $2.477 million compared to $7.900 million at December 31, 2021. The following table sets forth the primary uses of cash for the six months ended June 30,:

	2022	2021
Net Cash Used in Operating Activities	$ (5,331,325)	$ (5,485,615)
Net Cash Provided by (Used in) Investing Activities	$ 6,375	$ (63,865)
Net Cash Provided by Financing Activities	$ —	$ 8,038,862

Operating Activities. Net cash used in operating activities decreased $0.154 million due to timing of payments in the first half of 2022.

Investing Activities. The increase in cash from investing activities is due to a sale of an asset in 2022 as opposed to assets acquired in 2021.

Financing Activities. During the six months ended June 30, 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.

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 June 30, 2022, we believe we will have sufficient cash to fund planned operations through March 2023. 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 historically the Company has been successful at raising capital, most recently raising net proceeds of approximately $5.297 million in a registered direct offering that closed on July 26, 2022, 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 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 Annual Report on Form 10-K/A for the year ended December 31, 2021 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 June 30, 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/A 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 three months ended June 30, 2022 and concluded that changes did occur. These changes were made to address the material weaknesses identified in the Form 10-K/A 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 are in the process of hiring 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 June 30, 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 risk factor below in this Item 1A as well as the risk 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/A 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. Except as disclosed below in this Item 1A, 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.

We have identified material weaknesses in our internal control over financial reporting. If we are unable to remediate these material weaknesses, or if we experience additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely satisfy the requirements applicable to public companies, which may adversely affect investor confidence in us, and, as a result, the market price of our common stock.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP. Our management is likewise required, on a quarterly basis, to evaluate the effectiveness of our internal controls and to disclose any changes and material weaknesses identified through such evaluation in those internal controls. A material weakness is a deficiency, or combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our consolidated financial statements will not be prevented or detected on a timely basis.

We have previously identified the following material weaknesses:

- We did not design or maintain an effective control environment commensurate with our financial reporting requirements. We lacked a sufficient number of professionals with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely and accurately. Additionally, the limited personnel resulted in our inability to consistently establish appropriate authorities and responsibilities in pursuit of our financial reporting objectives, as demonstrated by, among other things, our insufficient segregation of duties in our accounting function. This material weakness further contributed to the material weakness below.
- We did not design and maintain formal accounting policies, processes, and controls to analyze, account for and disclose significant and unusual transactions, including business combinations, accounting for stock-based compensation, analysis of goodwill and indefinite-lived asset impairment and contingent consideration.
- For our systems, some of the former finance staff-maintained IT access to systems and controls.

As a result of these material weaknesses, our management concluded that our internal control over financial reporting was not effective as of June 30, 2022. Additionally, we have identified and are investigating apparent payroll irregularities that occurred in June 2022, and have retained an independent firm to review our internal control over financial reporting in light of such irregularities.

To respond to these material weaknesses, we have devoted, and plan to continue to devote, significant effort and resources to the remediation and improvement of our internal control over financial reporting. While we have processes to identify and appropriately apply applicable accounting requirements, we plan to enhance these processes to better evaluate our research and understanding of the nuances of the complex accounting standards that apply to our consolidated financial statements. Our plans currently include providing enhanced access to accounting literature, research materials and documents and increased communication among our personnel and third-party professionals with whom we consult regarding complex accounting applications. The elements of our remediation plan can only be accomplished over time, and we can offer no assurance that these initiatives will ultimately have the intended effects.

Any failure to maintain such internal control could adversely impact our ability to report our financial position and results from operations on a timely and accurate basis. If our consolidated financial statements are not accurate, investors may not have a complete understanding of our operations. Likewise, if our consolidated financial statements are not filed on a timely basis, we could be subject to sanctions or investigations by the stock exchange on which our ordinary shares and other securities are listed, the SEC or other regulatory authorities. In either case, there could result a material adverse effect on our business. Ineffective internal controls could also cause investors to lose confidence in our reported financial information which could have a negative effect on the trading price of our stock.

We can give no assurance that the measures we have taken and plan to take in the future will remediate the material weaknesses identified or that any additional material weaknesses or restatements of financial results will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting or circumvention of these controls. In addition, even if we are successful in strengthening our controls and procedures, in the future those controls, and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation of our consolidated financial statements.

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: August 12, 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.

Exhibit Number	Description of Exhibit
3.1	Certificate of Designation of Preferences, Rights and Limitations of Series E Convertible Preferred Stock, dated July 22, 2022 (incorporated by reference to Exhibit 4.9 of Registrant's Amendment No. 3 to the Registration Statement on Form S-1 filed with the SEC on July 21, 2022 (File No. 333-264641)).
4.1	Form of Class A Warrant (incorporated by reference to Exhibit 4.9 of Registrant's Amendment No. 3 to the Registration Statement on Form S-1 filed with the SEC on July 21, 2022 (File No. 333-264641)).
4.2	Form of Class B Warrant (incorporated by reference to Exhibit 4.10 of Registrant's Amendment No. 3 to the Registration Statement on Form S-1 filed with the SEC on July 21, 2022 (File No. 333-264641)).
4.3	Warrant Agency Agreement by and between Registrant and VStock Transfer, LLC, dated July 22, 2022 (incorporated by reference to Exhibit 4.3 of Registrant's Current Report on Form 8-K filed with the SEC on July 26, 2022).
31.1	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.
32.1**	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.
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.

EXHIBIT 31.1

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: August 12, 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)

EXHIBIT 32.1

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 June 30, 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: August 12, 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)