Table of Contents

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 September 30, 2021

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 November 10, 2021, there were 12,653,054 shares of the registrant's common stock outstanding.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
Table of Contents
QUARTERLY REPORT ON FORM 10-Q
For the Period Ended September 30, 2021

INDEX

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 24 of our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, or the SEC, on March 25, 2021, 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.
(formerly EyeGate Pharmaceuticals, Inc.)
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2021 (unaudited)	December 31, 2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 11,106,927	$ 1,185,677
Prepaid Expenses and Other Current Assets	341,629	449,569
Other Receivables	421,463	90,975
Total Current Assets	11,870,019	1,726,221
Property and Equipment, Net	78,833	30,566
Restricted Cash	45,000	45,000
Goodwill	3,484,607	3,484,607
Intangible Assets and In-Process R&D, Net	9,711,414	9,730,164
Operating Lease Assets with Right-of-Use	259,217	83,928
Other Assets	44,249	57,073
Total Assets	$ 25,493,339	$ 15,157,559
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 424,889	$ 434,763
Accrued Expenses	1,389,311	1,289,261
Operating Lease Liabilities	144,742	48,303
Total Current Liabilities	1,958,942	1,772,327
Non-Current Liabilities:		
Contingent Consideration	5,342,950	5,342,950
Deferred Tax Liability	728,926	728,926
Paycheck Protection Program Loan	—	278,190
Non-Current Operating Lease Liabilities	114,475	35,625
Total Non-Current Liabilities	6,186,351	6,385,691
Total Liabilities	8,145,293	8,158,018
Commitments and Contingencies (Note 10)		
Stockholders' Equity:		
Preferred Stock, $0.01 Par Value: 10,000,000 shares authorized; 3,750 designated Series A, 0 shares issued and outstanding at September 30, 2021 and December 31, 2020; 10,000 designated Series B, 0 shares issued and outstanding at September 30, 2021 and December 31, 2020; 10,000 shares designated Series C, 0 and 4,092 shares issued and outstanding at September 30, 2021 and December 31, 2020; 20,000 shares designated Series D, 46 shares issued and outstanding at September 30, 2021 and December 31, 2020	—	41
Common Stock, $0.01 Par Value: 50,000,000 shares authorized; 12,619,256 and 5,556,394 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	126,193	55,564
Additional Paid-In Capital	133,637,500	115,283,572
Accumulated Deficit	(116,355,777)	(108,338,834)
Accumulated Other Comprehensive Loss	(59,870)	(802)
Total Stockholders' Equity	17,348,046	6,999,541
Total Liabilities and Stockholders' Equity	$ 25,493,339	$ 15,157,559

See Accompanying Notes to Condensed Consolidated Financial Statements.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Operating Expenses:				
Research and Development	$ 1,628,467	$ 985,880	$ 4,348,631	$ 2,555,035
General and Administrative	1,338,616	1,021,325	3,944,624	3,144,255
Total Operating Expenses	2,967,083	2,007,205	8,293,255	5,699,290
Operating Loss Before Other Expense	(2,967,083)	(2,007,205)	(8,293,255)	(5,699,290)
Other Income, Net:				
Gain on Forgiveness of Loan	—	—	278,190	—
Interest Income	259	331	841	23,115
Interest Expense	—	—	(2,719)	—
Total Other Income, Net	259	331	276,312	23,115
Net Loss	$ (2,966,824)	$ (2,006,874)	$ (8,016,943)	$ (5,676,175)
Net Loss per Common Share - Basic and Diluted	$ (0.29)	$ (0.44)	$ (0.99)	$ (1.25)
Weighted Average Shares Outstanding - Basic and Diluted	10,265,108	4,547,524	8,101,004	4,536,014
Other Comprehensive Loss:				
Net Loss	$ (2,966,824)	$ (2,006,874)	$ (8,016,943)	$ (5,676,175)
Foreign Currency Translation Adjustments	(44,734)	(17,110)	(59,068)	(16,944)
Comprehensive Loss	$ (3,011,558)	$ (2,023,984)	$ (8,076,011)	$ (5,693,119)

See Accompanying Notes to Condensed Consolidated Financial Statements.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Three Months Ended September 30, 2021 and 2020
(unaudited)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at June 30, 2021	**4,138**	**$ 41**	**7,097,912**	**$ 70,979**	**$ 123,786,856**	**$ (15,136)**	**$ (113,388,953)**	**$ 10,453,787**
Stock-Based Compensation					149,469			149,469
Conversion of Series C Preferred Stock into Common Stock	(4,092)	(41)	852,500	8,525	(8,484)			—
Issuance of Common Stock from Registered Direct Offering, Net of Offering Costs of $993,666			4,668,844	46,689	9,709,659			9,756,348
Foreign Currency Translation Adjustment						(44,734)		(44,734)
Net Loss							(2,966,824)	(2,966,824)
Balance at September 30, 2021	**46**	**$ —**	**12,619,256**	**$ 126,193**	**$ 133,637,500**	**$ (59,870)**	**$ (116,355,777)**	**$ 17,348,046**

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at June 30, 2020	**4,092**	**$ 41**	**4,626,755**	**$ 46,268**	**$ 111,527,859**	**$ 139,631**	**$ (103,916,195)**	**$ 7,797,604**
Stock-Based Compensation					187,733			187,733
Foreign Currency Translation Adjustment						(17,110)		(17,110)
Net Loss							(2,006,874)	(2,006,874)
Balance at September 30, 2020	**4,092**	**$ 41**	**4,626,755**	**$ 46,268**	**$ 111,715,592**	**$ 122,521**	**$ (105,923,069)**	**$ 5,961,353**

See Accompanying Notes to Condensed Consolidated Financial Statements.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Nine Months Ended September 30, 2021 and 2020
(unaudited)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	**4,138**	**$ 41**	**5,556,394**	**$ 55,564**	**$ 115,283,572**	**$ (802)**	**$ (108,338,834)**	**$ 6,999,541**
Stock-Based Compensation					629,306			629,306
Issuance of Common Stock from Warrants, Net			10,417	104	49,897			50,001
Conversion of Series C Preferred Stock into Common Stock	(4,092)	(41)	852,500	8,525	(8,484)			—
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
Issuance of Common Stock from Registered Direct Offering, Net of Offering Costs of $993,666			4,668,844	46,689	9,709,659			9,756,348
Foreign Currency Translation Adjustment						(59,068)		(59,068)
Net Loss							(8,016,943)	(8,016,943)
Balance at September 30, 2021	**46**	**$ —**	**12,619,256**	**$ 126,193**	**$ 133,637,500**	**$ (59,870)**	**$ (116,355,777)**	**$ 17,348,046**

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2019	**4,092**	**$ 41**	**4,077,775**	**$ 40,778**	**$ 106,689,065**	**$ 139,465**	**$ (100,246,894)**	**$ 6,622,455**
Stock-Based Compensation					530,704			530,704
Issuance of Common Stock in Offerings, Net of Offering Costs of $498,687			500,000	5,000	4,496,313			4,501,313
Issuance of Common Stock from Restricted Stock Award Grants			49,000	490	(490)			—
Foreign Currency Translation Adjustment						(16,944)		(16,944)
Net Loss							(5,676,175)	(5,676,175)
Balance at September 30, 2020	**4,092**	**$ 41**	**4,626,755**	**$ 46,268**	**$ 111,715,592**	**$ 122,521**	**$ (105,923,069)**	**$ 5,961,353**

See Accompanying Notes to Condensed Consolidated Financial Statements.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended September 30,	
	2021	2020
Operating Activities:		
Net Loss	$ (8,016,943)	$ (5,676,175)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation and Amortization of Intangible Assets	34,260	24,343
Reduction of Right-of-Use Assets	133,514	124,896
Stock-Based Compensation	629,306	530,704
Expiration of Prepaid Agreement	-	159,848
Changes in Operating Assets and Liabilities:		
Prepaid Expenses and Other Current Assets	107,940	(202,909)
Refundable Tax Credit Receivable	(335,096)	2,303
Other Assets	12,826	16,369
Accounts Payable	(9,875)	(150,755)
Lease Liabilities	(133,514)	(124,896)
Accrued Expenses	100,050	(311,430)
Net Cash Used in Operating Activities	(7,477,532)	(5,607,702)
Investing Activities:		
Purchases of Property, Plant and Equipment	(63,865)	—
Net Cash Used in Investing Activities	(63,865)	—
Financing Activities:		
Proceeds from Stock Offerings, Net of Offering Costs	17,745,207	4,501,313
Paycheck Protection Program Loan Proceeds	—	278,190
Paycheck Protection Program Loan Forgiveness	(278,190)	—
Exercise of Warrants	50,001	—
Net Cash Provided by Financing Activities	17,517,018	4,779,503
Effect of Exchange Rate Changes on Cash	(54,371)	(17,164)
Net Increase (Decrease) in Cash	9,921,250	(845,363)
Cash, Including Restricted Cash, Beginning of Period	1,230,677	3,821,712
Cash, Including Restricted Cash, End of Period	$ 11,151,927	$ 2,976,349
Supplemental Disclosures of Noncash Operating and Financing Activities		
Creation of Right-of-Use Assets and Related Lease Liabilities	$ 313,312	$ 102,579
Conversion of Series C Preferred Stock into Common Stock	$ 8,525	$ —
Grant of Restricted Stock Awards	$ —	$ 490

See Accompanying Notes to Condensed Consolidated Financial Statements.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021

1. Organization, Business

On November 5, 2021, Kiora Pharmaceuticals, Inc. (formerly known as EyeGate Pharmaceuticals, Inc.) ("Kiora" or the "Company") filed with the Secretary of State of the State of Delaware, a Certificate of Ownership and Merger, merging its wholly-owned Delaware subsidiary, Kiora Pharmaceuticals, Inc., (incorporated in October 2021) into the Company and amending the Company's certificate of incorporation to change its name to "Kiora Pharmaceuticals, Inc." effective November 8, 2021 (the "Name Change"). The Company also amended and restated its bylaws to reflect the change to the Company's name (the "Bylaws Amendment"). The Name Change and the Bylaws Amendment each became effective on November 8, 2021. The Company's common shares commenced trading on the Nasdaq Capital Market under the new ticker symbol "KPRX" and a new CUSIP number (49721T101) effective at the market open on November 8, 2021. Kiora is a clinical-stage specialty pharmaceutical company developing and commercializing products for treating ophthalmic diseases.

In the fourth quarter of 2020, Kiora acquired Panoptes Pharma Ges.m.b.H. ("Panoptes") adding to its pipeline KIO-101(formerly known as PP-001), a next-generation, non-steroidal, immuno-modulatory and small-molecule inhibitor of Dihydroorotate Dehydrogenase ("DHODH"), with what Kiora believes to be a best-in-class picomolar potency and a validated immune modulating mechanism designed to overcome the off-target side effects and safety issues associated with DHODH inhibitors. KIO-101 has been developed in two clinical-stage ophthalmic formulations: an intravitreal injection for inflammatory diseases of the eye including posterior uveitis, and a novel nano carrier technology eye drop for ocular surface diseases such as dry eye disease. Other administration routes are also in development.

In addition, Kiora is developing KIO-201(formerly known as Ocular Bandage Gel or "OBG"), a modified form of the natural polymer hyaluronic acid, designed to protect the ocular surface to permit re-epithelialization of the cornea and improve ocular surface integrity. KIO-201, with unique properties that help hydrate and protect the ocular surface, is in clinical evaluation for patients undergoing photorefractive keratectomy ("PRK") surgery for corneal wound repair after refractive surgery and patients with punctate epitheliopathies ("PE") as a result of dry eye. A type-B meeting was held with the U.S. Food and Drug Administration's ("FDA") Center for Drug Evaluation and Research ("CDER") division during the first quarter of 2021 to discuss eligibility of continuing KIO-201 clinical studies as a drug. As a result, development of KIO-201 has shifted from a medical device to a drug, which allows for reimbursement under Medicare Part D.

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

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 September 30, 2021, Kiora had unrestricted Cash and Cash Equivalents of $11.107 million, and an Accumulated Deficit of $116.356 million. Kiora has incurred losses and negative cash flows since inception, and future losses are anticipated. Based on its cash on hand at September 30, 2021, the Company anticipates having sufficient cash to fund planned operations into the second half of 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 $9.8 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. On May 13, 2019, the SEC declared effective Kiora's registration statement on Form S-3, registering a total of $50,000,000 of its securities for sale to the public from time to time in what is known as a "shelf offering". The Company does not know if any future offerings, including offerings pursuant to its shelf registration statement, 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.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiaries, EyeGate Pharma S.A.S. (through its dissolution on December 30, 2020), Jade Therapeutics, Inc. ("Jade") and Panoptes Pharma Ges.m.b.H. ("Panoptes") (effective December 18, 2020 when the Company acquired all of the capital stock of Panoptes), collectively referred to as "the Company". All inter-company balances and transactions have been eliminated in consolidation. These Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. Certain information and disclosures normally included in Condensed Consolidated Financial Statements prepared in accordance with U.S. GAAP have been condensed or eliminated. Accordingly, these unaudited Condensed Consolidated Financial Statements should be read in conjunction with the annual financial statements of the Company as of and for the year ended December 31, 2020. In the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial position, consolidated results of operations and other comprehensive loss and consolidated cash flows, for the periods indicated, have been made. The results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of operating results that may be achieved over the course of the full year.

Unaudited Interim Financial Information

The accompanying interim financial statements and related disclosures are unaudited, have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which consist of normal recurring adjustments, necessary for a fair presentation of the results of operations for the periods presented. The year-end balance sheet was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. The results of operations for an interim period are not necessarily indicative of the results to be expected for the full year or for any other future year or interim period.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make significant 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 amounts of expenses during the reporting periods. The Company makes significant estimates and assumptions in recording the accruals for its clinical trial and research activities, establishing the useful lives of intangible assets and property and equipment, and conducting impairment reviews of long-lived assets. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Although the Company monitors and regularly assesses these estimates, actual results could differ significantly from these estimates. The Company records changes in estimates in the period that it becomes aware of the change.

Research and Development Expenses

The Company expenses research and development ("R&D") expenditures as incurred. R&D expenses are comprised of costs incurred in performing R&D activities, including salaries, benefits, facilities, research-related overhead, sponsored research costs, contracted services, license fees, expenses related to generating, filing, and maintaining intellectual property, and other external costs. Because the Company believes that, under its current process for developing its products, the viability of the products is essentially concurrent with the establishment of technological feasibility, no costs have been capitalized to date.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021

2. Summary of Significant Accounting Policies - (continued)

In-process Research and Development

The Company records in-process R&D projects acquired in asset acquisitions that have not reached technological feasibility and which have no alternative future use. For in-process R&D projects acquired in business combinations, the Company capitalizes the in-process R&D project and periodically evaluates this asset for impairment until the R&D process has been completed. Once the R&D process is complete, the Company amortizes the R&D asset over its remaining useful life. At September 30, 2021 and December 31, 2020, there was $9.536 million of in-process R&D, as part of intangible assets and in-process R&D on the Condensed Consolidated Balance Sheets.

Intangible Assets

The Company records intangible assets acquired in asset acquisitions of proprietary technology. The Company capitalizes intangible assets, amortizes them over the estimated useful life, and periodically evaluates the assets for impairment. At September 30, 2021 and December 31, 2020, there was $0.175 million and $0.194 million, respectively, of net intangible assets, as part of intangible assets and in-process R&D, net on the Condensed Consolidated Balance Sheets.

Accrued Clinical Expenses

As part of the Company's process of preparing the Condensed Consolidated Financial Statements, the Company is required to estimate its accrued expenses. This process includes reviewing open contracts and purchase orders, communicating with its applicable personnel to identify services that have been performed on its behalf and estimating the level of service performed and the associated costs incurred for the service when the Company has not yet been invoiced or otherwise notified of actual costs. The majority of the Company's service providers invoice monthly in arrears for services performed. The Company makes estimates of its accrued expenses as of each balance sheet date in the financial statements based on facts and circumstances known at the time. The Company periodically confirms the accuracy of these estimates with the service providers and makes adjustments if necessary.

Related Party Transactions

During the nine months ended September 30, 2021, the Company entered into certain related-party transactions, making payments for services to one vendor and four consultants, all of whom also are stockholders of the Company. These transactions generally involve a stockholder or option holder of the Company to whom the Company also makes payments during the year, typically as a consultant or a service provider. Additionally, 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. 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. The total net proceeds from the private placement were approximately $8.0 million. Except for the private placement described above, the transactions with related parties during the nine months ended September 30, 2021 are not material to the accompanying Condensed Consolidated Financial Statements.

During the nine months ended September 30, 2020, the Company entered into certain related-party transactions, making payments for services to two vendors, seven consultants and two public universities, all of whom were also stockholders of the Company. The amounts recorded or paid during the nine months ended September 30, 2020 are not material to the accompanying Condensed Consolidated Financial Statements

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021

2. Summary of Significant Accounting Policies - (continued)

Net Loss per Share – Basic and Diluted

Basic and diluted net loss per share is computed by dividing net loss available to common shareholders by the weighted-average number of common shares outstanding for the period, which for basic net loss per share, does not include the weighted-average unvested restricted common stock that has been issued but is subject to forfeiture of 23,277 and 42,823 shares for the three and nine months ended September 30, 2021, respectively, and 79,231 and 79,223 shares for the three and nine months ended September 30, 2020.

Dilutive common equivalent shares consist of stock options, warrants, and preferred stock and are calculated using the treasury stock method, which assumes the repurchase of common shares at the average market price during the period. Under the treasury stock method, options and warrants will have a dilutive effect when the average price of common stock during the period exceeds the exercise price of options or warrants. Common equivalent shares do not qualify as participating securities. In periods where the Company records a net loss, unvested restricted common stock and potential common stock equivalents are not included in the calculation of diluted net loss per share as their effect would be anti-dilutive. All shares of Common Stock that may potentially be issued in the future are as follows:

	September 30, 2021 (unaudited)	September 30, 2020 (unaudited)
Common Stock Warrants	6,815,248	2,772,117
Employee Stock Options	472,049	246,893
Preferred Stock	13,000	852,500
Total Shares of Common Stock Issuable	7,300,297	3,871,510

Fair Value of Financial Instruments

As of September 30, 2021 and December 31, 2020, the fair value of the Company's contingent consideration, measured using Level 3 measurements, was $5.343 million. During the year ended December 31, 2020, the Company recorded earn-out payments of $9.500 million at their estimated fair value of $3.633 million as a result of the Panoptes acquisition. During the year ended December 31, 2016, the Company recorded earn-out payments of $2.164 million at their estimated fair value of $1.210 million as a result of the Jade acquisition. During the year ended December 31, 2019, taking into consideration discount factors and the probability of FDA approval of KIO-201, the Company recorded an increase of $500,000 to the present value of contingent consideration related to the Jade acquisition bringing the estimated fair value to $1.710 million. The Company evaluates the fair value of these earn-out payments on a quarterly basis and there were no changes recorded during the three and nine months ended September 30, 2021.

At September 30, 2021 and December 31, 2020, the Company had no other assets or liabilities that are subject to fair value methodology and estimation in accordance with U.S. GAAP.

Revenue Recognition

The Company's revenues were generated primarily through arrangements that contained multiple elements, or deliverables, including licenses and R&D activities to be performed by the Company on behalf of the licensor or grantor. Payments to Kiora under these arrangements typically included one or more of the following: (1) nonrefundable, upfront license fees, (2) funding of discovery research efforts on a full-time equivalent basis, (3) reimbursement of research, development, and intellectual property costs, (4) milestone payments, and (5) royalties on future product sales.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021

2. Summary of Significant Accounting Policies - (continued)

The Company recognizes revenue when its customer obtains control of promised services, in an amount that reflects the consideration which the Company expects to receive in exchange for those services. To determine whether arrangements are within the scope of this new guidance, the Company performs the following five steps: (i) identifies the contract with a customer; (ii) identifies the performance obligations in the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when (or as) the Company satisfies its performance obligation. The Company applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. The Company recognizes revenue from the transaction price applied to each single performance obligation over time as milestones are reached for each performance obligation. The Company only recognizes revenue on those milestones that are within the Company's control and any constrained variable consideration that requires regulatory approval will only be included in the transaction price when performance is complete.

In addition, the Company may receive U.S. and/or foreign government grant funds for specified therapeutic research activities. Revenue under these grants will be recorded when the Company performs the activities specified by the terms of each grant and is entitled to the funds.

During the three and nine months ended September 30, 2021 and 2020, the Company did not recognize any revenue.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new guidance is effective for smaller reporting companies in fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company does not expect the adoption of this standard to have a material effect on the Company's Condensed Consolidated Financial Statements and related disclosures.

3. Property and Equipment

Property and equipment at September 30, 2021 and December 31, 2020 consists of the following:

	Estimated Useful Life (Years)	September 30, 2021 (unaudited)	December 31, 2020
Laboratory Equipment	3	$ 88,400	$ 82,653
Office Equipment	3	3,693	3,888
Office Furniture	5	72,549	14,430
Leasehold Improvements	2	22,569	22,569
Total Property and Equipment, Gross		187,211	123,540
Less Accumulated Depreciation		108,378	92,974
Total Property and Equipment, Net		$ 78,833	$ 30,566

Depreciation expense was $4,807 and $2,388 for the three months ended September 30, 2021 and 2020, respectively, and $15,510 and $5,593 for the nine months ended September 30, 2021 and 2020, respectively.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021

4. Accrued Expenses

Accrued expenses at September 30, 2021 and December 31, 2020 consist of the following:

	September 30, 2021 (unaudited)	December 31, 2020
Payroll and Benefits	$ 764,306	$ 629,465
Professional Fees	138,273	328,420
Clinical Trials	485,733	203,646
Consulting	999	125,913
Interest	—	1,817
Total Accrued Expenses	$ 1,389,311	$ 1,289,261

5. Debt

In May 2020, the Company received loan funds (the "Loan") from the Paycheck Protection Program ("PPP") of $0.278 million. In April 2021, the Company was notified by the Small Business Administration ("SBA") that this Loan was forgiven in full.

The Company has no additional indebtedness at September 30, 2021 and December 31, 2020.

6. Intangible Assets and In-Process R&D

Intangible assets at September 30, 2021 consist of the rights to trade-secrets and know-how related to the manufacturing of KIO-201. During the third quarter of 2018, the Company entered into an intellectual property license agreement with SentrX Animal Care, Inc. ("SentrX") with respect to certain rights relating to the manufacturing of KIO-201. The intangible assets were recorded at $0.250 million, representing the upfront payment paid to SentrX. Additionally, SentrX is eligible to receive milestone payments totaling up to $4.750 million, upon and subject to the achievement of certain specified development and commercial milestones. These future milestone payments to SentrX will increase the carrying value of the intangible assets. The Company's intangible assets are amortized on a straight-line basis over the estimated useful lives. Additionally, in-process R&D at September 30, 2021 and December 31, 2020 consists of projects acquired from the acquisitions of Jade and Panoptes that have not reached technological feasibility and which have no alternative future use. Once the R&D process is complete, the Company will amortize the R&D asset over its remaining useful life. The Company periodically evaluates these assets for impairment.

Intangible assets and in-process R&D at September 30, 2021 and December 31, 2020 consists of the following:

	Estimated Useful Life (Years)	September 30, 2021 (unaudited)	December 31, 2020
Trade Secrets	10	$ 250,000	$ 250,000
Less: Accumulated Amortization		(75,000)	(56,250)
Intangible Assets, Net		175,000	193,750
In-Process R&D		9,536,414	9,536,414
Total Intangible Assets and In-Process R&D, Net		$ 9,711,414	$ 9,730,164

Amortization expense on intangible assets was $6,250 for the three months ended September 30, 2021 and 2020 and $18,750 for the nine months ended September 30, 2021 and 2020.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021

7. Capital Stock

On January 3, 2020, the Company completed a registered direct offering with institutional investors for 500,000 shares of Common Stock with a purchase price of $10.00 per share. The total net proceeds to the Company, after deducting the placement agent fees and offering expenses, were approximately $4.5 million.

On June 25, 2020, following the Company's 2020 Annual Meeting of Stockholders, the Company filed a Certificate of Amendment to its Restated Certificate of Incorporation that decreased the number of authorized shares of the Company's common stock from 120,000,000 to 50,000,000.

In connection with the Panoptes acquisition, on December 18, 2020, the Company filed a Certificate of Designation of Preferences, Rights and Limitations for up to 20,000 shares of Series D Convertible Preferred Stock with the Delaware Secretary of State. The Series D Convertible Preferred Stock has a stated value of $1,000 per share and a conversion price of $3.5321 per share but may not be converted until stockholder approval is obtained. The Series D Preferred Stock is only entitled to dividends in the event dividends are paid on the Company’s shares of Common Stock and does not have any preferences over the Company's shares of Common Stock or any voting rights, except in limited circumstances.

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 $8.0 million. The warrants have an exercise price of $5.225 per share, subject to adjustments as provided under the terms of the warrants and will be exercisable on the six-month anniversary of their issuance date. The warrants are exercisable for five years from the issuance date.

On July 27, 2021, a holder elected to convert 4,092 shares of Series C Preferred stock that were issued in a public offering on April 17, 2018 into 852,500 shares of Common Stock.

On August 11, 2021, the Company completed a registered direct offering priced at-the-market under Nasdaq Rules for 4,668,844 shares of Common Stock with a purchase price of $2.3025 per share. The Company also completed a concurrent private placement of unregistered warrants to purchase up to an aggregate of 2,334,422 shares of Common Stock at an exercise price of $2.24 per share that are exercisable immediately upon issuance and will expire five and one-half years following the date of issuance. In addition, the Company issued to the placement agent warrants to purchase up to 233,442 shares of Common Stock at an exercise price of $2.8781 per share, which expire five years following the date of issuance. The total net proceeds to the Company from the offering were approximately $9.8 million.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021

8. Warrants

The following is a summary of warrant activity for the nine months ended September 30, 2021 and 2020:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Term in Years
Outstanding at December 31, 2020	2,726,700	$ 8.41	2.45
Issued	4,098,965	3.39	4.93
Exercised	(10,417)	4.80	1.55
Outstanding at September 30, 2021	6,815,248	$ 5.40	3.64
Outstanding at December 31, 2019	2,875,006	$ 14.14	3.37
Issued	25,000	12.50	4.26
Expired	(127,889)	139.28	—
Outstanding at September 30, 2020	2,772,117	$ 8.35	2.69

All of the warrant agreements provide for a cashless exercise in the event a registration statement covering the issuance of the shares of common stock underlying the warrants is not effective, whereby the number of shares to be issued upon exercise of such warrants will be reduced based on the exercise price and the market value of the shares at the time of exercise. The outstanding warrants expire from 2021 through 2027.

9. Equity Incentive Plan

In 2005, the Company approved the 2005 Equity Incentive Plan (the “2005 Plan”). The 2005 Plan provides for the granting of options, restricted stock or other stock-based awards to employees, officers, directors, consultants, and advisors. During 2010, the maximum number of shares of Common Stock that may be issued pursuant to the 2005 Plan was increased to 59,414 shares. The Board of Directors (the “Board”) is responsible for administration of the 2005 Plan. The Company’s Board determines the term of each option, the option exercise price, the number of shares for which each option is granted and the rate at which each option is exercisable. Incentive stock options may be granted to any officer or employee at an exercise price per share of not less than the fair value per common share on the date of the grant (not less than 110% of fair value in the case of holders of more than 10% of the Company’s voting stock) and with a term not to exceed ten years from the date of the grant (five years for incentive stock options granted to holders of more than 10% of the Company’s voting stock). Nonqualified stock options may be granted to any officer, employee, consultant, or director at an exercise price per share of not less than the par value per share. Following adoption of the 2014 Equity Incentive Plan (the “2014 Plan”), no further grants were made under the 2005 Plan. General terms of the 2014 Plan remain the same as that of the 2005 Plan.

The Company’s Board adopted the 2014 Plan and the Employee Stock Purchase Plan (the “ESPP”), and the Company’s Stockholders approved the 2014 Plan and the ESPP Plan in February 2015. As of September 30, 2021, the maximum number of shares of Common Stock that may be issued pursuant to the 2014 Plan and the ESPP was 806,005 and 11,371 shares, respectively.

In January 2021, the number of shares of common stock issuable under the 2014 Plan automatically increased by 23,333 shares pursuant to the terms of the 2014 Plan. Additionally, in June 2021, the number of shares of common stock issuable under the 2014 Plan was increased by 200,000 shares, as approved by the Company’s Stockholders. These additional shares are included in the total of 806,005 shares issuable under the 2014 Plan.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021

9. Equity Incentive Plan - (continued)

The following is a summary of stock option activity for the nine months ended September 30, 2021 and 2020:

	Number of Options	Weighted- Average Exercise Price	Weighted-Average Contractual Life (In Years)
Outstanding at December 31, 2020	246,893	$ 20.90	7.20
Granted	265,865	4.80	
Expired	(13,876)	20.40	
Forfeited	(26,833)	6.51	
Outstanding at September 30, 2021	472,049	$ 12.66	7.97
Exercisable at September 30, 2021	200,500	$ 23.30	5.97
Vested and Expected to Vest at September 30, 2021	472,049	$ 12.66	7.97
Outstanding at December 31, 2019	174,175	$ 27.42	6.22
Granted	93,165	6.31	
Expired	(17,114)	10.59	
Forfeited	(3,333)	7.20	
Outstanding at September 30, 2020	246,893	$ 20.90	7.46
Exercisable at September 30, 2020	138,317	$ 32.22	6.05
Vested and Expected to Vest at September 30, 2020	246,893	$ 20.90	7.46

During the nine months ended September 30, 2021 and 2020, the Board approved the grant of options to purchase 265,865 and 93,165 shares of Common Stock, respectively. All option grants were pursuant to the 2014 Plan. In general, options granted under the 2014 Plan vest with respect to one-third of the underlying shares on the one-year anniversary of the grant date and the remainder ratably over a 24-month period.

For the nine months ended September 30, 2021 and 2020, the fair value of each option grant has been estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted-average assumptions:

	2021	2020
Risk-Free Interest Rate	1.82 %	1.82 %
Expected Life	5.00 years	5.00 years
Expected Volatility	140 %	153 %
Expected Dividend Yield	0 %	0 %

Using the Black-Scholes Option Pricing Model, the estimated weighted average fair value of an option to purchase one share of common stock granted during the nine months ended September 30, 2021 and 2020 was $5.27 and $6.26, respectively.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021

9. Equity Incentive Plan - (continued)

The following is a summary of restricted stock activity for the nine months ended September 30, 2021 and 2020:

	Number of Shares	Weighted- Average Grant Date Fair Value	Weighted- Average Remaining Recognition Period
Non-vested Outstanding at December 31, 2020	67,420	$ 7.10	1.66
Vested	(43,222)	7.39	
Forfeited	(5,971)	6.66	
Non-vested Outstanding at September 30, 2021	18,227	$ 6.55	1.35
Non-vested Outstanding at December 31, 2019	50,187	$ 8.64	1.49
Awarded	49,000	6.55	
Vested	(23,889)	8.73	
Non-vested Outstanding at September 30, 2020	75,298	$ 7.25	1.78

During the nine months ended September 30, 2021, 5,971 shares of restricted stock, which had not vested, were forfeited and returned to the Company. During the nine months ended September 30, 2021 and 2020, the Board approved the grant of 0 and 49,000 restricted shares of Common Stock, respectively. All grants of restricted shares were pursuant to the 2014 Plan. These vest with respect to 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 total stock-based compensation expense for employees and non-employees is included in the accompanying Condensed Consolidated Statements of Operations and as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Research and Development	$ 35,552	$ 49,267	$ 176,357	$ 148,588
General and Administrative	113,917	138,466	452,949	382,116
Total Stock-Based Compensation Expense	$ 149,469	$ 187,733	$ 629,306	$ 530,704

The fair value of options granted for the nine months ended September 30, 2021 and 2020 was $1.181 million and $0.580 million, respectively. As of September 30, 2021 and 2020, there was $1.184 million and $0.973 million of total unrecognized compensation expense related to unvested stock-based compensation arrangements granted, which cost is expected to be recognized over a weighted-average period of 3.64 and 2.12 years, respectively. The aggregate intrinsic value of stock options outstanding and exercisable at September 30, 2021 and 2020 was $0.

At September 30, 2021, there were 173,146 shares available for grant under the 2014 Plan and 7,806 shares available under the Company’s ESPP.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021

10. Commitments and Contingencies

Leases

The Company is a party to three real property operating leases for the rental of office or lab space. The Company has office space in Waltham, Massachusetts of up to 4,516 square feet that is used for its corporate headquarters with a term through March 31, 2022. The Company also has office and laboratory space of approximately 3,540 square feet in Salt Lake City, Utah with a term through November 30, 2023. The Company has office space in Vienna, Austria of approximately 1,555 square feet with a term through October 31, 2023 as a result of the Panoptes acquisition effective December 18, 2020.

Additional right-of-use assets and lease liabilities were recorded upon the new lease agreements or extensions that were effective as of September 30, 2021.

Operating lease assets and liabilities are recognized at the lease commencement date at the present value of lease payments to be paid. Operating lease assets represent the Company's right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments. To determine the present value of lease payments to be paid, the Company estimated incremental secured borrowing rates corresponding to the maturities of the leases. The Company estimated a rate of 10% based on prevailing financial market conditions, comparable company and credit analysis, and management judgment. The Company recognizes expense for its leases on a straight-line basis over the lease term. Operating lease expense, consisting of the reduction of the right-of-use asset and the imputed interest on the lease liability, totaled $54,841 and $160,881 for the three and nine months ended September 30, 2021, respectively, and $43,195 and $129,585 and for the three and nine months ended September 30, 2020, respectively.

Maturities of lease liabilities were as follows as of September 30, 2021:

Year Ended December 31,	Operating Leases
2021 (remainder of year)	$ 55,131
2022	133,788
2023	95,461
Less: Imputed Interest	(25,163)
Lease Liabilities	$ 259,217

License Agreements

The Company is a party to four license agreements as described below. These license agreements require the Company to receive or pay royalties or fees to or from the licensor based on revenue or milestones related to the licensed technology.

On July 2, 2013, Panoptes entered into a patent and know-how assignment agreement with 4SC Discovery GmbH ("4SC") transferring to Panoptes all patent rights and know-how to the compound KIO-101. The Company (through its Panoptes subsidiary) is responsible for paying royalties based on a specified percentage of net sales of KIO-101.

On July 2, 2013, Panoptes entered into an out-license agreement with 4SC Discovery GmbH ("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. The Company (through its Panoptes subsidiary) is eligible to receive milestone payments totaling up to 155 million euros, upon and subject to the achievement of certain specified developmental and commercial milestones. In addition, the Company (through its Panoptes subsidiary) is eligible to receive royalties based on a specified percentage of net sales of KIO-101.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021

10. Commitments and Contingencies - (continued)

On September 12, 2013, Jade entered into an agreement with Lineage Cell Therapeutics, Inc. ("Lineage"), formerly known as BioTime, Inc., granting to it the exclusive worldwide right to commercialize cross-linked thiolated carboxymethyl hyaluronic acid ("modified HA") for ophthalmic treatments in humans. The agreement provides for a license issue fee paid to Lineage of $50,000 and requires the Company (through its Jade subsidiary) to pay an annual fee of $30,000 and royalties 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, which is expected to occur in the U.S. in 2028.

On September 26, 2018, the Company 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, the Company will in-license the rights to trade-secrets and know-how related to the manufacturing of KIO-201. The SentrX Agreement will enable the Company 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, the Company paid SentrX an upfront payment of $0.250 million recorded as intangible assets on the Consolidated Balance Sheets. SentrX is eligible to receive milestone payments totaling up to $4.750 million, upon and subject to the achievement of certain specified developmental and commercial milestones. These future milestone payments to SentrX will increase the carrying value of the intangible assets.

COVID-19

The continued spread of the COVID-19 pandemic could adversely impact the Company's clinical studies. In addition, COVID-19 has resulted in significant governmental measures being implemented to control the spread of the virus, including quarantines, travel restrictions, and business shutdowns. COVID-19 has also caused volatility in the global financial markets and threatened a slowdown in the global economy, which could negatively affect the Company's ability to raise additional capital on attractive terms or at all. The extent to which COVID-19 may impact the Company's business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the outbreak, the emergence of new variants, and the effectiveness of actions to contain and treat COVID-19. The Company cannot presently predict the scope and severity of any potential disruptions to its business, including to ongoing and planned clinical studies. Any such shutdowns or other business interruptions could result in material and negative effects to the Company's ability to conduct its business in the manner and on the timelines presently planned, which could have a material adverse impact on its business, results of operation, and financial condition. As of the date of this report, there have been no material adverse effects to the Company's ongoing business operations from COVID-19.

11. Employee Benefit Plans

The Company has an employee benefit plan for its United States-based employees under Section 401(k) of the Internal Revenue Code. The Plan allows all eligible employees to make contributions up to a specified percentage of their compensation. Under the Plan, the Company may, but is not obligated to, match a portion of the employee contribution up to a defined maximum. The Company made no matching contribution for each of the three and nine months ended September 30, 2021 and 2020.

As a result of the 401(k) plan compliance review for the year ended December 31, 2020, the Company contributed $25,905 to eligible participants during the third quarter of 2021. As of September 30, 2021, the Company has accrued an additional estimate of $15,251 for contributions likely due as a result of the 401(k) plan compliance review to be performed for the year ended December 31, 2021.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021

12. Acquisition

Panoptes Pharma Ges.m.b.H. Acquisition

Effective December 18, 2020, the Company acquired all of the capital stock of Panoptes Pharma Ges.m.b.H. ("Panoptes"), a privately held clinical stage biotech company focused on developing a novel proprietary small molecule for the treatment of severe eye diseases with a high unmet medical need, as well as for conditions outside the ocular space. With the Panoptes acquisition, Panoptes became a wholly owned subsidiary of Kiora. The acquisition has been accounted for in accordance with FASB's Accounting Standards Codification ("ASC") 805, "Business Combinations", with the assets acquired and liabilities assumed recorded at fair value on the date of the acquisition. The excess of the purchase price over the fair value of the net assets acquired is recorded as goodwill, which is not expected to be deductible for tax purposes.

Under the terms of the Panoptes acquisition agreement, in consideration for 100% of the outstanding equity interests in Panoptes, the Company paid cash in the amount of $0.445 million to certain founders and creditors, issued 884,222 shares of Kiora common stock, and issued 45.893 shares (convertible into 13,000 shares of common stock) of Kiora Series D Convertible Preferred Stock. An additional cash payment is due to a creditor in December 2021 and is recorded at a fair value of $0.212 million at the acquisition date.

Additionally, up to 1,500 shares of Series D Convertible Preferred Stock (convertible into 424,685 shares of common stock) will be issued after a period of 18 months from closing, subject to post-closing adjustments or indemnification obligations, and are recorded as contingent consideration and fair valued at $1.353 million at the acquisition date.

The Panoptes acquisition also includes two cash or stock earn-out provisions providing for an additional cash or stock payment of $4.750 million per milestone contingent upon (1) the enrollment and randomization of a first patient into the first FDA Phase III pivotal study of a Panoptes product and (2) the FDA approval of the first New Drug Application of a Panoptes product. The cash or stock earn-out payments were recorded as contingent consideration and fair valued at $2.067 million at the acquisition date.

The fair value of the shares issued in the Panoptes acquisition was approximately $3.169 million based on the 30-day volume weighted average price of the Company's Common Stock as reported by Bloomberg on the closing date of the acquisition, or $3.5321 per share.

The following table summarizes the purchase price allocation and the estimated fair value of the net assets acquired and liabilities assumed in the Panoptes acquisition at the date of acquisition.

	Panoptes
Current Assets	$ 410,863
In-Process R&D	5,624,100
Goodwill	1,958,711
Property, Plant and Equipment	2,042
Accounts Payable and Other Liabilities	(87,777)
Deferred Tax Liability	(351,507)
Contingent Consideration	(3,632,950)
Assumed Liabilities	(312,852)
Total Purchase Price	$ 3,610,630

(1) Current Assets include cash, receivables, and prepaid expenses of $333,860, $73,368, and $3,635, respectively.

KIORA PHARMACEUTICALS, INC.
(formerly EyeGate Pharmaceuticals, Inc.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021

12. Acquisition (continued)

Net loss in the Condensed Consolidated Statement of Operations for the nine months ended September 30, 2021 includes net losses of Panoptes of $2.551 million. The Company's intangible assets, which consist solely of in-process research and development, 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.

The Company recognized approximately $0.050 million of acquisition-related costs for the Panoptes acquisition that were expensed in the first quarter of 2021 as a component of general and administrative expense.

Pro forma disclosure for Panoptes acquisition

The following tables includes the pro forma results for Panoptes the three and nine months ended September 30, 2020 of the combined companies as though the Panoptes Acquisition had been completed as of the beginning of the period presented.

	Three Months Ended September 30, 2020 (unaudited)	Nine Months Ended September 30, 2020 (unaudited)
Revenues	$ 754,282	$ 866,823
Operating Expenses	2,978,679	7,115,696
Net Loss	$ (2,219,020)	$ (6,225,758)

The pro forma financial information is presented for information purposes only. The unaudited pro forma financial information may not necessarily reflect the Company's future results of operations or what the results of operations would have been had the Company owned and operated Panoptes as of the beginning of the period presented.

13. Subsequent Events

On October 21, 2021, the Company closed on the acquisition of Bayon Therapeutics, Inc. ("Bayon") adding to its pipeline a potential vision-restoring small molecule, which acts as a "photoswitch" specifically designed to restore vision in patients with inherited and age-related degenerative retinal diseases. Under the terms of the agreement, Bayon became a wholly-owned subsidiary of Kiora. The consideration from Kiora (subject to certain adjustments) is $0.097 million at close for paying off indebtedness and transaction expenses of Bayon and 33,798 shares of the Company's common stock.The former stockholders of Bayon are eligible to receive potential earnout consideration of up to approximately $7.1 million and/or, at the Company's discretion, up to approximately 2.2 million shares of the Company's common stock subject to certain limitations, based on the achievement of successive milestones based on clinical trial data and regulatory approval of Bayon products. Kiora's CEO, Brian Strem, was a Co-Founder and Managing Director of Bayon, and thus a related party.

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 24 of our Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 25, 2021. 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". Jade Therapeutics, Inc., a wholly-owned subsidiary of the Company, is referred to herein as "Jade"; Panoptes Pharma Ges.m.b.H., a wholly-owned subsidiary of the Company, is referred to herein as "Panoptes"; and Bayon Therapeutics, Inc., a wholly-owned subsidiary of the Company, is referred to herein as "Bayon."

Business Overview

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

On October 21, 2021, we acquired Bayon, adding to our pipeline a potential vision-restoring small molecule, KIO-301 (formerly known as B-203), which acts as a "photoswitch" specifically designed to restore vision in patients with inherited and age-related degenerative retinal diseases. The molecule was specifically designed to restore the eyes' ability to perceive and interpret vision in visually impaired patients. It selectively enters viable downstream retinal ganglion cells (no longer receiving electrical input due to degenerated rods and cones) and turns them into light sensing cells, capable of signaling the brain as to the presence or absence of light. KIO-301 is expected to enter the clinic in 2022 with an initial focus on patients with later stages of disease progression due to Retinitis Pigmentosa (any and all sub-forms). We plan to further develop the platform for use in patients with Geographic Atrophy, the later stages of Age-Related Macular Degeneration (dry AMD).

In the fourth quarter of 2020, we acquired Panoptes, adding to our pipeline KIO-101 (formerly known as PP-001), a next-generation, non-steroidal, immuno-modulatory and 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 DHODH inhibitors. KIO-101 has been developed in two clinical-stage ophthalmic formulations: an intravitreal injection for inflammatory diseases of the eye including posterior uveitis, and a novel nano carrier technology eye drop for ocular surface diseases such as dry eye disease. Other administration routes are also in development. Top line data in a phase 2 proof-of-concept ("POC") study evaluating KIO-101 in patients with ocular surface inflammation due to ocular surface diseases, including dry eye, is expected in the fourth quarter of 2021.

In addition, we are developing KIO-201 (formerly known as Ocular Bandage Gel or "OBG"), a modified form of the natural polymer hyaluronic acid, designed to protect the ocular surface to permit re-epithelialization of the cornea and improve ocular surface integrity. KIO-201, with unique properties that help hydrate and protect the ocular surface, is in clinical evaluation for patients undergoing PRK surgery for corneal wound repair after refractive surgery and patients with PE as a result of dry eye. A type-B meeting was held with the U.S. Food and Drug Administration's ("FDA") Center for Drug Evaluation and Research ("CDER") division during the first quarter of 2021 to discuss eligibility of continuing KIO-201 clinical studies as a drug. As a result, development of KIO-201 has shifted from a medical device to a drug, which allows for reimbursement under Medicare Part D.

In May 2020, we were granted a loan (the "Loan") from Silicon Valley Bank in the amount of $0.278 million pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted in March 2020. The Loan could have been prepaid by us at any time prior to maturity with no prepayment penalties. Funds from the Loan were only permitted to be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020 ("Qualifying Expenses"). We used the entire Loan amount for Qualifying Expenses. Under the terms of the PPP, certain amounts of the Loan could be forgiven if they are used for Qualifying Expenses as described in the CARES Act. In April of 2021, we were notified by the Small Business Administration ("SBA") that this Loan was forgiven in full.

Throughout our history, we have not generated significant revenue. We have never been profitable and from inception through September 30, 2021, our losses from operations have aggregated $116.356 million. Our Net Loss was $8.017 million and $5.676 million for the nine months ended September 30, 2021 and 2020, 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 KIO-301, KIO-101 and KIO-201 product candidates, and any other product candidates we advance to clinical development. If we obtain regulatory approval for our KIO-301, KIO-101 and KIO-201 product candidates, we expect to incur significant expenses in order to create an infrastructure to support their commercialization including sales, marketing, and distribution functions.

The continued spread of the COVID-19 pandemic could adversely impact our clinical studies. In addition, COVID-19 has resulted in significant governmental measures being implemented to control the spread of the virus, including quarantines, travel restrictions, and business shutdowns. COVID-19 has also caused volatility in the global financial markets and threatened a slowdown in the global economy, which could negatively affect our ability to raise additional capital on attractive terms or at all. See "Item 1A. Risk Factors" beginning on page 24 of our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, or the SEC, on March 25, 2021. The extent to which COVID-19 may impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the outbreak, the emergence of new variants, and the effectiveness of actions to contain and treat COVID-19. We cannot presently predict the scope and severity of any potential disruptions to our business, including to our ongoing and planned clinical studies. Any such shutdowns or other business interruptions could result in material and negative effects to our ability to conduct our business in the manner and on the timelines presently planned, which could have a material adverse impact on our business, results of operation, and financial condition. As of the date of this report, there have been no material adverse effects to our ongoing business operations from COVID-19.

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.

Kiora Pharmaceuticals, Inc. was formed in Delaware on December 26, 2004, and completed a name change from EyeGate Pharmaceuticals, Inc. to Kiora Pharmaceuticals, Inc. on November 8, 2021. We were originally incorporated in 1998 under the name of Optis France S.A. in Paris, France. At that time, the name of the French corporation was changed to EyeGate Pharma S.A.S. and became a subsidiary of EyeGate Pharmaceuticals, Inc. EyeGate Pharma S.A.S. was dissolved effective December 30, 2020. Bayon, Jade and Panoptes are wholly-owned subsidiaries of Kiora Pharmaceuticals, Inc.

Financial Overview

Revenues

To date, we have recognized collaboration revenue from U.S. and foreign government grants made to Jade and Panoptes, as well as from license agreements as performance obligations toward milestones were met. *See* Note 2 to our financial statements, "Summary of Significant Accounting Policies". We expect to continue to incur significant operating losses as we fund research and clinical trial activities relating to our therapeutic assets, consisting of our photoswitch, DHODH and modified HA-based products, or any other product candidate that we may develop. There can be no guarantee that the losses incurred to fund these activities will succeed in generating revenue.

Research and Development Expenses

We expense all research and development expenses as they are incurred. Research and development expenses primarily include:

- non-clinical development, preclinical research, and clinical trial and regulatory-related costs;
- expenses incurred under agreements with sites and consultants that conduct our clinical trials;
- expenses related to generating, filing, and maintaining intellectual property; and
- employee-related expenses, including salaries, bonuses, benefits, travel, and stock-based compensation expense.

Substantially all of our research and development expenses to date have been incurred in connection with KIO-201 and our former legacy products. We expect our research and development expenses to increase for the near future as we advance KIO-301, KIO-101, KIO-201, and any other product candidate through clinical development, including the conduct of our planned clinical trials. The process of conducting clinical trials necessary to obtain regulatory approval is costly and time consuming. We are unable to estimate with any certainty the costs we will incur in the continued development of our KIO-301, KIO-101, KIO-201, and any other product candidate that we may develop. Clinical development timelines, the probability of success and development costs can differ materially from expectations.

We may never succeed in achieving marketing approval for our product candidate.

The costs of clinical trials may vary significantly over the life of a project owing to, but not limited to, the following:

- per patient trial costs;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of patients that participate in the trials;
- the number of doses that patients receive;
- the cost of comparative agents used in trials;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the duration of patient follow-up; and
- the efficacy and safety profile of the product candidate.

We do not expect our product candidates to be commercially available, if at all, for the next several years.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related benefits, including stock-based compensation. Our general and administrative expenses consisted primarily of payroll expenses for our full-time employees. Other general and administrative expenses include professional fees for auditing, tax, patent costs and legal services.

We expect that general and administrative expenses will remain consistent for the near future until commercialization of our photoswitch, DHODH and modified HA-based products, which could lead to an increase in these expenses.

Total Other Income (Expense)

Total other income (expense) consists primarily of interest income we earn on interest-bearing accounts, and interest expense incurred on our outstanding financing arrangements.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which we have prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the expenses during the reporting periods. We evaluate these estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our actual results may differ materially from these estimates under different assumptions or conditions.

While our significant accounting policies are discussed in more detail in Note 2 to our financial statements appearing elsewhere in this Quarterly Report on Form 10-Q, we believe that the following accounting policies are the most critical for fully understanding and evaluating our financial condition and results of operations.

Business Combinations

We applied the provisions of Accounting Standards Codification ("ASC") Topic 805, "Business Combinations," in the accounting for our acquisitions of Bayon and Panoptes. It required us to recognize the assets acquired and the liabilities assumed at their acquisition date fair values, which were determined using market, income, and cost approaches, or a combination. Goodwill as of the respective acquisition date was measured as the excess of consideration transferred over the net of the acquisition date fair value of the assets acquired and the liabilities assumed. Goodwill is generally the result of expected synergies of the combined company or an assembled workforce. Indefinite-lived intangible assets acquired were in-process research and development. The fair value for these intangible assets was determined using the income approach. Under the income approach, fair value reflects the present value of the projected cash flows that are expected to be generated by the products incorporating the in-process research and development, if successful.

Accrued Research and Development Expenses

As part of the process of preparing financial statements, we are required to estimate and accrue research and development expenses. This process involves the following:

- communicating with our applicable personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of actual cost;
- estimating and accruing expenses in our financial statements as of each balance sheet date based on facts and circumstances known to us at the time; and
- periodically confirming the accuracy of our estimates with selected service providers and making adjustments, if necessary.

Examples of estimated research and development expenses that we accrue include:

- fees paid to contract research organizations and investigative sites in connection with clinical studies;
- fees paid to contract manufacturing organizations in connection with non-clinical development, preclinical research, and the production of clinical study materials; and
- professional service fees for consulting and related services.

We base our expense accruals related to non-clinical development, preclinical studies, and clinical trials on our estimates of the services received and efforts expended pursuant to contracts with organizations/consultants that conduct and manage clinical studies on our behalf. The financial terms of these agreements vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts may depend on many factors, such as the successful enrollment of patients, site initiation and the completion of clinical study milestones. Our service providers invoice us as milestones are achieved and monthly in arrears for services performed. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If we do not identify costs that we have begun to incur or if we underestimate or overestimate the level of services performed or the costs of these services, our actual expenses could differ from our estimates. To date, we have not experienced significant changes in our estimates of accrued research and development expenses after a reporting period.

However, due to the nature of estimates, we cannot assure you that we will not make changes to our estimates in the future as we become aware of additional information about the status or conduct of our clinical studies and other research activities.

Stock-Based Compensation

We have issued options to purchase our common stock and restricted stock. Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service/vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based payment awards require the use of highly subjective assumptions, including the expected life of the stock-based payment awards and stock price volatility.

We estimate the grant date fair value of stock options and the related compensation expense, using the Black-Scholes option valuation model. This option valuation model requires the input of subjective assumptions including: (1) expected life (estimated period of time outstanding) of the options granted, (2) volatility, (3) risk-free rate and (4) dividends. In general, the assumptions used in calculating the fair value of stock-based payment awards represent management's best estimates, but the estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future.

Revenue Recognition

Our revenues are generated primarily through arrangements which generally contain multiple elements, or deliverables, including licenses and R&D activities to be performed by us on behalf of the licensor or grantor. Payments to us under these arrangements typically include one or more of the following: (1) nonrefundable, upfront license fees, (2) funding of discovery research efforts on a full-time equivalent basis, (3) reimbursement of research, development and intellectual property costs, (4) milestone payments, and (5) royalties on future product sales.

We recognize revenue when our customer obtains control of promised services, in an amount that reflects the consideration which we expect to receive in exchange for those services. To determine whether arrangements are within the scope of this new guidance, we perform the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy our performance obligation. We apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer to the customer. We recognize revenue from the transaction price applied to each single performance obligation over time as milestones are reached for each performance obligation. We only recognize revenue on those milestones that are within our control and any constrained variable consideration that requires regulatory approval will only be included in the transaction price when performance is complete.

In addition, we may receive government grant funds for specified ocular therapeutic research activities. Revenue under these grants will be recorded when we perform the activities specified by the terms of each grant and are entitled to the funds.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new guidance is effective for smaller reporting companies in fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. We do not expect the adoption of this standard to have a material effect on our Condensed Consolidated Financial Statements and related disclosures.

Other Information

JOBS Act

Effective December 31, 2020, we are no longer considered an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012.

Results of Operations

Comparison of Three Months ended September 30, 2021 and 2020

The following table summarizes the results of our operations for the three months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		
	2021	2020	Change
Operating Expenses:			
Research and Development	$ 1,628,467	$ 985,880	$ 642,587
General and Administrative	1,338,616	1,021,325	317,291
Total Operating Expenses	2,967,083	2,007,205	959,878
Other Income, Net	259	331	(72)
Net Loss	$ (2,966,824)	$ (2,006,874)	$ (959,950)

Research and Development Expenses. Research and Development Expenses were $1.628 million for the three months ended September 30, 2021, compared to $0.986 million for the three months ended September 30, 2020. The increase of $0.643 million was primarily due to development costs for KIO-101, as well as personnel related costs from the Panoptes acquisition. These increases were partially offset by decreases in costs related to KIO-201.

General and Administrative Expenses. General and Administrative Expenses were $1.339 million for the three months ended September 30, 2021, compared to $1.021 million for the three months ended September 30, 2020. The increase of $0.317 million was primarily due to increases in professional fees and personnel related costs.

Comparison of Nine Months ended September 30, 2021 and 2020

The following table summarizes the results of our operations for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30,		
	2021	2020	Change
Operating Expenses:			
Research and Development	$ 4,348,631	$ 2,555,035	$ 1,793,596
General and Administrative	3,944,624	3,144,255	800,369
Total Operating Expenses	8,293,255	5,699,290	2,593,965
Other Income, Net	276,312	23,115	253,197
Net Loss	$ (8,016,943)	$ (5,676,175)	$ (2,340,768)

Research and Development Expenses. Research and Development Expenses were $4.349 million for the nine months ended September 30, 2021, compared to $2.555 million for the nine months ended September 30, 2020. The increase of $1.794 million was primarily due to development costs for KIO-101, as well as personnel related costs from the Panoptes acquisition. These increases were partially offset by a decrease in costs related to KIO-201, as well as costs related to the expiration of a prepaid agreement with a research vendor in the first quarter of 2020.

General and Administrative Expenses. General and Administrative Expenses were $3.945 million for the nine months ended September 30, 2021, compared to $3.144 million for the nine months ended September 30, 2020. The increase of $0.800 million was primarily due to increases in professional fees and personnel related costs.

Other Income, Net. Other Income, Net was $0.276 million for the nine months ended September 30, 2021, compared to $0.023 million for the nine months ended September 30, 2020 mainly due to recording a gain as a result of the full forgiveness of the Loan under the PPP in the second quarter of 2021.

Liquidity and Capital Resources

Since becoming a public company in 2015, we have financed our operations from several registered offerings and private placements of our securities, payments from license agreements, and U.S. and foreign government grants. From inception through November 15, 2021, we have raised a total of approximately $118.6 million from such sales of our equity and debt securities, both as a public company and prior to our IPO, as well as approximately $14.9 million in payments received under our license agreements and government grants and $0.278 million received pursuant to the Loan under the PPP, which was fully forgiven in April of 2021.

On January 3, 2020, we completed a registered direct offering for 500,000 shares of Common Stock with a purchase price of $10.00 per share. Our total net proceeds from the offering were approximately $4.5 million.

On January 6, 2021, we 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 $8.0 million. The warrants have an exercise price of $5.225 per share, subject to adjustments as provided under the terms of the warrants, and will be exercisable on the six-month anniversary of their issuance date. The warrants are exercisable for five years from the issuance date.

On August 11, 2021, we completed a registered direct offering priced at-the-market under Nasdaq Rules for 4,668,844 shares of Common Stock with a purchase price of $2.3025 per share. We also completed a concurrent private placement of unregistered warrants to purchase up to an aggregate of 2,334,422 shares of Common Stock at an exercise price of $2.24 per share that are exercisable immediately upon issuance and will expire five and one-half years following the date of issuance. The total net proceeds to us from the offering were approximately $9.8 million.

At September 30, 2021, we had unrestricted cash and cash equivalents totaling $11.107 million.

The following table sets forth the primary uses of cash for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30,	
	2021	2020
Net Cash Used in Operating Activities	$ (7,477,532)	$ (5,607,702)
Net Cash Used in Investing Activities	$ (63,865)	$ —
Net Cash Provided by Financing Activities	$ 17,517,018	$ 4,779,503

Comparison of Nine Months Ended September 30, 2021 and 2020

Operating Activities. Net cash used in operating activities was $7.478 million for the nine months ended September 30, 2021, compared to $5.608 million for the nine months ended September 30, 2020. During the first nine months of 2021, we recorded a net loss of $8.017 million, an increase in tax credits receivable of $0.335 million, which was partially offset by stock-based compensation expense of $0.629 million, and an increase in accrued and prepaid expenses of $0.208 million. During the first nine months of 2020, we recorded a net loss of $5.676 million, decreases in accounts payable and accrued expenses of $0.462 million, and a decrease in prepaid expenses and other current assets of $0.203 million. These decreases were partially offset by stock-based compensation expense of $0.531 million and the expiration of a prepaid agreement of $0.160 million.

Investing Activities. Net cash used in investing activities was $0.064 million for the nine months ended September 30, 2021, as a result of the purchases of property and equipment related to our lab space.

Financing Activities. Net cash provided by financing activities was $17.517 million for the nine months ended September 30, 2021, compared to $4.780 million for the nine months ended September 30, 2020. During the nine months ended September 30, 2021, we received net proceeds of $9.756 million from the completion of a registered direct offering, as well as net proceeds of $7.989 million from the completion of a private placement. These proceeds were partially offset by full forgiveness of the Loan under the PPP in the amount of $0.278 million. During the nine months ended September 30, 2020, we received net proceeds of $4.501 million from the completion of a registered direct stock offering and $0.278 million of Loan funds from the PPP.

Funding Requirements and Other Liquidity Matters

Our KIO-301, KIO-101 and KIO-201 product pipeline is still in various stages of 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 a Common Stockholder. 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 September 30, 2021, we believe we will have sufficient cash to fund planned operations into the second half of 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. On May 13, 2019, the SEC declared effective our registration statement on Form S-3, registering a total of $50,000,000 of our securities for sale to the public from time to time in what is known as a "shelf offering". We do not know if our future offerings, including offerings pursuant to our shelf registration statement, 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.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements as of September 30, 2021.

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 officer) and our Chief Financial Officer (who is our principal financial and accounting officer) required by Rule 13a-14 of the Exchange Act. *See* Exhibits 31.1 and 31.2. 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 and our Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2021. 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, our Chief Executive Officer and our Chief Financial Officer have concluded that they believe that our disclosure controls and procedures were 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 and the Chief Financial Officer, has evaluated whether any change in our internal control over financial accounting and reporting occurred during the quarter ended September 30, 2021. Management concluded that no changes to our internal control over financial accounting and reporting occurred during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial accounting and reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

While we are not currently a party to any legal proceedings as of September 30, 2021, 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 for the year ended December 31, 2020, 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 for the year ended December 31, 2020.

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: November 15, 2021

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

Date: November 15, 2021

By: /s/ Sarah Romano
Chief Financial Officer
(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
2.1* (1)	Stock Purchase Agreement by and between the Registrant and the Sellers listed therein, dated October 21, 2021.
4.1 (2)	Form of Common Stock Purchase Warrant dated August 11, 2021.
4.2 (2)	Form of Placement Agent Purchase Warrant dated August 11, 2021.
10.1# (3)	Employment Agreement by and between the Registrant and Brian M. Strem, dated as of July 22, 2021.
10.2* (2)	Form of Securities Purchase Agreement dated August 11, 2021.
10.3 (2)	Engagement Letter by and between the Registrant and H.C. Wainwright & Co., LLC, dated as of August 5, 2021.
10.4# (1)	Employment Agreement by and between the Registrant and Eric J. Daniels, dated as of October 21, 2021.
31.1	Certification of principal executive officer pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of 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 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of 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)

1. Previously filed as an exhibit to the Company's Current Report on Form 8-K (filed October 26, 2021) and incorporated by reference thereto.

2. Previously filed as an exhibit to the Company's Current Report on Form 8-K (filed August 10, 2021) and incorporated by reference thereto.

3. Previously filed as an exhibit to the Company's Current Report on Form 8-K (filed July 26, 2021) and incorporated by reference thereto.

Management contract or compensatory plan or arrangement.

* Schedules and similar attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish to the Securities and Exchange Commission a copy of such schedules and exhibits, or any section thereof, upon request.

** 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. The registrant's other certifying officer and I are 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. The registrant's other certifying officer and 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: November 15, 2021

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

Brian M. Strem, Ph.D.
President and Chief Executive Officer
(Principal executive officer)

EXHIBIT 31.2

Certification

I, Sarah Romano, 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. The registrant's other certifying officer and I are 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. The registrant's other certifying officer and 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: November 15, 2021

/s/ Sarah Romano

Sarah Romano
Chief Financial Officer
(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 September 30, 2021 (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: November 15, 2021

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

EXHIBIT 32.2

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 her knowledge that the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021 (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: November 15, 2021

/s/ Sarah Romano
Sarah Romano
Chief Financial Officer
(Principal financial and accounting officer)