
# Khiron Life Sciences Corp.

(formerly Adent Capital Corp.)

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2018

**DATED APRIL 30, 2019**

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## ABOUT THIS ANNUAL INFORMATION FORM

In this annual information form ("**AIF**" or "**Annual Information Form**"), unless the context otherwise requires, the "**Company**" or "**Khiron**" refers to Khiron Life Sciences Corp. together with its subsidiaries, on a consolidated basis. References to "Adent" refer to the Company prior to the completion of the QT (as defined herein). All financial information in this Annual Information Form is prepared in Canadian dollars and using International Financial Reporting Standards as issued by the International Accounting Standards Board.

This AIF applies to the business activities and operations of the Company for the year ended December 31, 2018, with certain information updated to reflect, among other things, the QT that closed on May 16, 2018. Unless otherwise indicated, the information in this AIF is given as of April 30, 2019**.**

Except as otherwise indicated in this AIF, references to "Canadian dollars" or "$" are to the currency of Canada.

This AIF contains company names, product names, trade names, trademarks and service marks of the Company and other organizations, all of which are the property of their respective owners.

## CAUTIONARY NOTES

### Forward-Looking Statements

This AIF contains forward-looking statements or information (collectively "**forward-looking statements**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. The forward-looking statements are contained principally in the sections titled "*Description of the Business*" and "*Risk Factors*".

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues", "plan", "believe", "aim", "seek" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on current expectations and projections about future events and financial trends that they believe may affect the Company's financial condition, results of operations, business strategy and financial needs, as the case may be.

Forward-looking statements include, among other things, statements relating to:

- the Company's business objectives and milestones and the anticipated timing of execution;
- the completion of the Dayacann Transaction, Netta Transaction and Dixie Transaction (each as hereinafter defined), and the anticipated benefits to the Company, see *"General Development of the Business"*;
- the accretive benefits to the business of the Company of any recently completed and proposed transaction involving the Company;
- the performance of the Company's business and operations;
- the intention to grow the business, operations and potential activities of the Company;
- the competitive and business strategies of the Company;
- the Company's anticipated operating cash requirements and future financing needs; the anticipated future gross revenues and profit margins of the Company's operations;
- the Company's expectations regarding its revenue, expenses and operations;
- the Company's intention to build a brand and develop cannabis products and cosmeceuticals targeted to specific segments of the market;
- the ongoing and proposed expansion of the Company's facilities, services, including expansions to it facilities, and their costs;

- the current political, legal and regulatory landscape surrounding medical and recreational cannabis and expected developments in any jurisdiction in which the Company operates or plans to operate;
- the applicable laws, regulations and any amendments thereof;
- medical benefits, viability, safety, efficacy and dosing of cannabis;
- the Company's Colombian and international expansion plans;
- expectations with respect to the advancement and adoption of new product lines and ingredients;
- the acceptance by customers and the marketplace of new products and solutions;
- ability to attract new customers and develop and maintain existing customers;
- ability to identify and maintain suppliers of active cannabis and non-cannabis materials in the jurisdictions in which it operates or plans to operate;
- expectations with respect to future production costs and capacity;
- expectations with respect to the renewal and/or extension of the Company's permits and licenses;
- the ability to protect, maintain and enforce the Company's intellectual property rights;
- ability to successfully leverage current and future strategic partnerships and alliances;
- the ability to attract and retain personnel;
- anticipated labour and materials costs;
- the Company's competitive condition and expectations regarding competition, including pricing and demand expectations and the regulatory environment in which the Company operates; and
- anticipated trends and challenges in the Company's business and the markets and jurisdictions in which the Company operates.

Forward-looking statements are based on certain key assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors the Company believes are appropriate, and are subject to risks and uncertainties. Although management believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, shareholders and prospective purchasers of the Company's securities should not place undue reliance on these forward-looking statements. The above list of forward-looking statements is not exhaustive and whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

Certain of the forward-looking statements contained herein concerning the medical marijuana, extracts and cosmeceutical industry, the general expectations of the Company related thereto, and the Company's business and operations are based on estimates prepared by the Company using data from publicly available governmental sources, as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While the Company is not aware of any misstatement regarding any industry or government data presented herein, the current medical marijuana, extracts and cosmeceutical industry involve risks and uncertainties and are subject to change based on various factors. It is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. **Readers are cautioned that actual future results may differ materially from management's current expectations and the forward-looking statements contained in this AIF are expressly qualified in their entirety by this cautionary statement. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this AIF, please see "*Risk Factors*".**

**Market and Industry Data**

This AIF contains market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this AIF, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

## DEFINITIONS AND GLOSSARY OF TERMS

*The following is a glossary of certain general terms used in this Annual Information Form, including the summary hereof. Terms and abbreviations used in the financial statements included in, or appended to this Annual Information Form are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.*

**"Adent"** means Adent Capital Corp., prior to the completion of the QT;

"**Adent SubCo**" means 10546534 Canada Ltd., a wholly-owned subsidiary of Adent incorporated under the CBCA and formed for the purposes of effecting the QT;

**"Affiliate"** means a company that is affiliated with another company as described below:

A company is an "**Affiliate**" of another company if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same Person.

A ompany is **"controlled"** by a Person if:

(a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person; and

(b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

(a) a company controlled by that Person; or

(b) an Affiliate of that Person or an Affiliate of any company controlled by that Person;

**"Agency Agreement"** means the agency agreement dated September 6, 2018 between Khiron and Canaccord Genuity Corp., as lead agent, together with GMP Securities L.P., Sprott Private Wealth LP and Cormark Securities Inc., made pursuant to the September 2018 Offering.

**"Amalgamation"** means the amalgamation of Adent SubCo and Khiron PrivateCo in accordance with the provisions of section 181 of the CBCA and completed May 16, 2018;

**"Amalgamation Agreement"** means the amalgamation agreement entered into between Adent, Adent SubCo and Khiron PrivateCo governing the terms of the Amalgamation;

**"April 2018 Private Placement"** means the private placement of 905,000 units of Khiron PrivateCo at a price of $1.00 per unit for gross proceeds of $905,000, completed April 4, 2018. Each unit consisted of one

Khiron Share and one Khiron warrant, with each warrant being exercisable into one Khiron Share at a price of $1.20 until May 24, 2020, subject to adjustment and acceleration;

**"August 2017 Private Placement"** means Khiron PrivateCo's private placement of 4,270,283 units at a price of $0.70 per unit for gross proceeds of $2,989,198.10 that closed on August 24, 2017. Each unit consisted of one Khiron PrivateCo common share and one-half of one Khiron PrivateCo warrant. Each whole Khiron PrivateCo warrant is exercisable for one Khiron Share at a price of $1.05 until May 24, 2020, subject to adjustment. Subscribers of the August 2017 Private Placement received additional Khiron PrivateCo common shares equal to 15% of their initial subscription amount as Khiron failed to complete a liquidity event within 7 months of the closing date;

**"August 2017 Warrant Indenture"** means the warrant indenture dated August 24, 2017 entered into in connection with the August 2017 Private Placement governing the terms of warrants issued thereunder;

**"BCBCA"** means the *Business Corporations Act* (British Columbia), including the regulations promulgated thereunder, as amended;

**"Board"** means the board of directors of Khiron;

**"CBCA"** means the *Canada Business Corporations Act*, including the regulations promulgated thereunder, as amended;

**"CBD"** means cannabidiol;

**"COFEPRIS"** means Mexico's Federal commission for the Protection Against Sanitary Risk;

**"CPC Escrow Agreement"** means the escrow agreement dated May 22, 2012 between Adent, the Escrow Agent and certain shareholders of Adent;

**"Cultivation Facility"** means the fully integrated (cultivation to extraction) and GMP compliant facility constructed on the Leased Lands for the purposes of cultivating High THC Medicinal Cannabis and Low THC Medicinal Cannabis;

**"Dayacann"** means Dayacann SpA;

**"Dayacann Agreement"** means the strategic commercial alliance agreement dated January 18, 2019 between Dayacann and the Company;

**"Dayacann Transaction"** means both of the Dayacann Agreement and the Fundacion Agreement;

**"Dormul"** means Dormul S.A.;

**"Escrow Agent"** means TSX Trust Company;

**"February 2019 Offering"** is defined at *"General Development of the Business – Events Following the QT"*;

**"Final Exchange Bulletin"** means the TSXV bulletin issued on May 22, 2018 and evidencing the final TSXV acceptance of the QT;

**"FNE"** means the National Narcotics Fund (Fondo Nacional de Estupefacientes), the Colombian narcotics regulatory regime;

**"Fundacion"** means Fundacion Daya;

**"Fundacion Agreement"** means the strategic alliance agreement dated January 18, 2019 between Fundacion and the Company;

**"Free Trade Agreement"** means the August 2011 Free Trade Agreement between Canada and Colombia as defined in "*Risk Factors – Risks Relating to the Company's Business and Operations – Risks Inherent in Rural Real Estate*";

**"GEP Standards"** means the Colombian good elaboration practices certified in accordance with the guidelines set out in Decree 2200 of 2005 and INVIMA Resolution 444 of 2008;

**"GMP Standards"** means the Colombian good manufacturing standards for pharmaceutical laboratories in accordance with the guidelines set out in Decree 549 of 2001 and INVIMA Resolution 01087 of 2001;

**"High THC Medicinal Cannabis"** means psychoactive cannabis containing more than 1% THC;

**"HSEQ"** means health, safety, environment and quality;

**"ICA"** means the Colombian Agricultural Institute;

**"IFRS"** means International Financial Reporting Standards;

**"ILANS Agreement"** means the share purchase agreement dated October 22, 2018, between the Company and Jemarz;

**"Insider"** if used in relation to an issuer, means:

(a) a director or senior officer of the company;

(b) a director or senior officer of the company that is an Insider or subsidiary of the company;

(c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the company; or

(d) the company itself if it holds any of its own securities;

**"INVIMA"** means the Colombia National Food and Drug Surveillance Institute (Instituto Nacional de Vigilancia de Medicamentos y Alimentos), the Colombian prescription drug regulatory body;

**"Jemarz"** means Jemarz S.A.S.;

**"Khiron"** or **"Company"** means Khiron Life Sciences Corp. (formerly Adent), a BCBCA corporation;

**"Khiron Colombia"** means Khiron Colombia S.A.S., a wholly-owned subsidiary of Khiron, incorporated under the laws of Colombia;

**"Khiron PrivateCo"** means privately held Khiron Life Sciences Corp., a CBCA corporation, existing prior to the completion of the Amalgamation;

**"Khiron Shares"** means common shares in the capital of Khiron;

**"Khiron SubCo"** means Khiron Life Sciences Corp., a wholly-owned subsidiary of the Company existing under the CBCA and formed following the Amalgamation;

**"Leased Lands"** means up to 17 hectares of land in the Municipality of Piedras, in the Department of Tolima, located near Ibagué, 3 hours from Bogotá, on which Khiron has begun cultivating and processing medicinal cannabis, identified with plot certificate 351-2361;

**"Low THC Medicinal Cannabis"** means non-psychoactive cannabis containing less than 1% THC;

**"March 2017 Private Placement"** means the private placement of 8,000,000 Khiron PrivateCo common shares at a price of $0.25 per share for gross proceeds of $2,000,000, the final tranche of which closed on April 12, 2017. Subscribers of the March 2017 Private Placement received additional Khiron PrivateCo common shares equal to 10% of their initial subscription amount as Khiron failed to complete a liquidity event within 12 months of the closing date.

**"medicinal cannabis"** means, with respect to the business of Khiron, the cannabinoids extracted for medicinal purposes to treat certain diseases or minimize specific symptoms and, for clarity, unless otherwise indicated, reference made to medicinal cannabis in this Annual Information Form shall not be considered as referring to the business of cannabis for scientific research or medicinal use;

**"Ministry of Agriculture"** means the Colombian Ministry of Agriculture and Rural Development;

**"Ministry of Health"** means the Colombian Ministry of Health and Social Protection;

**"Ministry of Justice"** means the Colombian Ministry of Justice and Law;

**"National System of Protected Areas"** has meaning given in "*Risk Factors – Risks Relating to the Company's Business and Operations – Protected Areas Established by the National System of Protected Areas*";

**"Netta"** means NettaGrowth International Inc.;

"**Netta LOI"** means the binding letter agreement dated January 24, 2019 between Netta and the Company, as amended and extended on February 16, 2019;

**"NEX"** means the NEX board of the TSXV;

**"Person"** includes a corporation, individual, partnership, trust, fund, an association, syndicate, organization or other organized group of persons, whether incorporated or not, and an individual or other person in its capacity as a trustee, executor, administrator or personal or other legal representative;

**"QT"** means the reverse takeover of the Company (formerly Adent) by Khiron PrivateCo completed May 16, 2018, which transaction constituted the Company's 'Qualifying Transaction' pursuant to TSXV policy 2.4.

**"QT Agency Agreement"** means the agency agreement dated January 12, 2018 between Adent, Khiron PrivateCo, Canaccord Genuity Corp. and Eight Capital entered into in connection with the QT Financing;

**"QT Broker Warrants"** means the 785,830 non-transferrable broker warrants issued in connection with the QT Financing;

**"QT Definitive Agreement"** means the definitive business combination agreement dated December 22, 2017 between Adent and Khiron PrivateCo pursuant to which the parties agreed to complete the Amalgamation on the terms and conditions set forth therein;

**"QT Financing"** means the private placement offering by Khiron PrivateCo of 11,230,000 Subscription Receipts, completed on January 12, 2018 pursuant to the QT Agency Agreement and the Subscription Receipt Agreement;

**"QT Warrant Indenture"** means the warrant indenture entered into at closing of the QT Financing governing the terms of issuance and exercise of the warrants to be issued upon conversion of the Subscription Receipts;

**"RSU"** means a restricted share unit of the Company issued pursuant to the RSU Plan;

**"RSU Plan"** means the restrictive share unit incentive plan of the Company approved by shareholders at the Adent shareholders meeting held on March 5, 2018 and to be approved by Khiron shareholders at the Company's next shareholder meeting;

**"September 2018 Offering"** is defined in *"General Development of the Business - Events Following the QT"";*

**"Stock Option Plan"** means the stock option plan of the Company approved by shareholders at the Adent shareholder meeting held on March 5, 2018 and to be approved by Khiron shareholders at the Company's next shareholder meeting;

**"Subscription Receipt Agreement"** means the subscription receipt indenture dated January 12, 2018 between Adent, Khiron PrivateCo, Canaccord Genuity Corp. and the TSX Trust Company, as Subscription Receipt agent, as amended or supplemented from time to time;

**"Subscription Receipts"** means the subscription receipts of Khiron PrivateCo issued pursuant to the QT Financing and Subscription Receipt Agreement at an issue price of $1.00 per Subscription Receipt, each Subscription Receipt being convertible into one unit consisting of one Khiron PrivateCo common share and one Khiron PrivateCo warrant exercisable at a price of $1.20 until May 24, 2020, subject to adjustment and acceleration. Upon satisfaction of certain escrow release conditions upon completion of the QT, each Subscription Receipt was converted, for no additional consideration, into one Khiron Share and one Khiron warrant exercisable on the same terms as noted above;

**"subsidiary"** includes, with respect to any person, company, partnership, limited partnership, trust or other entity, any company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person, company, partnership, limited partnership, trust or other entity;

**"THC"** means tetrahydrocannabinol;

**"TSXV"** or **"Exchange"** means the TSX Venture Exchange;

**"Underwriting Agreement"** means the underwriting agreement dated February 12, 2019 between Khiron and Canaccord Genuity Corp. and BMO Nesbitt Burns Inc., as co-lead underwriters and joint bookrunners, together with Cormark Securities Inc., made pursuant to the February 2019 Offering; and

**"Value Escrow Agreement"** means the Exchange Form 5D Tier 2 Value Security Escrow Agreement entered into in connection with the completion of the QT between the Company, the Escrow Agent and certain Khiron shareholders.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

The Company was originally incorporated under the BCBCA on May 16, 2012 under the name "Adent Capital Corp.", and its common shares were listed for trading on the TSXV under the symbol "ANT.P" on October 23, 2012, as a capital pool company pursuant to TSXV Policy 2.4 – *Capital Pool Companies* (the "**CPC Policy**"). On January 22, 2015, trading of the Company's common shares was transferred to the NEX board of the TSXV under the symbol "ANT.H".

On October 24, 2017, trading in the common shares of the Company was halted pending completion of the QT with Khiron PrivateCo pursuant to the CPC Policy.

On May 15, 2018, the Company amended its articles to consolidate its outstanding common shares on an 8 for 1 basis and to change its name from "Adent Capital Corp." to "Khiron Life Sciences Corp.". On May 16, 2018, Adent SubCo amalgamated with Khiron PrivateCo, which transaction constituted the Company's QT pursuant to the CPC Policy. Following completion of the QT, the Khiron Shares resumed trading on the TSXV on May 24, 2018 under the symbol "KHRN".

On August 15, 2018, Khiron Shares commenced trading on the OTCQB under the symbol "KHRNF".

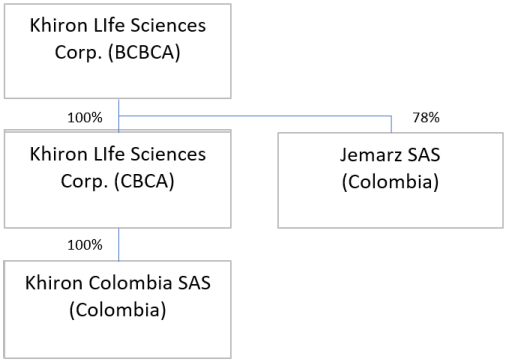
Following the completion of the QT, Khiron had two wholly-owned subsidiaries, Khiron Life Sciences Corp., a CBCA corporation formed from the Amalgamation, and Khiron Colombia S.A.S., a company incorporated under the laws of Colombia. Khiron Colombia has its registered office address at Bogota, Colombia and is the operating entity holding all licenses and assets in Colombia.

On December 13, 2018, the Company announced it had completed the first tranche of its multi-stage acquisition of the Latin American Institute of Neurology and the Nervous System ("**ILANS**"), by acquiring 54% of Jemarz, its third subsidiary. On February 28, 2019, the Company acquired a further 24% stake in Jemarz, bringing its total interest to 78%. For more information, see *"General Development of the Business".*

Khiron's head office and registered office is located at 2300-550 Burrard Street, Vancouver, BC, V6C 2B5. The Company's telephone number is 705-527-3564 and its corporate website is www.khiron.ca.

**Intercorporate Relationships**

The following chart illustrates the Company's corporate structure as at the date of this AIF, together with the governing law of each principal subsidiary and the percentage of voting securities beneficially owned by the Company.




## GENERAL DEVELOPMENT OF THE BUSINESS

Khiron is a Canadian integrated cannabis company with its core operations in Latin America. Khiron combines leading international scientific expertise, agricultural advantages, and branded product market entrance experience to address a Latin American market of over 620 million people. Khiron is focused on improving the quality of life of people by developing high-quality cannabis-based products in the medical and wellness categories across Latin America. Its subsidiaries across Latin America are led by Khiron Colombia, which is fully licensed in the country for the cultivation, production, domestic distribution, and international export of both THC and CBD medical cannabis. Khiron is also licensed to sell CBD-based cosmeceutical products in Colombia. Khiron is led by co-founder and Chief Executive Officer, Alvaro Torres, together with an experienced executive team, and a knowledgeable Board that includes former President of Mexico, Vicente Fox.

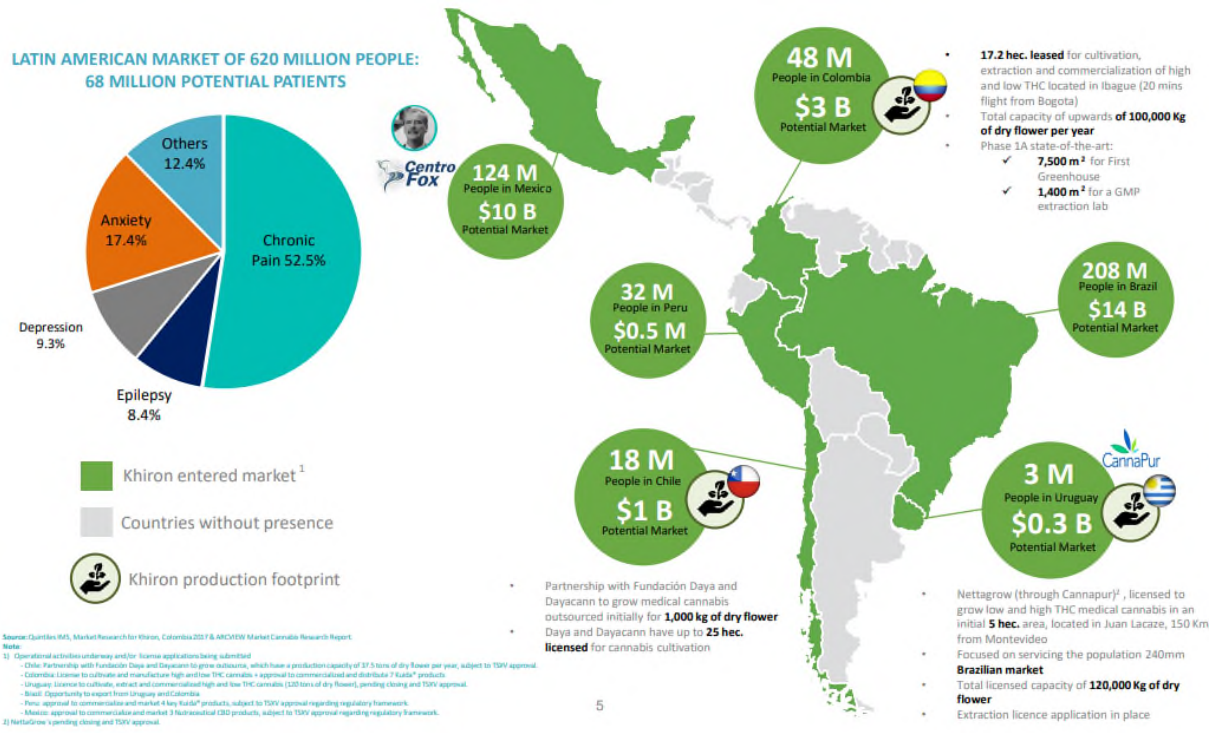



**Figure 1: Khiron's focused regional approach.**

## Events Prior to the QT

Prior to the QT, the Company was a capital pool company under the policies of the TSXV that did not own any assets other than cash or cash equivalents. The principal business of the Company was to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to acceptance by the TSXV so as to complete a 'Qualifying Transaction' in accordance with the policies of the TSXV.

The following are highlights of Khiron PrivateCo and Khiron Colombia prior to the QT:

*February 17, 2017 – December 31, 2017*

On February 17, 2017, Khiron PrivateCo acquired all of the issued and outstanding shares of Chiron Inversiones S.A.S. ("**Chiron**"), a company incorporated under the laws of Colombia. Consideration for the acquisition included the issuance of 14,300,000 common shares in the capital of PrivateCo.

On April 12, 2017, Khiron PrivateCo completed the first tranche of the March 2017 Private Placement.

On April 26, 2017, Chiron changed its name to "Khiron Colombia S.A.S."

On August 24, 2017, Khiron PrivateCo completed the first tranche of the August 2017 Private Placement.

On September 22, 2017, the Ministry of Justice and Law in Colombia issued Resolution 000069 of 2017 granting a licence to Khiron Colombia for the cultivation of medicinal cannabis – one of the first such licences ever issued in Colombia under Law 1787 of 2016, Decree 1427 of 2017, and Decree 613 of 2017, in accordance with the provisions of Resolutions 577 and 578, 2017 (the "**Low THC Cultivation Licence**"). The granting of this Low THC Cultivation Licence allows Khiron Colombia to produce low tetrahydrocannabinol ("**THC**") (less than 1%) medicinal cannabis for domestic and international consumption.

On October 4, 2017, the Ministry of Health and Social Protection issued Resolution 003735 of 2017 granting a licence to Khiron Colombia under Law 1787 of 2016, Article 2.8.11.1.1 of Decree 780 of 2016, and Resolutions 2891 and 2892 of 2017 (the "**High THC Production Licence**") authorizing the use of the High THC Cultivation Licence issued by the Ministry of Justice and the domestic and international distribution of high THC extracts. Further, the Colombian government approved 7.2 hectares of land on which Khiron Colombia can commence cultivation of medicinal cannabis. The cultivation site is located outside of Ibagué, Colombia.

On October 19, 2017, Khiron Colombia received an additional licence from the Ministry of Justice in Colombia pursuant to Resolution 0841 of 2017 for the cultivation of high THC (more than 1%) medicinal cannabis under Law 1787 of 2016, Decree 1427 of 2017, and Decree 613 of 2017, in accordance with the provisions of Resolutions 577, 578 and 579, 2017 (the "**High THC Cultivation Licence**", and collectively with the Low THC Cultivation Licence and the High THC Production Licence, the "**Licences**"). Khiron Colombia was one of the first companies to receive the Licences in Colombia. With these Licences and authorizations, Khiron Colombia was fully approved to cultivate, produce, distribute domestically and export internationally both THC and CBD medicinal cannabis.

On October 25, 2017, Khiron (formerly Adent) entered into a letter of intent with Khiron PrivateCo, pursuant to which the parties agreed to complete the proposed QT (defined herein).

On December 22, 2017, the Company (formerly Adent) entered into the definitive agreement with Khiron PrivateCo with respect to the QT.

On December 26, 2017, the FNE issued resolution 766 of 2017 registering Khiron Colombia for the national use, commercialization, distribution and possession of cannabis and its derivatives for medical purposes.

On December 28, 2017, Khiron Colombia received its medical cannabis quota allocation provided by the Government of Colombia. This allocation of quota enables Khiron Colombia to commence cultivation of medical cannabis mother plants on its approved lands.

*January 1, 2018 to May 16, 2018*

On January 12, 2018, Khiron PrivateCo completed the QT Financing for gross proceeds of $11,230,000.

During January 2018, Khiron Colombia completed perimeter enclosures and security milestones in compliance with the FNE. Standard operating procedures were developed and implemented by security personnel ensuring proper entry and exit of all individuals.

During March 2018, Khiron Colombia's initial greenhouse structures were completed, integrating agricultural and operational systems including water treatment, hydroponics, fire protection, and voice and data communications. The initial greenhouse area is 7,500$m^2$.

On April 4, 2018, Khiron PrivateCo completed the April 2018 Private Placement.

During April 2018, the ICA granted Khiron Colombia the authorization to become an official seed producer after an audit of the cultivation infrastructure.

**The QT**

On May 16, 2018, the Company (formerly Adent) completed the QT with Khiron PrivateCo. The QT involved, among other things, (i) the amalgamation of the Company's wholly-owned subsidiary, Adent SubCo and Khiron PrivateCo; (ii) the consolidation of the Company's issued and outstanding common shares on an 8 for 1 basis; (iii) the exchange all of the issued and outstanding securities of Khiron SubCo for securities of

the Company; (iv) the reconstitution of the Company's management and Board; and (v) a change of name of the Company. The QT constituted the Company's 'Qualifying Transaction' pursuant to the CPC Policy.

In connection with the QT, on January 12, 2018, Khiron PrivateCo completed the QT Financing, a brokered private placement offering of 11,230,000 Subscription Receipts at a price of $1.00 per Subscription Receipt for aggregate gross proceeds of $11,230,000. In accordance with their terms, the Subscription Receipts were automatically converted, without any additional consideration therefor or action on the part of the holders thereof, for 11,230,000 Khiron PrivateCo common shares and 11,230,000 Khiron PrivateCo warrant, which were then subsequently exchanged for securities of the Company on a 1 for 1 basis (post-consolidation).

In addition, following the Company's share consolidation and the Amalgamation, the Company issued, for no additional consideration, a total of (i) 34,915,823 common shares to Khiron PrivateCo shareholders in exchange for Khiron PrivateCo common shares on a 1 to 1 basis, (ii) 3,012,500 options of the Company in exchange for equivalent Khiron PrivateCo options, (iii) 4,327,448 warrants of the Company in exchange for equivalent Khiron PrivateCo warrants, and (iv) 785,830 broker warrants of the Company in exchange for equivalent QT Broker Warrants.

As a result of the QT, the Company's financial year end changed from May 31 to December 31.

Immediately following the completion of the QT, a total of 46,852,073 common shares of the Company were issued and outstanding, of which existing Company shareholders (formerly Adent) held 706,250 common shares (representing 1.5% on a non-diluted basis), former Khiron PrivateCo shareholders held 34,915,823 common shares (representing 74.5% on a non-diluted basis) and former Subscription Receipt holders held 11,230,000 common shares (representing 24.0% on a non-diluted basis). Additionally, 15,557,448 warrants of the Company, 3,012,500 options and 785,830 QT Broker Warrants issued in connection with the QT were issued and outstanding.

As a result of the QT, the Company met the listing requirements for a "Tier 2" issuer on the TSXV. On May 22, 2018, Khiron received final listing approval from the TSXV, and the Khiron Shares resumed trading on the TSXV on May 24, 2018 under the new ticker symbol "KHRN". Khiron is the first Colombian medical cannabis company to list on any stock exchange.

On August 15, 2018, the Khiron Shares commenced trading on the OTCQB under the symbol "KHRNF".

**Events following the QT**

*May 17, 2018 to December 31, 2018*

On May 23, 2018, the Company issued 1,105,000 stock options to purchase Khiron Shares exercisable at $1.40 per Khiron Share for a period 5 years following shareholder approval of the Company's Stock Option Plan and 5,135,000 restricted share units of the Company ("**RSUs**") to employees, consultants, officers and directors pursuant to the Company's RSU Plan, each such RSU vesting over a two-year period following shareholder approval of the RSU Plan and representing the right to receive one Khiron Share or its cash equivalent.

During May 2018, the ICA authorized Khiron Colombia to become an official seed producer after an audit of its cultivation infrastructure. This authorization is mandatory to begin the agricultural processing of cannabis.

On May 24, 2018, the Khiron Shares resumed trading on the TSXV, after which the Company became the first fully-licensed grower of medical cannabis with operations in Colombia to be listed on the TSXV.

On May 28, 2018, Khiron Colombia was registered by ICA as an agronomical unit, which means the Company is able to begin registering its cannabis strains; a necessary step towards commercial cultivation. The ICA completed a site inspection of Khiron Colombia's facility and verified the site as ready for commercial production. This inspection included an audit of greenhouse and propagation area conditions, cultivation procedures and protocols, storage area conditions, and the methodologies applied to analyze and test strains.

During May 2018, Khiron Colombia received approvals from INVIMA to commercialize CBD-cosmeceutical products for Colombian domestic sale and export. As a result, Khiron became the first fully licensed medical cannabis company to receive approvals from INVIMA for such products. A cosmeceutical product is a cosmetic with biochemical characteristics, and although they are topical in nature and pursue an aesthetic objective, they have highly active ingredients with therapeutic functions. These products will form part of Khiron's wellness business unit and will be specifically branded for consumers seeking innovative and premium products from natural sources.


Figure 2: Branding for Khiron's "Kuida" line of cosmeceutical products.

On June 11, 2018, Khiron secured medical cannabis endorsements from the Colombian Association of Internal Medicine and the Colombian Association of Neurology, two of the largest medical associations in Colombia.

On June 15, 2018, INVIMA granted Khiron Colombia authorization for the production, sale and export of four additional CBD-based cosmeceutical products for skin and body care uses to be developed under the Company's "Kuida" banner.

On July 17, 2018, Khiron appointed Vicente Fox to its Board. Mr. Fox is the former CEO of Coca Cola Mexico, former President of Mexico and a significant advocate for the legalization of cannabis in Mexico.

On June 26, 2018, Khiron appointed Chris Naprawa to the position of President. Mr. Naprawa was formerly a Partner at Sprott Capital Partners, Head of Equity Sales at Macquarie Canada, Head of Equity Sales and Trading at Dundee Securities, and Managing Director at Primary Capital.

On August 2, 2018, the Company expanded its agricultural land from an initially leased 4.5 hectares to 17.5 hectares in Ibague, Colombia.

On September 6, 2018, the Company started agronomical evaluation tests which are audited by ICA for the registration of five different varieties of cannabis. These tests include genealogy evaluation of the strains, cutting process evaluation and continuous measurements of the plants to define the specific characteristics of the strain throughout its growing process. The Company currently has approximately 56 strains involved in the registration process. Once tests are completed, the Company will have fully registered strains in the Colombian government database, and will be able to grow commercially all such approved strains.

On September 12, 2018, the Company completed a marketed short form prospectus offering of 14,375,000 Khiron Shares at $0.90 per share for aggregate gross proceeds of $12,937,500. The Company also issued compensation warrants to the agents to purchase up to an additional 1,006,250 Khiron Shares at $0.90 per share for a period expiring September 12, 2020 (the "**September 2018 Offering**").

On September 18, 2018, the Company prepared to enter the Chilean market by signing a memorandum of understanding with Fundacion and Dayacann. Fundacion was the first organization to receive cultivation permits in Chile from the Agricultural and Livestock Services ("**SAG**").

In September 2018, the Company launched Kuida®, the first CBD-based cosmeceutical brand in Colombia. Khiron recognized first sales in October 2018 of seven wellness products in Colombia with production and sale authorization from INVIMA.

On October 2, 2018, the Company announced that it had secured multi-channel distribution agreements for its Kuida® skincare products with leading Colombian cosmeceutical distributors, including with Farmatodo and Farmalisto, each a leading retail and digital drugstore in Colombia.

On October 26, 2018, Khiron secured medical endorsements from the Colombian Association of Palliative Care, the leading palliative care association in Colombia. This development represents a significant milestone related to Khiron`s strategy of meeting the medical needs of 4 million palliative care patients in Latin America.

On November 15, 2018, the Company announced that it had received $14,007,000 from the exercise of warrants following the accelerated expiry previously announced on October 25, 2018. A total of 11,672,250 warrants were exercised at a price of $1.20 per warrant, representing 96% of the warrants subject to the accelerated expiry.

On November 15, 2018, Khiron received approval from the Obligatory Sanitary Notification for commercialization of four Kuida® CBD-based cosmeceutical products in Peru.

On November 19, 2018, Khiron acquired additional cultivation quotas from the Colombian Technical Quotas Group to cultivate 5,040 psychoactive cannabis plants for the purposes of completing the ICA agronomic evaluation tests. These quotas are focused on the cultivation of the five strains that the Company is initially registering.

On November 30, 2018, COFEPRIS granted approval to Kuida Life Mexico S.A., the Company's wholly-owned subsidiary, to commercialize three supplement products. The Company is currently awaiting further confirmations from COFEPRIS after the new Government of Mexico announced it was implementing new guidelines and proposing a new law in Mexico to formally legalize medical and recreational cannabis.

On December 11, 2018, Khiron received a medical endorsement with the Colombian Association for the Study of Pain ("**ACED**"). In endorsing Khiron's patient-focused approach to medical cannabis research and product development, ACED has committed to partnering with the Company on a schedule of patient and physician education programs, modules and events.

On December 13, 2018, the Company announced that pursuant to the terms of the ILANS Agreement it had completed the first tranche of its staged acquisition of ILANS, by acquiring 53% of Jemarz for a cash

payment of $1,393,000 and the issuance of 1,400,000 Khiron Shares. On December 9, 2018, the parties amended the ILANS Agreement to provide for the inclusion of an additional tranche, whereby the Company acquired a further 1% interest in Jemarz upon payment of $67,000 on December 10, 2018. Upon completion of the payment schedule for the ILANS acquisition, the Company will own 100% of the issued and outstanding shares of ILANS. Reference press release dated XX for further details.

On December 13, 2018, the Company announced that pursuant to the terms of the ILANS Agreement, it had completed the first tranche of its staged acquisition of ILANS, by acquiring 53% of Jemarz for a cash payment of $1,393,000 and the issuance of 1,400,000 Khiron Shares. Under the ILANS Agreement, the balance of the aggregate purchase price for the remaining interest in Jemarz, being $3,337,000, was to be paid in three tranches with the final payment due November 30, 2020. The Company also agreed to an earn-out payment of up to $5,000,000 payable upon the satisfaction of certain conditions on or before December 3, 2020 (the "**Earn-out Payment**"). The first $3,000,000 of the Earn-out Payment is payable upon Jemarz securing approvals from at least two insurance providers of coverage for medical cannabis products, and the remaining $2,000,000 is payable to Jemarz once a minimum of 30,000 patients within the ILANS network are being treated with medical cannabis products. On December 9, 2018, the parties amended the ILANS Agreement to provide for the inclusion of an additional tranche, whereby the Company acquired a further 1% interest in Jemarz upon payment of $67,000 on December 10, 2018. On February 28, 2019 the Company paid an additional $1,733,000 to Jemarz, bringing its shareholding up to 78%. Upon completion of the payment schedule for the ILANS acquisition, the Company will own 100% of the issued and outstanding shares of ILANS.

**Recent Developments**

On January 21, 2019, the Company announced it had entered into the Dayacann Agreement, under which the Company and Dayacann have agreed to cooperate in cultivating, manufacturing and commercializing medical cannabis products in Chile. Under the terms of the Dayacann Agreement (and the related agreements), the Company has agreed to purchase one tonne of dried cannabis flower (the "**Dayacann Product**") cultivated by Dayacann in Chile, and Dayacann has agreed to assist in the development of medicinal cannabis products extracted from Dayacann Product, with a goal to commercialize said products within two years of the date of the agreement. Completion of the commercial arrangement is subject to, among other things, the issuance of applicable planting and processing permits and other licences from the relevant Chilean governmental authorities and final TSXV approval. Dayacann applied for its cultivation permit on March 12, 2019.

On January 21, 2019, the Company also announced that it had entered into the Fundacion Agreement, under which the Company and Fundacion will cooperatively develop and conduct clinical trials and academic activities aimed at educating the Chilean market on the use of medicinal cannabis products. Under the terms of the Fundacion Agreement, Fundacion has agreed to develop clinical studies to test and develop two or more medicinal cannabis products targeting various medical conditions and symptoms as chosen by the Company. The clinical trials, which will be fully funded by the Company, will be conducted using the Dayacann Product. All formulations studied must be capable of being commercialized under Chilean regulation. Completion of the arrangement is subject to final TSXV approval.

On January 25, 2019, the Company announced it had signed the Netta LOI, under which the Company agreed to acquire Netta in exchange for 8,498,821 Khiron Shares (the **"Netta Transaction**"). Netta will, at the time of the closing of the transaction, own 100% of Dormul, a Uruguayan company that has obtained the first license to produce medical cannabis with THC for commercialization in Uruguay. The proposed acquisition will enable the Company to expand its cultivation capacity and, with access to the Mercosur Regional Trade Bloc, it is expected to provide the Company with access to an export market of approximately 75 million people in southern Brazil. On April 9, 2019, the Company announced it had entered into a definitive agreement for the acquisition of Netta. Closing of the transaction is subject to customary closing conditions, including, but not limited to, anti-money laundering approval from the Uruguayan government and final approval of the TSXV.

On January 30, 2019, the Company announced the signing of a binding letter of intent with Dixie Brands, Inc. ("**Dixie**") to enter into a joint venture to manufacture and distribute a line of cannabis-infused Dixie products (the "**Dixie Products**") to the Latin American market (the "**Dixie Transaction**"). On March 13, 2019, the Company, Dixie and the newly-incorporated Dixie Khiron JV Corp. (the "**Dixie JV**") entered into a master joint venture agreement to facilitate the manufacture and distribution of the Dixie Products (the "**JV Agreement**"). Subject to the JV Agreement and subsequent agreements to be negotiated by the parties, it is contemplated that the initial capital and operating costs of the Dixie JV will be borne equally by each of the Company and Dixie. The Company will provide, among other things, a supply of active cannabis ingredients to the Dixie JV, while Dixie will, among other things, licence its brand, market portfolio and product formulation and processes to the Dixie JV. Under the joint venture, it is also intended that Dixie will manufacture and distribute the Company's Kuida brand of CBD-based cosmeceuticals in the United States, marking the Company's entrance into U.S.'s legal hemp CBD market. Completion of the Dixie Transaction is subject to, among other things, the completion of due diligence, the negotiation and execution of subsequent agreements, receipt of governmental or third party consents and approvals and final TSXV approval.

On February 28, 2019, the Company completed a bought deal short form prospectus offering of 13,110,000 Khiron Shares at $2.20 per share for aggregate gross proceeds of $28,842,000. The Company also issued compensation warrants to the underwriters to purchase up to an additional 786,600 Khiron Shares at $2.20 per share for a period expiring February 28, 2021.

On April 9, 2019, the Company announced that it had signed a definitive agreement to acquire 100% of Netta, which at the time of the closing of the transaction will own all the shares of Dormul (doing business as "**Cannapur**"). Dormul has obtained the first license to produce medical cannabis with THC for commercialization in Uruguay. Khiron will issue 8,498,821 Khiron Shares to the shareholders of Netta in connection with the Netta Transaction. It is anticipated that a finder's fee of 420,000 Khiron Shares will also be issued in connection with the Netta Transaction, subject to the satisfaction of the terms of a finder's fee agreement. In addition, Michael Beck, an experienced capital markets professional and entrepreneur, and Joseph Mimran, an experienced brand builder and entrepreneur, have agreed to join the board of Khiron and Khiron Colombia, respectively. The completion of the Netta Transaction, the issuance of the finder's fee and the appointments of Mr. Beck and Mr. Mimran are subject to anti-money laundering approval from the Uruguayan government and final approval of the TSXV, among other customary closing conditions.

On April 25, 2019, the Company announced that it had signed a non-binding letter of intent to acquire 100% of CanapaLife S.r.l. Khiron will issue to the sellers Khiron Shares representing an aggregate of $15,000,000 in Khiron Shares, at a deemed price equal to the 20 day volume weighted average trading price of the Company traded on the TSXV prior to the execution of the definitive agreement. The Company shall issue Khiron Shares representing 70% of the proceeds, or $10,500,000, upon close of the transaction, and the remaining $4,500,000 once milestones have been met. Completion of the transaction remains subject to the entering into of a definitive agreement and final TSXV approval.

**Business Outlook for 2019**

The following contains forward-looking statements about the Company's business and outlook for 2019. Reference should be made to "*Forward-Looking Statements*", and for a description of material factors that could cause actual results to differ materially from the forward-looking statements in the following, see "*Risk Factors*".

The Company has been focused on assembling a best in class senior management team. Since May 31, 2018, the Company has appointed former U.S. Drug Enforcement Administration ("**DEA**") Chief of Pharmaceutical Investigations, Matt Murphy, as its Vice President of Compliance, recognized medical cannabis specialist, Maria Fernanda Arboleda, as Medical Director, Chris Naprawa as President and former President of Mexico, Vincente Fox, was appointed to the board of directors as strategic advisor and brand ambassador for the Company. The Company will continue to assemble the strongest management team possible and believes its executive team has the necessary experience to help strengthen its position as a cannabis industry first-mover in Colombia and Latin America.

Khiron is currently in the process of growing a variety of cannabis strains through Khiron Colombia for treatment of specific patient ailments. Khiron has developed initial processing procedures for mature plants with the objective of distributing products through a variety of market channels in Colombia. Under Mr. Murphy's supervision, the Company has designed and implemented a pharmaceutical compliance protocol in accordance with DEA standards, the first Colombian company to have implemented such procedures. Khiron will utilize stringent quality assurance and quality control measures in its Cultivation Facility to ensure that its products are consistent with medicinal cannabis industry standards.

**Operations:** In 2019, Khiron, through its subsidiary Khiron Colombia, intends to finalize the construction of its production facility, located in the municipality of Piedras, near the town of Ibague, Tolima, Colombia. The first stage of the facility, once completed, will be comprised of one operating 7,500 m2 cultivation open-air greenhouse and a 679 m2 mother plant and seedling area. Thus far, 340 m2 has been already constructed and is currently in operation, along with an operating 1,388 m2 post-harvest, extraction and QA/QC GMP-compliant lab, in addition to all the support infrastructure, buildings and utilities works. During 2019, the Company intends to commence construction of an additional 7,500 m2 greenhouse and is currently evaluating design alternatives to improve efficiencies in cultivation yields.

In tandem with construction operations, Khiron Colombia is focused on satisfying all regulatory requirements for the cultivation of strains and the registration of additional varieties of strains with the Ministry of Agriculture. Khiron Colombia is also working on satisfying all regulatory requirements to register its manufacturing third-party lab partners with INVIMA, with the objective of being able to manufacture final magistral products in 2019.

Outside Colombia, the Company will work towards commencing design and construction of a new facility in Uruguay, which is focused on servicing the Brazilian cannabis market. The facility will be located in the township of Juan Lacaze, in an initial 540,000 square foot area. The Company is currently evaluating design criteria and permitting before commencing design and construction activities, both of which are expected to be completed after 2019. In Chile, through Dayacann, the Company and Fundacion are expecting approval of their cultivation plans with the objective of beginning cultivation in 2019 and a first harvest by 2020.

Throughout 2019, the Company will continue to evaluate expansion of its cultivation, processing and manufacturing facilities across Latin America based on a combination of regulatory, supply chain efficiency and quality, economic and speed to market variables. As the Company continues to expand its business, it will look to strengthen its production supply chain across all the addressable markets.

**Geographies:** In 2018, Khiron continued to solidify its position in Colombia and began to develop initial steps towards expansion in Mexico and Chile. In 2019, the Company will continue to look for expansion opportunities across Latin America where government regulation of cannabis is anticipated to enable cannabis operation including Peru, Brazil, Panama, Argentina, amongst others, while increasing its presence in countries where it has already identified open business opportunities including Mexico, Chile and Uruguay. As more Latin American countries open their regulations to cannabis, Khiron will evaluate the opportunity to enter such markets.

**Business Units:** The Company currently operates four business units, including: i) Pharma Medical, responsible for the development and sales of medical cannabis products, ii) Khiron Clinics, responsible for developing and servicing patients through a series of Khiron-own medical clinics, iii) Skin Care, responsible for developing CBD-based cosmeceutical products for women and men's categories, and iv) Dixie JV, responsible for developing the Latin American market for Dixie-formulated, cannabis products in the food & beverage, supplements and pets categories ("**Business Units**"). During 2019, the Company anticipates product sales across all Business Units, while advancing the skin care and Khiron Clinics model, which began sales in 2018. For more information on the Business Units, see *"Description of the Business – Products and Services".*

**Team:** As the Company expands its Business Units across geographies, Khiron will continue to assemble the strongest management team possible and believes its executive team has the necessary experience to help strengthen its position as a cannabis industry first-mover in Colombia and Latin America.

**Figure 3: Khiron's Cultivation Facility: Areas for cultivation, mother plans, seeds, cuttings, germination, extraction and QA/QC facilities**

**Figure 4: Khiron's hydroponic system to ensure product consistency and quality.**

## DESCRIPTION OF THE BUSINESS

### General Summary

Khiron is a Canadian integrated medicinal cannabis company with its core operations in the Municipality of Piedras, Colombia. Khiron combines leading international scientific expertise, agricultural advantages, and branded product market entrance experience to address medical needs of the Colombian marketplace.

Through its wholly-owned subsidiary, Khiron Colombia, the Company is positioned to be the leading medically-validated cannabis provider in Colombia and South America, a developing market for the distribution of cannabis products for medical proposes. Khiron has received licenses from the Ministry of Health and Ministry of Justice in Colombia for the cultivation of cannabis and production of extracts that will enable the development of products for the domestic and international markets.

The principal and registered head office of the Company is located at 2300-550 Burrard Street, Vancouver, BC, V6C 2B5 and its main office in Colombia is at Carrera 11 No. 84-09 Office 402, Bogotá, Colombia.

### Products and Services

The Company is currently comprised of four Business Units, which are supported by a regional supply chain strategy: 1) Pharma Medical, 2) Khiron Clinics, 3) Wellness, and 4) Dixie JV.

1) **Pharma Medical**

Pharma Medical is responsible for the development and sale of medical cannabis products. Although the Company plans to develop this Business Unit across Latin America, the Company's management team believes the current regulatory framework is strongest in Colombia, where the company is headquartered. In 2019, as more countries develop regulations for medical cannabis, the Company expects to develop similar models across other Latin American countries.

a. Operations

Khiron Colombia has five registered strains of medicinal cannabis with the ICA, which are being cultivated at its Cultivation Facility in Colombia. The development of these strains has enabled Khiron Colombia to select mother plants and identify the concentrations of cannabinoids required for the formulations, in which

Khiron Colombia intends to produce and distribute. Khiron Colombia is in the process of registering an additional 20 strains with the ICA. The products will be elaborated utilizing stringent quality assurance and quality control measures as required by GMP Standards. Khiron Colombia is committed to the development of final products that are consistent with medicinal cannabis industry standards and pharmaceutical procedures. The products will include a variety of THC and CBD compositions that will be designed to respond to specific medical conditions and the main symptoms associated therewith. At this stage, the products have been formulated and the strains selected in order to achieve the technical requirements needed to fabricate the products. Khiron Colombia is also currently evaluating various delivery methods.

Khiron is licensed to fabricate High and Low THC Medicinal Cannabis extracts and to manufacture and sell products under the category of magistral preparations, as described below. However, Colombian regulations do not allow for the direct commercialization of extracts as final branded products for mass market distribution with a separate approval of INVIMA. Prior to the pre-commercial products becoming available for public sale, Khiron is required to obtain the approval of INVIMA. The review process includes the testing of extracts, production of extracts using standardized cultivation and production methods, and final review by INVIMA of the efficacy of the product.

b. Marketing and Sales Plan

Khiron's initial focus is to sell medical cannabis products the in form of extracts to the domestic market in Colombia. Colombia is a country with a population of 49.1 million people, and Gross Domestic Product ("**GDP**") of US$314.46 billion and a GDP per capita of US$6,408 in 2017[1]. The country has experienced a significant increase in middle class and has seen a dramatic reduction in poverty.[2] The objective of Khiron is to ensure accessibility, quality, efficiency and sustainability within the health system, by providing affordable medical cannabis-based products to patients.

Colombia is a recently legalized market for the commercial production and distribution of medicinal cannabis products. Khiron is an early entrant and an emerging leader in developing the domestic market for its products. Khiron is focused on addressing the unmet medicinal cannabis needs of prospective Colombian patients with conditions potentially suitable for treatment with medical cannabis. Relevant conditions might include certain type of epilepsy, chronic pain, chronic pain, chemotherapy-related nausea, post-traumatic stress disorder (PTSD), anxiety, insomnia, depression, multiple sclerosis related spasticity, Tourette syndrome, and anorexia.[3]

Khiron estimates the total potential market for patients with the conditions set above in Colombia to be 5.6 million people, who are not currently under any medicinal cannabis program. Currently, of the 2.2 million people experiencing chronic pain, QuantilesIMS estimates approximately 500,000 patients use opioid-based medication for treatment. These medicines are often expensive and can lead to adverse health conditions. Khiron is specifically looking to displace this portion of the market.[4]

Khiron seeks to position itself as the leading and most knowledgeable medicinal cannabis provider in Colombia. Key to the achievement of this objective, Khiron has developed and is implementing a robust marketing plan focusing on patient needs. The objective of the approach is to develop strong brand loyalty and patient preference.

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[1] World Bank, 2017 https://data.worldbank.org/country/colombia.

[2] *Ibid.*

[3] Khiron engaged QuantilesIMS to provide data for market sizing and characteristics assessment. QuantilesIMS used several sources, including epidemiologic quantification, pharmacological, and secondary public information, based on the qualifying conditions where medical cannabis can be an alternative treatment.

[4] *Ibid.*

Khiron's marketing and sales approach is focused on leveraging and communicating advantages across the value chain from plant to patient. These include:

- **Strain Selection:** Obtaining medically-validated strains for the optimization of efficient production of cannabinoids and other phytochemicals;
- **Cultivation:** Developing standard operating procedures to increase yields and consistency, while implementing sustainable cultivation standards and leading international site security standards;
- **Product:** Developing medically endorsed products based on scientific research, and manufacturing these products in accordance with GMP Standards to ensure quality and consistency;
- **Doctor Engagement:** Engaging with the medical community to develop medications for specific indications. Continuously working with healthcare professionals to provide the latest training and information on medicinal cannabis;
- **Medical and Scientific Research and Development:** Launching Colombian medical research studies with leading health organizations to understand and validate the benefits of medicinal cannabis within the market;
- **Patient-Oriented:** Working with healthcare professionals to offer patients an alternative to existing medications. Developing meaningful relationships with patients by offering them information, support, and learning resources through outreach channels.

Khiron's strategic alliances with organizations such as ACMI and ACN are anticipated to generate relationships with doctors that will leading to an increased number of patients within Khiron's network, as patients tend to follow the advice and direction of their doctors. Through these patient association endorsements, Khiron has generated access to a network of over 500,000 patients in Colombia and intends to apply this model across Latin America.


**Figure 6: Khiron's patient acquisition strategy.**

c. Distribution in Colombia

Khiron intends to develop products primarily in two forms:

i. **Magistral Preparations**: Direct-to-patient formulations prescribed by physicians to patients and developed by a certified pharmaceutical establishment using cannabis derivatives according to the needs and symptoms of patients requiring cannabis products. Magistral preparations must be prepared according to an individual patient's medical prescription. Besides the licensing requirements of the Ministry of Justice and the Ministry of Health for cultivation and production of High and Low THC Medicinal Cannabis, the most important requirements for ability to sell medicinal cannabis as magistral preparations include:

a) Completion of all Ministry of Agriculture or ICA authorizations regarding strain registration to begin commercial cultivation. This is currently being completed by the Company.

b) Manufacturing of the final product in a Buenas Practicas de Laboratorio ("**BPE**") lab. A BPE lab is certified by Colombia's Food and Drug agency called INVIMA. The government is currently preparing guidelines to allow BPE labs to make magistral preparations with medical cannabis. Khiron has engaged a BPE lab in Bogota to manufacture its final cannabis oil products, taking the extract from Khiron's facilities and diluting it as per defined formulation and product definition.

c) Khiron's distribution for magistral preparations will include:

   i) *Khiron Clinics*: A series of cannabis-focused clinics, starting with the acquisition of ILANS, where patients with neurological conditions that may be treatable with medical cannabis, will be able to obtain consultations and products. The clinics serve multiple purposes including: a) research centers for particular conditions, allowing Khiron to obtain data which will then be used to improve upon the formulations; b) education centers for doctors and patients to increase awareness of medical cannabis; c) pharmacy centers for dispensing medical cannabis products to the patients; and d) develop brand awareness and loyalty through continuous brand communication with patients. The Company intends to increase its clinic network throughout Colombia and implement this model as part of its expansion in Latin America. The clinic strategy will be pursued either through acquisitions or partnerships, or through organic growth by building clinics in strategic positions within large metropolitan areas.

   ii) *Pharmacies and direct-to-patient delivery*: A patient that receives a prescription from a doctor can only receive formulation through pharmacies. In the case of High THC Medicinal Cannabis formulations, such prescriptions must be obtained personally in a controlled-substance approved pharmacy. For Low THC Medicinal Cannabis, patients have the option of delivery or pick-up, as these are not considered controlled substances in Colombia. Since magistral preparations are custom-made, the formulation has a 48-hour maximum delivery period to the patient and a regulated short shelf life. Therefore, the distribution of these products must include an efficient supply chain that combines patient service and affordability in the context of regulatory constraints.


**Figure 7: Prototypes of Khiron's line of magistral preparation medical cannabis products.**

ii. **Mass market phytotherapeutic products:** A mass marketed product available through pharmacies to patients on a prescription basis (for High THC Medicinal Cannabis) or over-the-counter (for Low THC Medicinal Cannabis). Whether products can be sold over the counter is decided by INVIMA during the sanitary evaluation process, on a case-by-case basis. In order to commence sales of branded mass market phytotherapeutic products, the Company must present scientific evidence associated with the product. INVIMA is still defining the guidelines and expectations of evidence to be able to approve such products in the market. This process is expected to continue throughout 2019.

Khiron's primary focus of distribution strategy will be on selling products through major authorized retailers such as pharmacies and drug stores. Khiron is also evaluating whether home delivery of its products is compatible with the controlled substance regulatory framework. These channels are well-established methods for the distribution of health products given their widespread presence in Colombia.

Products will be delivered and tracked with specific product information, including batch-to-batch identification and product identification labels in the primary and secondary packaging materials. These labeling practices enable Khiron to trace a product from the patient to the manufacturing process and identify the components used to prepare the product. All labels will be easily readable and will be made of weather-resistant and tamper-resistant materials.

2) **Khiron Clinics**

Khiron's clinics are responsible for leading Khiron's retail presence and access to doctors and patients in the Company's markets of interest. The clinic model will allow Khiron to gather patient data, which will be instrumental in the development of new formulations and products to address specific patient needs. The Company intends to develop the clinic strategy through a combination of organic growth and acquisitions. Consistent with the strategy, Khiron acquired ILANS, a neurological clinic with a network of around 100,000 patients in Colombia. In the audited financial statements of ILANS for fiscal year ended 2017, the business generated approximately $10.5 million in gross revenue. Through this clinic type of distribution model for the medical business line, the Company intends to commercialize magistral preparations and mass branded products, as well as engage physician networks that will generate a significant patient base. Clinic physicians will conduct consultations and write prescriptions for patients.


Figure 8: ILANS locations in Bogota, Colombia

The Company intends to continue the Khiron Clinic model with the development of cannabis focused clinics under the brand Zerenia®. Zerenia® clinics will be focused on servicing and educating patients on medical cannabis, as well as a retail pharmacy point of sales for medical cannabis. In addition, Zerenia® will be a point of referral for those doctors and physicians that are not yet ready to prescribe to their patients and may choose to refer to a cannabis specialist within the clinics.

3) **Wellness**

Khiron's Wellness Business Unit is responsible for the commercialization of cannabis-based products for beauty, lifestyle, fitness, nutrition and general healthy living, also referred to as a 'cosmeceutical' product. A cosmeceutical product is a cosmetic with biochemical characteristics, and although they are topical in nature and pursue an aesthetic objective, have highly active ingredients with therapeutic functions. Khiron has commenced sales in this category with the launch of its Skin Care unit and its women-focused Kuida® cosmeceutical brand.


**Figure 7: Khiron's Kuida® brand presentation**

On August 17, 2018, Khiron Colombia received authorization from INVIMA to produce and sell seven CBD-based cosmeceutical products. On September 21, 2018, Khiron Colombia received authorization for the production and sale of one CBD-based cosmeceutical product. These authorizations grant Khiron Colombia the ability to commercialize seven products under its Wellness Business Unit. Khiron's uniquely branded CBD cosmeceutical line hopes to provide men and women with a full collection of skin care solutions for each stage of their daily skincare routine. Khiron's first wellness product launched October 5, 2018, with initial distribution in Colombia, and commercialization potential across Latin America.

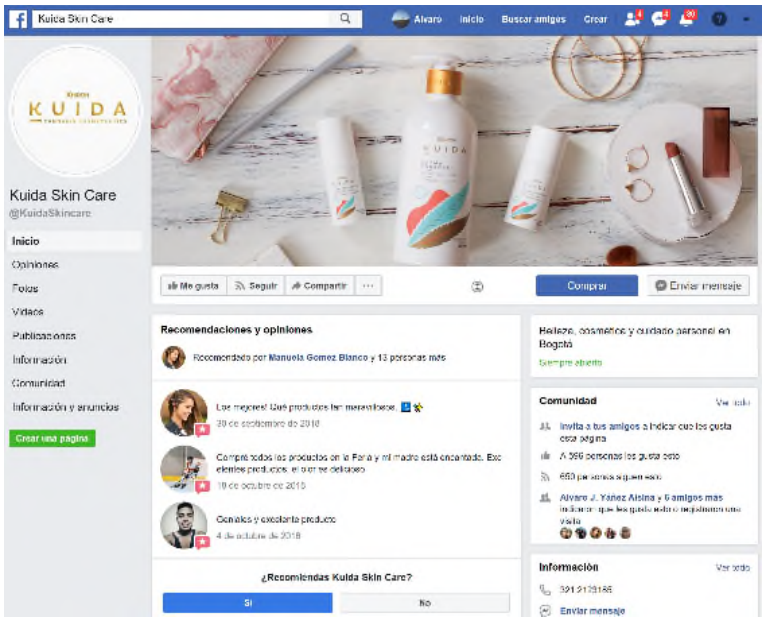
Khiron has entered into an agreement with a Colombian research hospital, Centro Dermatológico Federico Lleras Acosta ("**CDFLLA**"), with the objective of establishing a clinical research partnership focused on the effectiveness of medical cannabis for dermatological conditions. This would be the first study of this kind conducted in Latin America. The study will be focused on improving the methods of administering and prescribing cannabis as a potential supportive therapy for various skin conditions and symptoms. Khiron expects to hold, in partnership with CDFLLA, several training sessions, educational events and seminars focused on educating the medical community and patients on the safety and efficacy of medical cannabis. Under the agreement, CDFLLA will also be expected to assist Khiron in carrying out studies of cosmeceutical products manufactured and distributed by Khiron.

a. Operations

Kuida® is a product developed by Khiron. The Company developed and tested its formulation and the products are manufactured by a third party under Khiron's strict production and quality control supervision. The Company purchases the various excipients from various sources and outsources the packing and manufacturing of the products to well-known cosmetic manufacturing companies in Colombia.

b. Marketing and Sales Plan

The Company has developed a detailed marketing plan that combines the engagement of celebrity spokespersons with various types of brand ambassadors, digital marketing plans, trade show presence and social media to drive brand preference and sales. The Company has active Instagram®, Facebook® and Twitter® accounts, which it uses to post brand stories and updates to build brand recognition.



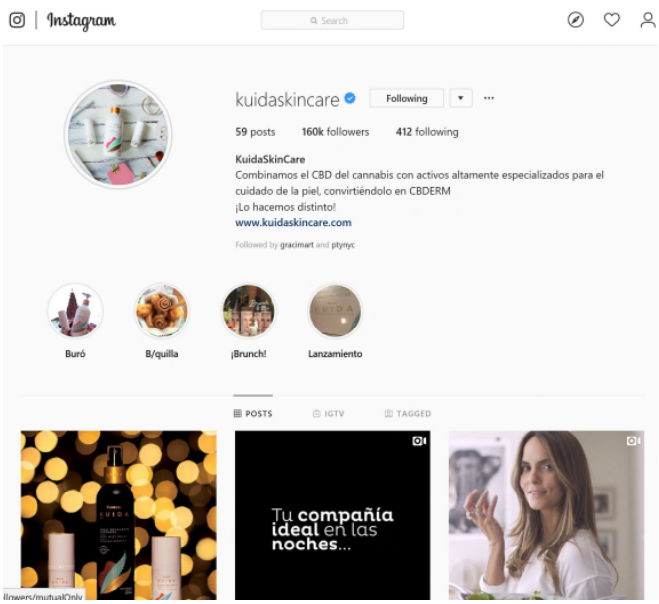



**Figure 8: Khiron's social media presence with Instagram®**

c. Distribution

Khiron is currently engaging in distribution through two major channels: i) Retail, and ii) Digital. On its retail distribution, the Company began sales in 2018 by signing an exclusive distribution agreement with Farmatodo, one of Colombia's largest pharmacy chains, to position the brand and raise awareness with consumers in Bogota, Colombia's largest city. In 2019, Khiron began to expand Kuida across more distribution chains in major metropolitan cities, increasing its total retail presence to more than 70 high-end pharmacies. The Company also has signed agreements and is initiating sales in other major pharmacies in Colombia, such as Fedco, Cafam and Salud Market. The Company expects to increase its retail presence as its brand recognition increases. Khiron has also secured online arrangements with the aforementioned pharmacies as well as Lineo, one of Latin America's most high-traffic online stores, owned by the Falabella group.


**Figure 9: Khiron's Kuida products displayed at Farmatodo, one of Colombia's largest pharmacy chains.**

4) **Dixie JV**

The Dixie JV is responsible for the commercialization of the more than 140 SKUs that Dixie has developed through its various brands including Dixie®, Aceso®, Therabis® and Synergy®. The products include items across the categories of food & beverages, supplements and pets.

As per the JV Agreement, Khiron will introduce the brands and formulations across Latin America, as each country considers legalizing the use of cannabis across the various categories. The companies continue to work towards the implementation of a full operational, marketing, sales and distribution plan in various countries.

**Specialized Skill and Knowledge**

The nature of the Company's business requires specialized knowledge and technical skill around cannabis cultivation and processing in Colombia, clinical sciences, product formulation, quality assurance, GMP Standards and GEP Standards, ingredient sourcing, and marketing and distributing of medicinal and wellness products, as well as clinic management.

Khiron's management and advisory team has experience working in the Colombian Ministry of Health, the Colombian pharmaceutical and CPG industries, the Colombian agriculture industry, Canadian capital and financial markets, and the DEA.

**Competitive Conditions**

The market for medicinal cannabis in Colombia is characterized by a shortage of supply, unsatisfied patient demand, and few authorized producers. Although competition in the market is growing and Colombia offers an open process to apply for the licenses, Khiron is competitively positioned to satisfy the demand for medicinal cannabis given the management team's expertise in medical product branding, marketing, quality control and domestic market relationships.

Khiron will initially serve the Colombian cannabis market by selling magistral preparations. In doing so, Khiron will aim to develop brand recognition and establish its customer base. Management expects that its deep understanding of, and experience in, Colombia's regulatory framework, the agricultural and scientific processes necessary to develop high quality and consistent medicinal cannabis products, will allow Khiron to lead the Colombian medicinal cannabis marketplace.

The global cannabis industry is experiencing significant change as governments embrace regulatory reform, liberalizing the production and consumption of cannabis. It is possible that foreign corporations may enter the Colombian market as a result of Colombia's regulatory regime, creating the prospect of Colombia becoming a hub for future industry development.

Khiron may face new competition for its magistral preparations from local laboratories with experience developing magistral preparations that partner with a licensed cannabis provider to offer similar products to Khiron's anticipated product line. In addition, current or new licensees unable to market or export extracts internationally may compete domestically with Khiron.

Similarly, new competition for branded mass market phytotherapeutic products may arise from local laboratories that have previously developed natural phytotherapeutic products with natural ingredients. Alternatively, foreign corporations may choose to undertake the Colombian licensing process in order to register products and develop further opportunities in other Latin American jurisdictions.

**Product Components**

Khiron's products require certain raw materials including the following:

- **Seeds:** Khiron has entered into supply agreements with local providers in accordance with Colombian regulations for all seeds necessary to execute the cultivation process.

- **Water:** Khiron has drilled a well into an underground water reservoir that produces the inputs necessary to hydrate the plants. This water is treated and tested to ensure acceptable quality. Khiron does not anticipate any issue in continuing to secure water for its operations.

- **Soil:** Khiron secures soil for its cultivation from local providers. Colombia has an abundance of suitable soil due to its history of cultivating cut flowers. Khiron does not anticipate any issue in continuing to secure cultivation soil for its operations.

- **Fertilizers:** Khiron secures fertilizers from local providers. This includes NPK formulations needed by cannabis plants. Colombia has an abundance of fertilizers for cultivation due to its history of cultivating cut flowers. Khiron does not anticipate any issue in continuing to secure fertilizers for its operations.

- **Fuel:** Khiron utilizes diesel fuel to augment natural sunlight in the cultivation of cannabis plants. Although Colombia typically averages approximately 12 hours of sunlight per day, the vegetative stage of cultivation requires several hours of supplemental lighting to prevent the plants from flowering prematurely. Khiron secures diesel fuel from local providers and does not anticipate any issue in continuing to secure diesel fuel for its operations.

**Intangible Properties**

Khiron has recognized the importance of the intangible assets of the Company such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trademarks. With this aim Khiron has created an IP team which will coordinate the filing, prosecution and protection of intellectual property rights ("**IPRs**") in Colombia and other countries, as noted below.

*Colombia:*

Khiron filed a trademark application on April 28, 2017 for "KHIRON LIFE SCIENCES CORP." which was approved by the Colombian Patent and Trademarks Office on October 30, 2017 by certificate 577310 of 2017 on Nice Class 5 (Pharmaceutical Products) in Colombia. Khiron's trademark registration remains valid until October 30, 2027, with an option to renew for an additional 10 year period. A second trademark application was filed on September 5, 2017 for "KHIRON LIFE SCIENCES CORP." in Nice Class 44 (Medical Services) and approved by the Colombian Patent and Trademarks Office on March 8, 2018, remaining valid until March 14, 2028. In addition, Khiron's IP team, scientific board and research centre have applied for and acquired certain trademarks and have made progress in identifying intellectual property rights to be protected in the future.

Khiron filed a trademark application on February 2, 2018 for "KHIRON KUIDA", which was approved by the Colombian Patent and Trademarks Office on October 12, 2018 by certificate 605131 of 2018 on Nice Class 1 (Chemicals for use in industry) 5 (Pharmaceutical Products) and 35 (Advertising) in Colombia. Khiron's trademark registration remains valid until October 12, 2028, with an option to renew for an additional 10-year period.

Khiron filed a trademark application on April 12, 2018 for "CBDERM", which was approved by the Colombian Patent and Trademarks Office on November 27, 2018 by certificate 609132 of 2018 on Nice Class 1 (Chemicals for use in industry), 3 (Cosmetics), 5 (Pharmaceutical Products) and 35 (Advertising) in Colombia. Khiron's trademark registration remains valid until November 27, 2028, with an option to renew for an additional 10-year period.

Khiron filed a trademark application on September 18, 2018 for "KUIDA" on Nice Class 3 (Cosmetics) in Colombia, which is currently under registration study by the Colombian Patent and Trademarks Office.

Khiron filed a trademark application on September 13, 2018 for “KUIDA CANNABIS COSMETICS” on Nice Class 1 (Chemicals for use in industry), 3 (Cosmetics), 5 (Pharmaceutical Products), 35 (Advertising) and 44 (Medical Services) in Colombia, which is currently under registration study by the Colombian Patent and Trademarks Office.

Khiron filed a trademark application on September 27, 2018 for “KUIDA CANNABIS COSMECEUTICS” on Nice Class 1 (Chemicals for use in Industry), 3 (Cosmetics), 5 (Pharmaceutical Products), 35 (Advertising) and 44 (Medical Services) in Colombia, which is currently under registration study by the Colombian Patent and Trademarks Office.

*Mexico:*

Khiron filed a trademark application on April 27, 2018 for “KHIRON LIFE SCIENCES CORP.” which was approved by the Mexican Patent and Trademarks Office on July 10, 2018 on Nice Class 3 (Cosmetics) in Mexico. Khiron’s trademark registration remains valid until April 27, 2028, with an option to renew. Khiron filed a trademark application on April 27, 2018 for “KHIRON LIFE SCIENCES CORP.” on Nice Class 5 (Pharmaceutical Products) and 44 (Medical Services) in Mexico, which is currently under registration study by the Mexican Patent and Trademarks Office.

Khiron filed a trademark application on August 1st, 2018 for “KHIRON KUIDA” which was approved by the Mexican Patent and Trademarks Office on October 24, 2018 on Nice Class 3 (Cosmetics) and Class 42 (Scientific and Technological Services) in Mexico. Khiron’s trademark registration remains valid until August 1st, 2028 with an option to renew. Khiron filed a trademark application on August 1st, 2018 for the same trademark, “KHIRON KUIDA.”, on Class 1 (Chemicals for use in Industry) and 5 (Pharmaceutical Products) in Mexico, which is currently under registration study by the Mexican Patent and Trademarks Office.

*Chile:*

Khiron filed a trademark application on August 17, 2018 for “KHIRON LIFE SCIENCES CORP.” on Nice Class 3 (Cosmetics), 5 (Pharmaceutical Products), 35 (Advertising), 42 (Scientific and Technological Services) and 44 (Medical Services) in Chile, which is currently under registration study by the Chilean Patent and Trademarks Office.

Khiron filed a trademark application on August 17, 2018 for “KHIRON KUIDA” on Nice Class 1 (Chemicals for use in Industry), 3 (Cosmetics), 5 (Pharmaceutical Products), 35 (Advertising) and 42 (Scientific and Technological Services) in Chile, which is currently under registration study by the Chilean Patent and Trademarks Office.

Khiron filed a trademark application on November 22, 2018 for “KUIDA CANNABIS COSMECEUTICS” on Nice Class 1 (Chemicals for use in Industry), 3 (Cosmetics) and 5 (Pharmaceutical Products) in Chile, which is currently under registration study by the Chilean Patent and Trademarks Office.

Khiron filed a trademark application on November 22, 2018 for “CBDERM”, which was approved by the Chilean Patent and Trademarks Office on March 20, 2019 on Nice Class 1 (Chemicals for use in Industry), 3 (Cosmetics) and 5 (Pharmaceutical Products) in Chile. Khiron’s trademark registration remains valid until March 20, 2029 with an option to renew.

*Peru:*

Khiron filed a trademark application on April 30, 2018 for “KHIRON LIFE SCIENCES CORP.” which was approved by the Peruvian Patent and Trademarks Office on August 1st, 2018 on Nice Class 3 (Cosmetics), 5 (Pharmaceutical Products) and 35 (Advertising) in Peru. Khiron’s trademark registration remains valid until August 1st, 2028, with an option to renew. Khiron filed a trademark application on April 30, 2018 for the same trademark, “KHIRON LIFE SCIENCES CORP.”, on Nice Class 1 (Chemicals for use in Industry) and

44 (Medical Services) in Peru, which registration was denied by the Peruvian Patent and Trademarks Office.

Khiron filed a trademark application on July 30, 2018 for "KHIRON KUIDA." which was approved by the Peruvian Patent and Trademarks Office on October 16, 2018 on Nice Class 3 (Cosmetics), 5 (Pharmaceutical Products) and 42 (Scientific and Technological Services) in Peru. Khiron's trademark registration remains valid until October 16, 2028, with an option to renew. Khiron filed a trademark application on July 30, 2018 for the same trademark, "KHIRON KUIDA", on Nice Class 1 (Chemicals for use in Industry) and 35 (Advertising) in Peru, which registration was denied by the Peruvian Patent and Trademarks Office.

Khiron filed a trademark application on November 23, 2018 for "CBDERM", which was approved by the Peruvian Patent and Trademarks Office on February 15, 2019 on Nice Class 1 (Chemicals for use in Industry), 3 (Cosmetics) and 5 (Pharmaceutical Products) by Certificate No. 22866 in Peru. Khiron's trademark registration remains valid until February 15, 2029 with an option to renew.

Khiron filed a trademark application on November 23, 2018 for "KUIDA CANNABIS COSMECEUTICS" on Nice Class 1 (Chemicals for use in Industry), 3 (Cosmetics) and 5 (Pharmaceutical Products) in Peru, which is currently under registration study by the Peruvian Patent and Trademarks Office.

*Panama:*

Khiron filed a trademark application on April 27, 2018 for "KHIRON LIFE SCIENCES CORP." on Nice Class 1 (Chemicals for use in Industry), 3 (Cosmetics), 5 (Pharmaceutical Products), 35 (Advertising) and 44 (Medical Services) in Panama, which is currently under registration study by the Panama Patent and Trademarks Office.

In the near future, Khiron plans to register a series of trademarks to protect the IPRs in their business lines including wellness, phototherapeutics, and dietary supplements.

Khiron's policy is to require all employees and third-party contractors to sign non-disclosure agreements and intellectual property assignments to protect sensitive information regarding Khiron's core business products and services.

**Seasonality**

Khiron's main cultivation site is located in a warm, dry, tropical region of Colombia with a fairly consistent average daily temperature of 30°C, average annual precipitation of 160 millimetres with bimodal rain regime with a dry season from December to March and in July and August, and a rainy seasons from April to June and August to November. The relative humidity varies based on the season, with a minimum of 64% in August and maximum of 80% in May and November.

**Environmental Protection**

Environmental protection requirements in Colombia are governed mainly by legislation and regulations for environmental components (soil, water, air and biodiversity) that will be impacted in positive or negative contexts.

After a detailed consultation, Khiron concluded that its Cultivation Facility has not previously been used for any intensive agricultural projects. The local environmental authority has not published any restriction for agricultural use of the site. Moreover, the land surrounding the cultivation site has been used to cultivate rice and therefore the area is cleared for agricultural production according with its use-of-soil registry.

Khiron is in the process of developing its health and safety programs on two fronts. First, the HSEQ team is working on the identification, definition and measures for occupational health and safety. Khiron has

developed a HSEQ management manual that includes all potential situations and measures. The second branch of Khiron's programs is the pharmacovigilance and control program to guarantee the safety and stability of all products. Both programs follow, and are in compliance with, Colombian labour laws, regulations and health and safety codes.

As part of its environmental, social and sustainability strategy, Khiron has initiated the implementation of a strict environmental and social management system, which allows Khiron to systematically manage its environmental, social, health and safety matters. This integrated management system addresses:

- The identification and assessment of environmental, social and labour risks and impacts through specific methodology which allows us to prioritize significant impacts and risk.
- Identification and assessment of applicable environmental, social and labour law requirements.
- Improving the management of agrochemicals, chemical products and fuels through programs which allows to keep track of improvements.
- Monitoring water and soil quality in accordance with internal procedures and legal requirements.
- Monitoring of water, fuels and electricity consumption.
- Waste management according to sole Decree 1076 of 2015.
- The control of safety & health of workers and the community.
- The management and control of contractors' HSEQ practices.
- The establishment of performance indicators for monitoring HSEQ processes.
- The preparation and response to possible emergencies and contingencies.
- Communication with all stakeholders.
- Management of complaints, non-conformities, actions and evaluating their effectiveness.

Khiron has highly skilled HSEQ professionals. Moreover, Khiron has a training program for workers in the HSEQ field and training in first aid and fire response for all workers. The HSEQ team performs internal audits and identifies areas where improvement is needed.

**Employees**

As of the date of this AIF, Khiron had 102 full-time employees. Khiron is in material compliance with all applicable labour laws.

**Foreign Operations**

*Colombia:*

Khiron's core operations are in Colombia and carried out through its wholly-owned subsidiary, Khiron Colombia. The Company is substantially dependent on the Licences granted to Khiron Colombia and the evolving regulatory framework of cannabis in Colombia.

For most of the last 50 years, Colombia developed comprehensive regulation that took a hardline approach to narcotics and trafficking in response to the growing influence of international treaties and the efforts of governments to coordinate their drug policies. In the mid-1990s, Colombia decriminalized personal possession and consumption of cannabis under Judgment C-221 of 1994 of the Constitutional Court. While this represented a shift in approach by Colombian lawmakers, a constitutional amendment in 2009 reversed the effects of Judgment C-221 of 1994 and reinstated the prohibition on personal possession and consumption of narcotic or psychotropic substances, even on a personal dose basis, unless supported by a medical prescription.

Despite the constitutional amendment in 2009, in recent years Colombian legislation with respect to cannabis has trended towards a preventative and rehabilitative approach. The Colombian Constitutional Court, through rulings SU-642 of 1998 and C-336 of 2008, among others, has established that the right to the free development of personality, also known as the right to autonomy and personal identity, grants individuals the right to self-determination, that is the freedom and independence to govern his/her own existence and determine a lifestyle according to his/her own interests; provided, that the rights of others and the constitutional order are respected.

In January 2013, the Advisory Commission on Drug Policy (the "**Drug Policy Commission**") was established to provide recommendations on how legislation should treat criminal networks and citizen drug users, as well as the appropriate quantities to be considered as suitable personal amounts. In July 2014, the Drug Policy Commission issued an initial report submitted to the Ministry of Justice analyzing the conditions of drug use in Colombia and proposing guidelines to update the policy.

In May 2015, the Drug Policy Commission published its final report, which proposed a review of the drug policy in the country and made important recommendations, such as: (i) the creation of an agency for drug policy; (ii) measures to help reduce the risk to consumers; (iii) to rethink the fumigation involved with cultivation; (iv) regulation of medicinal cannabis; (v) alternative means to measure the success of policies against drugs; (vi) modernize the National Statute on Drugs and Psychoactive Substances; and (vii) to lead the global drug policy debate.

As a result of the Drug Policy Commission and the final report, the Colombian President approved and sanctioned Law 1787 of 2016 which was intended to regulate the use of cannabis for therapeutic purposes. The law, initially presented by Senator Juan Manuel Galan in an effort to legalize cannabis for medical and scientific purposes marked a new direction in the legislative approach to drugs. Law 1787 amended articles 375, 376 and 377 of the Colombian Criminal Code (the "**Criminal Code**") to remove sanctions against the medical and scientific use of cannabis used under a license duly granted by the relevant authorities according to Colombian laws. This amendment was required given that the Criminal Code expressly provided a general prohibition to the cultivation, conservation or financing of marijuana plantations among other related activities.

In order to regulate the activities that had become legal by way of Law 1787, the Ministry of Health, Ministry of Justice, and Ministry of Agriculture issued Decree 613 of 2017 whereby they defined the different types of licenses that may be granted in respect of permissible activities related to medicinal cannabis including: (i) production of cannabis derivatives; (ii) use of seeds for planting; (iii) planting of psychoactive cannabis plants; and (iv) planting of non-psychoactive cannabis plants. The Decree also sets out the requirements and criteria for the assignment of quotas for psychoactive cannabis plant cultivation, cannabis by-product production and other related activities.

Since, the following resolutions have been issued: (i) Resolution 2891 of 2017 issued by the Ministry of Health that establishes costs for the monitoring and control for licences granted for the production and fabrication of derivatives of cannabis according to decree 613; (ii) Resolution 2892 of 2017 issued by the Ministry of Health that establishes the technical regulations in regards to licences for the production and fabrication of derivatives of cannabis; (iii) Resolution 577 of 2017 issued by the Ministry of Justice that establishes technical regulations in regards to licenses for the use of seeds for cultivation and cultivation of psychoactive and non-psychoactive cannabis plants; (iv) Resolution 578 of 2017 issued by the Ministry of Justice that establishes the costs for the monitoring and control for the licenses granted for the use of seeds

for cultivation and cultivation of psychoactive and non-psychoactive cannabis plants; and (v) Resolution 579 of 2017 issued by the Ministry of Justice that establishes the regulation of the small and medium-sized national farmers of medicinal cannabis plants.

*Chile:*

Khiron entered into the Fundacion Agreement and the Dayacann Agreement with the intention of entering the Chilean market.

Chile is party to the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988 which provides that all State Parties (as defined therein) will adopt the necessary measures to control certain substances, including precursors, chemicals and solvents, which are used in the manufacture of narcotic drugs and psychotropic substances. Each State Party must also adopt such measures as may be necessary to establish as criminal offences under their domestic law for the illicit cultivation, production or manufacture of narcotic drugs or psychotropic substances.

The legal and regulatory framework for the import, export, transport, extraction, production, sale and possession of cannabis and its derivatives is not contained in one specific law. The Government of Chile has modified several laws and decrees to create the current regulatory regime that allows the aforementioned activities. These laws and regulations include: The Single Convention on Narcotic Drugs of 1961, ratified by Chile through Decree No. 35 of 1968; Article 14 of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, ratified by Chile through Decree No. 543 of 1990; Articles 7 and 8 of Law No. 20.000 ("**Law 20000**") and Articles 6 to 14 of Regulation No. 867; Articles 5, 7 and 8 of Supreme Decree No. 3 of 2010 of the Ministry of Health approving the Regulations of the National System for Control of Pharmaceutical Products for Human Use; Article 2 of Narcotic Drugs Regulation No. 404 of 1983; and Article 6 of the Psychotropic Substances Regulations.

Before December 1, 2015, cannabis and its derivatives were permitted for use only in scientific research, with commercialization prohibited. On December 1, 2015, Supreme Decree 84 amended Decree 404 and 405 to allow of the use of cannabis and its derivatives in the manufacture of pharmaceutical products for human consumption, with prior authorization of the Institute of Health ("**ISP**").

Law 20000, which penalizes the illicit trafficking of narcotics and psychotropic substances, also allows the cultivation of cannabis plants under the authorization of SAG. Decree 867 of 2008 regulated the technical requirements of the cultivation permit that is given by SAG, and established that this permit is only valid on a per cultivation basis. Every time that an interested person or entity wishes to cultivate cannabis, they are required to request a permit and authorization from SAG to do so.

Decree 84 of 2015 allowed the importation, exportation, transit, extraction, production, fabrication, preparation, distribution, transport, possession of cannabis, resin, extract and tincture for qualified cases and for scientific research, with prior authorization from the ISP, and also allowed the fabrication of pharmaceutical preparations with cannabis under medical prescription.

Pharmaceutical preparation of allopathic, biological, phytotherapeutic and homeopathic products is permitted in Chile. In order to commercialize a pharmaceutical preparation, it is necessary to obtain authorization from the ISP, which will only be given once the completed results of the corresponding clinical trials are submitted. The ISP requires presentation of the complete results of all pre-clinical and clinical trials, along with an expert opinion which provides an analysis of the tests conducted in different therapeutic areas. This process can take between 12-18 months to complete.

Consequently, the use of cannabis and its derivatives for pharmaceutical research and manufacturing is currently authorized by law, with the prior authorization and oversight of the ISP. These products can only be sold for medicinal purposes and the prescriptions must be kept in the pharmacies that dispense them. Provided they have the appropriate ISP registrations, only products that do not contain THC may be commercialized.

*Uruguay:*

Pursuant to the Netta Transaction, Khiron is looking to also enter the Uruguay market.

In June 2012, the Uruguayan Government, under then President José Alberto Mujica Cordano, announced plans to legalize state-controlled sales of cannabis as a way to minimize drug-related crime and health issues.

On December 10, 2013, Uruguayan Act N° 19.172 (the "**Cannabis Act**") was passed by the Senate, with the purpose of regulating and controlling the importation, exportation, plantation, cultivation, harvest, production, acquisition, storage, commercialization and distribution of cannabis and its derivatives, or hemp (non- psychoactive cannabis).

With the passing of the Cannabis Act, Uruguay became the first country in the world to legalize and regulate every level of the market of non-medicinal cannabis, becoming a pioneer on the subject and so an example globally for political leaders contemplating whether and how to liberalize drug policies related to cannabis.

The Cannabis Act gave the Government of Uruguay control over and the capacity of regulating the activities of importing, exporting, planting, cultivating, harvesting, production, acquisition, storage, marketing and distribution of cannabis and its derivatives.

Following the Cannabis Act, regulation for other uses of cannabis, such as medicinal, industrial and scientific investigation, was passed in Uruguay.

The principal objectives of the Cannabis Act are:

- To protect the health of the population through a policy which aims to minimize the risks of problematic use of cannabis by promoting proper information, education and prevention on the consequences and harmful effects of such use, as well as promoting the treatment, rehabilitation and social reintegration of problematic drug users.

- Guarantee the full exercise of the rights and freedoms enshrined in the Uruguayan Constitution.

- To protect the population from the risks involved in illegal trade and drug trafficking and organized crime.

It also created the Institute of Regulation and Cannabis Control (¨**IRCCA**¨) which is the State office authority in charge of controlling cannabis activity. Other State authorities involved are the Ministry of Agriculture ("**MGAP**"), Ministry of Health ("**MSP**"), Ministry of Social Development ("**MIDES**"), and the Office for the Fight Against Money Laundry and Financing of Terrorism ("**SENACLAFT**").

The Cannabis Act defines Psychoactive cannabis as the cannabis plant, with flowerings or without, (except for seeds and leaves not attached) from which the resin has not been extracted, regardless of the name with which it is designated, of which the THC content is equal to or greater than 1% in dry weight. The non-psychoactive cannabis or hemp is defined as the plants or plants pieces, flowers or leaves which have less than 1% of THC and its seeds have less than 0.5% of THC.

The cannabis legal framework is organized in Decrees: DNº 120/2014 regulates psychoactive cannabis for recreational use, DNº 372/2014 regulates industrial hemp, DNº 46/2015 regulates psychoactive and non-psychoactive medicinal cannabis and scientific investigation for development of medicinal products.

For the development of any activity regarding industrial hemp or medicinal cannabis, an interested company needs to request a licence from the authorities with a highly detailed project report of the intended activity to be developed, a business plan and information of origin of the funds, and beneficial owners. The issued licence will be limited to the terms of the submitted project, and any modification of the project will need to

be authorized. The authorities involved in studying the project and issuing the licence will depend on the activities intended to be developed.

The medicinal products that are authorized by law are:

- Pharmaceutical specialty: any cannabis-based (either psychoactive or non-psychoactive) single or compound drug, registered before the MSP, with a declared and quantified formula, that is industrially manufactured and has therapeutic properties.

- Plant specialty (Especialidad Vegetal): the herb of cannabis (both psychoactive and non-psychoactive), or a mixture of herbs that is used for a medicinal purpose.

*United States:*

*Federal Regulation of Marijuana in the United States*

Producing, manufacturing, processing, possessing, distributing, selling, and using marijuana is a federal crime in the U.S. The U.S. federal government regulates drugs through the Controlled Substances Act (the "**CSA**"), which places controlled substances, including cannabis, on one of five schedules. Cannabis is currently classified as a Schedule I controlled substance, which is viewed as having a high potential for abuse and having no currently accepted medical use in treatment in the U.S. No prescriptions may be written for Schedule I substances, and such substances are subject to production quotas imposed by the U.S. Drug Enforcement Administration. Schedule I drugs are the most tightly restricted category of drugs under the CSA.

To date, a total of 32 states, plus the District of Columbia, have legalized cannabis for comprehensive medical or recreational use, and 17 others have laws in place which recognize medical benefits for at least some cannabinoids. However, state and territorial laws that allow the use of medical cannabis or legalize cannabis for adult recreational use are in conflict with the CSA, which makes cannabis use and possession illegal at the federal level. Because cannabis is a Schedule I controlled substance, however, the development of a legal cannabis industry under the laws of these states is in conflict with the CSA, which makes cannabis use and possession illegal on a national level. Additionally, the Supremacy Clause of the U.S. Constitution establishes that the U.S. Constitution, federal laws made pursuant to the Constitution, and treaties made under the U.S. Constitution's authority constitute the supreme law of the land. The Supremacy Clause provides that state courts are bound by the supreme law; in case of conflict between federal and state law, including other state laws legalizing certain cannabis uses, the federal law must be applied.

Although federally illegal, the U.S. federal government's approach to enforcement of such laws has at least until recently trended toward non-enforcement. On August 29, 2013, the U.S. Department of Justice ("**DOJ**"), issued a memorandum known as the "Cole Memorandum" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state regulated marijuana businesses.

However, on January 4, 2018 the Cole Memorandum was revoked by then Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, former Attorney General Sessions also issued a one-page memorandum known as the "Sessions Memorandum." The Sessions Memorandum confirmed

the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses.

Until the U.S. Congress amends the CSA with respect to marijuana use, there is a risk that federal authorities may enforce current federal law against companies with U.S. cannabis operations or assets for violation of federal law or they may seek to bring an action or actions against Khiron for violation of federal law or otherwise.

Additionally, under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Despite these laws, the U.S. Department of the Treasury issued a memorandum in February of 2014 (the "**FinCEN Memorandum**") outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses. Under these guidelines, financial institutions must submit a "suspicious activity report" ("**SAR**") as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution's belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated.

On the same day the FinCEN Memorandum was published, the DOJ issued a memorandum (the "**2014 Cole Memo**") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

However, former Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum can act as a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact.

While the FinCEN Memorandum has not been rescinded by the DOJ at this time, it remains unclear whether the current administration will follow its guidelines. Overall, the DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state, including in states that have legalized the applicable conduct, and the DOJ's current enforcement priorities could change for any number of reasons, including a change in the opinions of the President of the United States or the U.S. Attorney General. A change in

the DOJ's enforcement priorities could result in the DOJ prosecuting banks and financial institutions for crimes that previously were not prosecuted.

The DOJ is now headed by Attorney General William Barr, who was confirmed to such post by the Senate on February 14, 2019, following A.G. Sessions' resignation in late 2018 and the interim tenure of Matthew Whitaker as Acting Attorney General. A.G. Barr, who also served in such position under President George H.W. Bush, announced that he did not foresee enforcement of federal cannabis laws against state-legal actors.

While Mr. Barr has made his stance toward the Cole Memorandum clear, he remains skeptical of the state-legal cannabis industry in general. He has indicated his support for a broad federal criminalization of cannabis, and declared in his confirmation hearings that "[i]t's incumbent on the Congress to make a decision as to whether we are going to have a federal system or whether it's going to be a central federal law." While this position is somewhat contradictory with respect to his statements regarding the Cole Memorandum, it appears that Mr. Barr intends to refrain from initiating prosecutions against state-compliant actors at this time and would likely look for Congressional action of some kind prior to changing this stance.

Mr. Barr has made no public comments regarding the FinCEN Memorandum. Because the FinCEN Memorandum is not a Department of Justice memorandum, but from the Department of the Treasury, Mr. Barr would not control its revocation. However, Mr. Barr's stance toward the 2014 Cole Memo indicates that the FinCEN Memorandum will continue to guide his decisions regarding enforcement priorities.

Banks often refuse to provide banking services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions in the United States. The lack of banking and financial services presents unique and significant challenges to businesses operating in and ancillary to the cannabis industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the lack of traditional banking and financial services available to businesses operating in or ancillary to the cannabis industry. Though the guidelines issued in the past years allow financial institutions to provide bank accounts to certain cannabis businesses, few banks have taken advantage of those guidelines and many cannabis businesses still operate on an all-cash basis. Operating on an all cash or pre-dominantly cash basis would make it difficult for Khiron to manage its business, pay its employees and pay its taxes, and may create safety issues for Khiron, its employees and its service providers.

Additionally, Khiron may not have protection under U.S. bankruptcy laws. U.S. bankruptcy laws were adopted to protect financially troubled businesses and to provide for orderly distributions to business creditors. All bankruptcy cases are handled in U.S. federal courts, and the DOJ has stated that it is the U.S. Trustee Program's ("**USTP**") position that no assets associated with the cannabis industry can be liquidated or restricted following bankruptcy without violating the CSA. In addition, the Director of the USTP recently issued a letter to 1,100 trustees who administer bankruptcy cases urging the trustees to monitor and report to the DOJ cannabis companies looking to declare bankruptcy.

If any of Khiron's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States are found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of Khiron to declare or pay dividends and could affect other distributions, including Khiron's ability to transfer funds. Furthermore, while Khiron has no current intentions to declare or pay dividends in the foreseeable future, if a determination was made that Khiron's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, Khiron may decide, or be required, to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

For the reasons set forth above, Khiron's future investments in the United States, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in jurisdictions in which Khiron operates. As a result, Khiron may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on Khiron's ability to invest in the United States or any other jurisdiction.

Enforcement of U.S. federal law is a significant risk to cannabis businesses operating in the United States, including Khiron. The rescission of the Cole Memorandum increased the uncertainty and risk associated with the enforcement of U.S. federal laws regarding the production, manufacture, processing, possession, distribution, sale and use of cannabis. There is no certainty as to how the DOJ, the U.S. Federal Bureau of Investigation and other government agencies will handle cannabis matters now that the Cole Memorandum is no longer in effect.

There can be no assurance that the U.S. federal government will not seek to prosecute cases involving cannabis businesses, notwithstanding compliance with state law. Such proceedings could have a material adverse effect on Khiron's business, revenues, operating results and financial condition, as well as Khiron's reputation and ability to raise capital.

Further, violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on Khiron, including its reputation and ability to conduct business, its ability to list its securities on stock exchanges, its financial position, its operating results, its profitability or liquidity or the value of its securities. In addition, the time of management and advisors of Khiron and resources that would be needed for the investigation of any such matters or their final resolution could be substantial.

Although the Cole Memorandum and 2014 Cole Memorandum have been rescinded, one legislative safeguard for the medical cannabis industry remains in place. U.S. Congress has used a rider provision in the fiscal year 2015, 2016, 2017 and 2018 Consolidated Appropriations Acts (currently, the "**Leahy Amendment**") to prevent the U.S. federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated cannabis actors operating in compliance with state and local law. The Leahy Amendment was included in the fiscal year 2019 omnibus appropriations bill signed by President Trump on February 15, 2019, meaning that, the Leahy Amendment is in effect until September 30, 2019 when the fiscal year ends. It is uncertain whether the U.S. Congress will extend this prohibition beyond such expiration date. As the Leahy Amendment protects only state medical cannabis actors, there can be no assurance that U.S. federal prosecutors will not use DOJ funds to interfere with state adult-use (recreational) cannabis actors.

When President Trump signed the omnibus appropriations bill containing the Leahy Amendment on February 15, 2019, he added a signing statement:

"Division C, section 537, provides that the Department of Justice may not use any funds to prevent implementation of medical marijuana laws by various States and territories. I will treat this provision consistent with the President's constitutional responsibility to faithfully execute the laws of the United States." Inclusion of this signing statement does not appear at this time to indicate a new approach to enforcement of federal cannabis laws by the White House but does illustrate the legal uncertainty surrounding the industry."

*Federal and State Law and Policy Governing Hemp and Hemp Products*

The *Agriculture Improvement Act of 2018* (the "**2018 Farm Bill**") was signed into law on December 20, 2018. The 2018 Farm Bill, among other things, removes hemp (including any part of the cannabis plant containing 0.3% THC or less), its extracts, derivatives, and cannabinoids from the CSA, and allows for federally-sanctioned hemp production under the purview of the United States Department of Agriculture

(the "**USDA**"), in coordination with state departments of agriculture that elect to have primary regulatory authority. States and U.S. territories can adopt their own regulatory plans, even if more restrictive than federal regulations, so long as the plans meet minimum federal standards and are approved by the USDA. Hemp production in states and tribal territories that do not choose to create their own plans (and that do not prohibit hemp production) will be governed by USDA regulation. A producer's failure to adhere to the State's plan could result in Federal prosecution. The USDA is now promulgating rules for implementation of the new federally authorized program. Notwithstanding the passage of the 2018 Farm Bill, the industrial hemp cultivation and research provisions contained in Section 7606 of the *Agricultural Act of 2014* (the "**2014 Farm Bill**") will remain in effect pending the USDA's rulemaking process. As a result, the 2014 Farm Bill will remain the primary federal law governing domestic hemp production for at least the 2019 growing season and will be repealed one year after the USDA establishes regulations governing Hemp production in states without their own USDA-approved plans. Under both the 2014 and the 2018 Farm Bill, states have authority to adopt their own regulatory regimes, and as such, regulations will likely continue to vary on a state-by-state basis.

The 2018 Farm Bill removed Hemp from the CSA by amending the definition of marihuana to exclude Hemp as defined in the 2018 Farm Bill, making Hemp an ordinary agricultural commodity. Despite continued regulation of the hemp industry, this newly enacted legislation eliminates much legal ambiguity concerning the interplay of Federal and State law. Federal law now provides that any CBD derived from Hemp is not a controlled substance under the CSA; however, CBD derived from Hemp could still be considered a controlled substance under applicable state law.

Regulation concerning production of Hemp requires a State government desiring primary regulatory authority to submit to USDA a plan for Hemp production under which the State monitors and regulates production. Additionally, subject to narrow exceptions applicable to 2014 Farm Bill pilot program participants, individuals convicted of felony narcotic related offenses, within the past ten years, are barred from participating in hemp production.

The Secretary of Agriculture has been mandated with creating a Federal licensing scheme. Currently, there is no Federal licensing scheme in place, and no state plans have been approved by the USDA. USDA has stated it will not approve state plans until such time as it finalizes rules governing hemp production in states that do not submit their own hemp production plans. USDA has projected that rules will be finalized in time for the 2020 growing season. States have the express authority to adopt more stringent plans governing hemp production if such states submit plans approved by USDA that meet minimum federal standards.

Hemp and related products can be moved in interstate commerce if produced in compliance with State and Federal law. Specifically, under the 2018 Farm Bill, no State can prohibit the transportation of hemp or hemp products within and between the States, if the hemp or hemp product was produced in accordance with the 2018 Farm Bill hemp production requirements.

Under the 2018 Farm Bill, Hemp is no longer excluded from Federal Crop Insurance coverage. In this respect the law treats hemp like any other agricultural commodity. Further, hemp research has received additional eligibility for Federal funding. Federally insured banks can now serve Hemp producers operating in compliance with applicable law.

Due to the fact that the federal government is now regulating Hemp and its derivatives as an agricultural crop and has lifted previous limitations on the cultivation and sale of Hemp, the legality of CBD products derived from Hemp has been greatly expanded and clarified by the 2018 Farm Bill. However, until the 2018 Farm Bill is fully implemented, which is expected upon final USDA rulemaking later in 2019, the limited research pilot program provisions of the 2014 Farm Bill still govern. Under the 2014 Farm Bill, many states have limitations as to lawful activity under state law with respect to commercial production and sale.

Further, it should be noted that a common misunderstanding surrounding the passage of the 2018 Farm Bill is that the legislation has also legalized CBD and various CBD products in all circumstances. This stems from a clause in Section 12619 of the 2018 Farm Bill which exempts Hemp and its derivatives from the

CSA by excluding Hemp and its derivatives from the definition of "marihuana" (marijuana). Accordingly, where CBD is derived from hemp, it is not a controlled substance. However, while many state-controlled substances laws mirror the CSA as amended by the 2018 Farm Bill, some states have more restrictive laws governing hemp and hemp-derived CBD products. In addition, many states are in the process of reforming state criminal laws to conform to the change in Federal law.

Federally, any cannabinoid derived from marijuana will remain illegal under the CSA. However, under Section 12619, any cannabinoid that is derived from Hemp is not a controlled substance under U.S. Federal law.

In addition, commercial CBD products derived from marijuana that are specially approved by the FDA, such as the anti-convulsant medication, Epidiolex, the active ingredient of which is marijuana-derived CBD, would also not be classified as Schedule I controlled substances under the CSA. After the FDA approved Epidiolex for sale, Epidiolex was independently scheduled in the CSA as a Schedule V drug.

It should also be noted that the 2018 Farm Bill does not change anything affecting state-level adult-use or medicinal marijuana programs. Marijuana-derived CBD products produced by or produced for state-level adult-use or medicinal marijuana programs were not legalized under the 2018 Farm Bill and remain illegal at the federal level.

*Development of Current Regulatory Framework*

In addition to customary regulations applicable to any commercial business, Khiron's operations related to Hemp would be subject to state and federal regulation in respect of the production, distribution and sale of products intended for human ingestion or topical application. The 2018 Farm Bill expressly made no amendments to the Federal Food Drug and Cosmetic Act ("**FDCA**") which applies to the production and sale of all products intended for human or animal consumption introduced into interstate commerce.

Hemp is an agricultural commodity cultivated for use in the production of a wide range of products globally. Among others, hemp is used in the agriculture, textile, recycling, automotive, furniture, food and beverage, paper, construction materials and personal care industries.

Botanically, Hemp is categorized as *Cannabis sativa L.,* a subspecies of the cannabis genus. Numerous unique, chemical compounds are extractable from hemp, including THC and CBD. These cannabinoids are responsible for a range of potential psychological and physiological effects. Hemp is distinguishable from its cousin marijuana, which also comes from the *Cannabis sativa L.* subspecies, by its absence of more than trace amounts (0.3% or less) of the plant's primary psychoactive compound THC. Although international standards vary, other countries, such as Canada, have used the same THC potency standards to define Hemp.

Historically, the effects of federal tax rendered the domestic farming of hemp impractical. In addition, with the science of distinguishing hemp from marijuana undeveloped, and fearful of hemp as a psychoactive substance, states legally restricted growth and cultivation of the hemp plant. Subsequently, federal legislation scheduled all cannabis grown in the United States as a controlled substance, and as a result, until the passage of the 2014 Farm Bill, cultivating hemp for any purpose in the United States without a Schedule I registration with the DEA was illegal. Presently, the 2014 Farm Bill allows Industrial Hemp to be cultivated within the context of a state agricultural pilot program and where permitted by state law.

*The 2014 Farm Bill*

In 2014, Congress enacted the 2014 Farm Bill. The 2014 Farm Bill allows institutions of higher education or state departments of agriculture to cultivate industrial hemp for research purposes, *notwithstanding the CSA or any other federal law*, provided certain conditions are met. The scope of the 2014 Farm Bill is limited to cultivation that is: (a) for research purposes (inclusive of market research); (b) part of an

"agricultural pilot program" or other agricultural or academic research; and (c) permitted by state law. "**Industrial hemp**" is defined in federal law as the plant *Cannabis sativa* L., and any part of such plant, whether growing or not, with a delta-9 THC concentration of not more than 0.3% on a dry weight basis. The 2014 Farm Bill does not provide a federal regulatory framework or require states to adopt and implement hemp programs. As a result, many state regulatory and enforcement agencies continue to prohibit the production and sale of hemp and hemp-derived CBD products. Notwithstanding the fact that Hemp and Hemp-derived CBD are now expressly removed from the CSA, compliance with state law remains imperative under both the 2014 and 2018 Farm Bill.

The various state 2014 Farm Bill Industrial Hemp pilot programs have different requirements regarding the registration of cultivators and processors, the involvement of institutions of higher education, and permissible commercialization. The 2014 Farm Bill did not establish a federal regulatory framework and gave significant discretion to states to adopt regulations governing hemp activity. Any plant found to contain a higher concentration of THC than permitted by the 2014 Farm Bill (which uses the same THC threshold as the 2018 Farm Bill) is considered a Schedule I substance under the CSA (i.e. marijuana) and is not protected by the 2014 Farm Bill.

*DEA Position*

The following discussion pertains to the DEA's position prior to the date the 2018 Farm Bill was enacted. To our knowledge, the DEA has not expressed its position with respect to the 2018 Farm Bill; however, due to the fact that Hemp is explicitly exempted from the definition of "marihuana" (marijuana) in the CSA, the DEA no longer has authority over the production and distribution of Hemp.

Notwithstanding the Ninth Circuit's holding in HIA v DEA II, which invalidated previous final rules promulgated by the DEA in the early 2000s, the DEA subsequently published a regulation in 2016 (the ''**2016 Final Rule**'') also referred to as the ''Marihuana Extract Rule,'' which states that all extracts from the cannabis plant are Schedule I controlled substances, regardless of which part of the cannabis plant the extracts are derived from. Although the DEA subsequently issued a clarification to the 2016 Final Rule, explaining that the 2016 Final Rule includes only extracts that fall within the CSA definition of marijuana, and does not include materials excluded from the CSA definition of marijuana, it makes clear that the DEA does not believe CBD can be derived in commercially viable amounts from the parts of the plant exempted from CSA control, noting that the cannabinoids are concentrated in the flower and that CBD present in stalk is generally due to the presence of resin. (Note again, that the DEA was referring to exemptions from the definition of "marihuana" (marijuana) as that term was defined prior to the passage of the 2018 Farm Bill.) According to the DEA, resin from any part of the plant is clearly included in the CSA definition of ''marijuana.''

This position is again emphasized in a 2018 Ninth Circuit Court of Appeals case of Hemp Industries Association, et al., Petitioners, v. Drug Enforcement Administration, et al., Respondents, Nos. 03-71336; 03-71603, 2017 WL 10721879 (C.A.9) (''**HIA v. DEA III'**'). In this case, HIA and other industry petitioners filed a Petition for Review seeking to block the implementation of the DEA's 2016 Final Rule on marihuana extracts, in part, claiming that the 2016 Final Rule conflicted with the 2014 Farm Bill. In response to the case, a bipartisan group of 29 congressional members submitted an amicus brief (the ''**Amicus Brief**'') arguing the DEA's stance is in contravention of the 2014 Farm Bill and other laws, and that the intent and plain meaning of the 2014 Farm Bill was to open Industrial Hemp to national commercial activity. On April 30, 2018, the Ninth Circuit Court of Appeals denied the HIA's appeal of the 2016 Final Rule based on procedural grounds, but importantly confirmed that *the 2014 Farm Bill adequately acknowledges the conflict and preempts the CSA*, confirming that the 2016 Final Rule does not apply to Industrial Hemp grown lawfully under the 2014 Farm Bill.. As noted above, the passage of the 2018 Farm Bill and its corresponding amendments to the CSA likely changes this analysis.

On May 22, 2018, the DEA issued an internal directive to its agents concerning the legality of hemp and hemp-derived products. The key language states:

“Products and materials that are made from the cannabis plant and which fall outside the CSA definition of marijuana (such as sterilized seeds, oil or cake made from the seeds, and mature stalks) are not controlled under the CSA. Such products may accordingly be sold and otherwise distributed throughout the United States without restriction under the CSA or its implementing regulations. The mere presence of cannabinoids is not itself dispositive as to whether a substance is within the scope of the CSA; the dispositive question is whether the substance falls within the CSA definition of marijuana.’’

Further, they clarified the controversial ‘‘marijuana extract’’ rule:

“‘This directive does not address or alter DEA’s previous statements regarding the drug code for marijuana extract and regarding resin. See Establishment of a New Drug Code for Marihuana Extract, 81 Fed. Reg. 90194 (Dec. 14, 2016); Clarification of the New Drug Code (7350) for Marijuana Extract. As DEA has previously explained, the drug code for marijuana extract extends no further than the CSA does, and it thus does not apply to materials outside the CSA definition of marijuana.’’

To be clear, the DEA has stated that it has no enforcement authority over hemp or hemp products that are excluded from the CSA. This may include any product derived from hemp grown as part of a 2014 Farm Bill-authorized pilot program, which the 2014 Farm Bill explicitly includes ‘‘notwithstanding’’ the CSA. (The Ninth Circuit Court of Appeals stated the 2014 Farm Bill ‘‘contemplates potential conflict between the Controlled Substances Act and pre-empts it’’.)

Despite the DEA’s concession that it maintains no jurisdiction with regard to 2014 Farm Bill activities, there remains concern over the extent to which other federal, state and local agencies as well as services providers defer to the DEA’s earlier, negative rhetoric towards the 2014 Farm Bill in the Statement of Principles and a possible reaction to the new 2018 Farm Bill.

Since, the 2018 Farm Bill established a clear regulatory framework for the cultivation and sale of Hemp, and amended the CSA to expressly exclude Hemp, the position of the DEA should change and that no action against companies involved in the space should be taken by the DEA as long as there is strict compliance with the requirements of the 2014 Farm Bill or the 2018 Farm Bill, as applicable.

*State Regulation of Hemp*

States take varying approaches to regulating the production and sale of hemp and hemp-derived CBD under the 2014 Farm Bill and state food and drug laws. While some States explicitly authorize and regulate the production and sale of CBD or otherwise provide legal protection for authorized individuals to engage in commercial hemp activities, other States maintain outdated drug laws that do not distinguish between marijuana, hemp and/or hemp-derived CBD, resulting in hemp being classified as a schedule I controlled substance under state law. In these states, sale of CBD, notwithstanding origin, is either restricted to state medical or adult-use marijuana program licensees or remains otherwise unlawful under state criminal laws. Additionally, a number of States prohibit the sale of consumable CBD products based on the FDA’s position that, pursuant to the FDCA it is unlawful “. . . to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products as, or in, dietary supplements, regardless of whether the substances are hemp-derived.”

Under the 2018 Farm Bill there will be significant, shared state-federal regulatory authority over the production of hemp. States have the option to have primary regulatory authority over hemp production in their jurisdictions by submitting regulatory plans to USDA that meet minimal federal standards. Under section 10113 of the 2018 Farm Bill, state departments of agriculture must consult with the state’s governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of the USDA. A State’s plan to license and regulate hemp production can only commence once the Secretary of the USDA approves that State’s plan. In States opting not to devise a hemp regulatory program, and that do not otherwise prohibit hemp production, the USDA will construct a regulatory program under which hemp cultivators in those States must apply for licenses and comply with a federally governed program. Additionally, pursuant to the 2018 Farm Bill, a State is not required to authorize or permit the production

and sale of hemp or hemp products. As a result, it is possible that a limited number of States will maintain laws that could be interpreted to prohibit the manufacture, possession and sale of hemp-derived CBD products.

*Regulatory Compliance Requirements and FDA's Position on CBD and Certain Other Hemp Products*

The 2018 Farm Bill expressly preserves the FDA's authority to regulate certain products containing cannabis or cannabis-derived compounds under the FDCA. Certain provisions of the FDCA preclude a substance from being considered a food and prohibit a substance from being marketed as a dietary supplement or dietary ingredient if such substance has been approved by the FDA as a new drug, or if such substance has been authorized for investigation as a new drug ("**IND**") for which substantial clinical investigations have been instituted and for which the existence of such investigations has been made public (the "**Preclusion Rule**"). Because CBD was the subject of public drug trials and is the active ingredient in an FDA-approved drug (Epidiolex), the FDA takes the position that it is unlawful under the FDCA to introduce food containing added CBD into interstate commerce, or to market CBD products as, or in, dietary supplements, regardless of whether the substances are hemp-derived. Additionally, the FDA requires a cannabis product (hemp-derived or otherwise) that is marketed with a claim of structure/function therapeutic benefit, or with any other disease claim, and therefore intended for use as a drug, to be approved by the FDA for its intended use before it may be introduced into interstate commerce.

GW Pharmaceuticals' ("**GW**") investigational new drug application for Sativex, a cannabis-derived oral spray, was authorized by the FDA in 2006, likely triggering the Preclusion Rule as applied to dietary supplements, and GW initiated clinical trials in late 2007, triggering the Preclusion Rule as applied to food. Although the IND application and clinical investigations for Sativex predate the initial IND authorization for Epidiolex, Sativex has not yet received final FDA approval. However, on June 25, 2018, the FDA announced its official approval of GW's application for its new drug, Epidiolex. Epidiolex is a CBD-based oral solution developed for use in the treatment of seizures associated with two rare and severe forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome. Although there are other FDA-approved drugs that contain synthetically produced THC, Epidiolex is the first FDA-approved drug that contains a purified drug substance derived from cannabis. Importantly, although substances that were marketed as a conventional food or dietary supplement before the new drug investigations were authorized or commenced are exempt from the Preclusion Rule, the FDA has concluded that, based on available evidence, this is not the case for CBD. Several states, including California, have followed the FDA's position. Further, many state food and drug laws mirror, or are substantially similar, to the FDCA, and the laws of many states include additional policies or regulations prohibiting the sale of certain hemp and/or CBD products intended for human or animal consumption.

Many people disagree with the FDA's position, noting that there is substantial uncertainty and different interpretations among state and federal regulatory agencies, legislators, academics and businesses as to whether the exception to the Preclusion Rule applies to CBD, and if so, whether it applies to all types of CBD products. Other challenge the FDA's position on other grounds. Nevertheless, the FDA's position (as well as those state policies mirroring the FDA's position) could materially impact Khiron's business and financial condition, limit the accessibility of certain state markets, cause confusion amongst regulators, and increase legal and compliance costs.

Although Khiron expects that its operations will be legal and comply with the FDCA, there is a risk that, given the FDA's position, Khiron's sale and marketing of CBD or certain other hemp-derived products as a food additive or dietary ingredient may be in violation of the FDCA. Any determination by a court or federal agency affirming the FDA's position on CBD or that CBD is not permissible for use as a dietary ingredient, food ingredient, or is an adulterant, would have a materially adverse effect upon Khiron and its business.

To date, the FDA has been clear in its position and has consistently repeated its position through public statements and enforcement. The FDA has enforced its position and asserted the Preclusion Rule through warning letters to companies marketing hemp and CBD products as dietary supplements, particularly where such marketing includes health and/or medical claims. State regulatory agencies have enforced similar

policies through warning letters, seizures, and, in some cases, more serious legal action. The receipt of such a warning letter, a seizure of Khiron's product, or any other legal action, could adversely affect Khiron's business and financial results.

*Future Uncertainty of Legal Status*

Despite the positive changes brought by the 2018 Farm Bill, there remain a number of considerations, potential changes in regulation, and uncertainties regarding the cultivation, sourcing, production and distribution of Hemp and products containing Hemp derivatives. Applicable laws and regulations remain subject to change as there are different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses with respect to the treatment of the importation of derivatives from exempted portions of the Cannabis plant and the scope of operation of the 2014 Farm Bill and 2018 Farm Bill-compliant Hemp growers and licensed Hemp-derived CBD producers. These different federal, state, and local agency interpretations, as discussed above, touch on the regulation of cannabinoids by the DEA and/or the FDA and the extent to which imported derivatives, and/or 2014 Farm Bill-compliant cultivators and processors may engage in interstate commerce, whether under federal and/or state law. The uncertainties likely cannot be resolved without further federal and state legislation, regulation or a definitive judicial interpretation of existing legislation and rules.

Following the implementation of the 2018 Farm Bill, there will be significant shared state-federal regulatory authority over hemp production. Under section 10113 of the 2018 Farm Bill, state departments of agriculture and Tribal governments desiring to have primary regulatory authority over hemp production in their jurisdiction must consult with the state's governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of the USDA. A State's plan to license and regulate hemp can only commence once the Secretary of the USDA approves that state's plan. In States opting not to devise a hemp regulatory program, and that do not otherwise prohibit hemp production, the USDA will construct a regulatory program under which hemp cultivators in those states must apply for licenses and comply with a federally-governed program. In the nearest future the shared state-federal regulation is likely to result into a complex, fast-changing regulatory framework. However, until one year after the USDA adopts rules governing hemp production in States and tribal territories that do not elect to have primary regulatory authority, the 2014 Farm Bill research pilot program provisions remain governing law for hemp production in the U.S.

## RISK FACTORS

Due to the nature of Khiron's business, the legal and economic climate in which it operates and its present stage of development, Khiron is subject to significant risks. The risks presented below should not be considered to be exhaustive and may not be all of the risks that Khiron may face. Additional risks and uncertainties not presently known to Khiron or that Khiron currently considers immaterial may also impair the business and operations. If any of the following or other risks occur, the Company's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of Khiron Shares could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

### Risks Relating to the Company's Business and Operations

*Limited Operating History*

Khiron is an early stage company having been founded in 2017 and, as a result, it has a limited operating history upon which its business and future prospects may be evaluated. Khiron will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for Khiron to meet future operating and debt service requirements, Khiron will need to be successful in its growing, marketing and sales efforts. Additionally, where Khiron experiences increased sales, Khiron's current operational infrastructure may require changes to scale

Khiron's business efficiently and effectively to keep pace with demand, and achieve long-term profitability. If Khiron's products and services are not accepted by new customers, Khiron's operating results may be materially and adversely affected.

*Managing Growth*

In order to manage growth and change in strategy effectively, Khiron must (i) maintain adequate systems to meet customer demand; (ii) expand sales and marketing, distribution capabilities and administrative functions; (iii) expand the skills and capabilities of its current management team; and (iv) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, Khiron expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

*Retention and Acquisition of Skilled Personnel*

The loss of any member of the Khiron's management team, could have a material adverse effect on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on the Company's business and operating results. At present and for the near future, Khiron will depend upon a relatively small number of employees to develop, market, sell and support its products. The expansion of marketing and sales of its products will require Khiron to find, hire and retain additional capable employees who can understand, explain, market and sell its products. There is intense competition for capable personnel in all of these areas and Khiron may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, the Company may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as Khiron moves into new jurisdictions, it will need to attract and recruit skilled employees in those areas.

*Reliance on One Facility*

The Cultivation Facility is currently Khiron's only licensed facility under the Licences. The Licences held by Khiron Colombia are specific to the Cultivation Facility. Adverse changes or developments affecting the Cultivation Facility, including but not limited to a breach of security, could have a material and adverse effect on Khiron's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Colombian regulatory authorities, could have an impact on Khiron's ability to continue operating under the Licences or the prospect of renewing the Licences.

Certain contemplated capital expenditures of Khiron may require approval of Colombian regulatory authorities. There is no guarantee that Colombian Regulatory Authorities will approve any contemplated expansion and/or renovation, which could adversely affect the business, financial condition and results of Khiron's operations.

*Unexpected disruptions affecting operations, whether due to labor disruptions, supply disruptions, power disruptions, damage to equipment or otherwise*

Khiron's operations may be disrupted by a variety of risks and hazards that are beyond its control, including, but not limited to, fires, power outages, labour disruptions, supply disruptions, flooding, and the inability to obtain suitable or adequate machinery, equipment or labour as well as other risks involved in the cultivation and production of medicinal cannabis.

*Demand for Cannabis and Derivative Products*

The legal cannabis industry in Colombia is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of medicinal cannabis are mixed and evolving and can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medicinal cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medicinal cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for medicinal cannabis and on the business, results of operations, financial condition and cash flows of Khiron. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of medicinal cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medicinal cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medicinal cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization. Khiron's ability to gain and increase market acceptance of its business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on Khiron.

*Liability, Enforcement, Complaints, etc.*

Khiron's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by third parties, other companies and/or various governmental authorities against Khiron. Litigation, complaints, and enforcement actions involving Khiron could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on Khiron's future cash flows, earnings, results of operations and financial condition.

*Product Liability*

As a distributor of products designed to be ingested by humans, Khiron faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused damages, loss or injury. In addition, the sale of Khiron's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of Khiron's products alone or in combination with other medications or substances could occur. Khiron may be subject to various product liability claims, including, among others, that Khiron's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. A product liability claim or regulatory action against Khiron could result in increased costs, could adversely affect Khiron's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of Khiron. There can be no assurances that Khiron will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Khiron's potential products.

*Insurance Coverage*

Khiron's production is, in general, subject to different risks and hazards, including adverse weather conditions, fires, plant diseases and pest infestations, other natural phenomena, industrial accidents, labour disputes, changes in the legal and regulatory framework applicable to Khiron and environmental contingencies.

Khiron has received confirmation from Barclays International that they will provide insurance coverage over Khiron's production and facilities. Khiron is insured against a variety of risks, including losses and damages relating to its plants, equipment and buildings. Khiron's insurance currently covers only part of the losses it may incur and does not cover losses on crops due to drought or floods. Furthermore, certain types of risks may not be covered by the policies that Khiron holds. Additionally, any claims to be paid by an insurer due to the occurrence of a casualty covered by Khiron's policies may not be sufficient to compensate Khiron for all of the damages suffered. Khiron may not be able to maintain or obtain insurance of the type and amount desired at a reasonable cost. If Khiron were to incur significant liability for which it were not fully insured, it could have a materially adverse effect on Khiron's business, financial condition and results of operations.

*Ability to Establish and Maintain Bank Accounts*

While Khiron does not anticipate dealing with banking restrictions, there is a risk that banking institutions in countries where Khiron operates will not accept payments related to the cannabis industry. Such risks could increase costs for Khiron. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that Khiron may be required to seek alternative payment solutions, including but not limited to cryptocurrencies. There are risks inherent in cryptocurrencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in cryptocurrency Khiron would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. Khiron's inability to manage such risks may adversely affect Khiron's operations and financial performance.

*Product Recalls*

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of Khiron's products are recalled due to an alleged product defect or for any other reason, Khiron could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Khiron may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although Khiron has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if Khiron is subject to recall, the image of Khiron could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for Khiron's products and could have a material adverse effect on the results of operations and financial condition of Khiron. Additionally, product recalls may lead to increased scrutiny of Khiron's operations by regulatory agencies, requiring further management attention, potential loss of applicable licences and potential legal fees and other expenses.

*Risks Inherent in an Agricultural Business*

Khiron's business involves the growing of cannabis, which is an agricultural product. Medicinal cannabis will be grown outdoors. The occurrence of severe adverse weather conditions, especially droughts, hail, floods or frost, is unpredictable and may have a potentially devastating impact on agricultural production, and may otherwise adversely affect the supply of cannabis. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce Khiron's yields or require Khiron to increase its level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts could reduce the yield and quality of Khiron's cannabis production, which could materially and adversely affect Khiron's business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agricultural, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale.

Even when only a portion of the production is damaged, Khiron's results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect Khiron's operating results and financial condition. Furthermore, if Khiron fails to control a given plant disease and the production is threatened, Khiron may be unable to supply its customers, which could adversely affect its business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on any such production.

*Risks Inherent in Rural Real Estate*

The Colombian Constitution protects the right to own private property and related rights acquired in compliance with civil regulations. According to Colombian Constitution, legally acquired private property ownership rights cannot be affected if the owner is in compliance with applicable laws.

Except in the case of public necessity or social interest, subject to due process and the payment of an indemnification, expropriations without just cause or on a discriminatory basis are restricted.

In August 2011, Colombia and Canada entered into a Free Trade Agreement, which outlines the issue of expropriations in Article 811 as well as dispute settlements in Chapter 21. The Free Trade Agreement provides that Canadian investments in Colombia will be granted fair and equitable treatment with full protection and security and will be accorded no less favourable treatment than Colombia grants to its own investors or investors of any other country. It also provides that an investment will not be expropriated except in a non-discriminatory manner in accordance with due process of law with prompt and adequate compensation. The expropriation provisions cover both traditional "direct" takings and so-called "indirect" or "creeping" expropriation, which results from a measure or a series of measures by a government that have an effect equivalent to direct expropriation without a formal transfer of title or outright seizure of the investment. An investor-State dispute resolution process is provided for in the event that the investment is not provided the protections set out in the Free Trade Agreement. Through this process, a Canadian investor can challenge a Colombian measure through binding international arbitration instead of relying on the Colombian local courts.

*Protected Areas Established by the National System of Protected Areas*

Cannabis licences may not be granted to individuals or legal persons who intend to conduct the licensed activities on lands that are in national parks or in protected areas established by the National System of Protected Areas. The government has the right to establish new protected areas in areas with certain environmental relevance that might result in the prohibition to conduct any type of activities on those areas or the need to obtain environmental authorizations.

Khiron does not operate in a protected area and is not at risk of expropriation pursuant to the National System of Protected Areas.

*Energy Prices and Supply*

Khiron requires substantial amounts of diesel and electric energy and other resources for its harvest activities and transport of cannabis. Khiron relies upon third parties for its supply of energy resources used in its operations. The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, imposition of restrictions on energy supply by government, worldwide price levels and market conditions. If energy supply is cut for an extended period of time and Khiron is unable to find replacement sources at comparable prices, or at all, Khiron's business, financial condition and results of operations would be materially and adversely affected.

*Supply of Cannabis Seeds*

Khiron has already registered five strains that are producing seeds for the Company for commercial purposes. If for any reason the supply of cannabis seeds is ceased or delayed, Khiron would have to seek alternate suppliers and obtain all necessary authorization for the new seeds. If replacement seeds cannot be obtained at comparable prices, or at all, or if the necessary authorizations are not obtained, Khiron's business, financial condition and results of operations would be materially and adversely affected. There are more than 30 strains already registered in Colombia and the market for seeds is increasing its size as competing companies register their seed sources.

*Changes in Corporate Structure*

Colombian cannabis licences are granted on a non-transferable, non-exchangeable and non-assignable basis. Any breach of this restriction may give rise to unilateral termination of the license by the governmental authority.

Notwithstanding the above, Colombian laws do not provide for specific regulations or restrictions regarding the effects of a change in control, modification of the corporate structure, issuance of shares, or any changes in holders or final beneficiaries of cannabis licences.

Colombian legislation gives special attention to the identification and background of the legal representatives of licensees. Licensees must file a declaration of the legality of the proceeds of the legal representatives. Furthermore, Decree 613 of 2017 provides a set of resolutory conditions, which enable the Ministry of Health or the Ministry of Justice, as applicable, to terminate a license if the licensee fails to request the amendment of the licence within 30 calendar days following any changes in (i) the legal representation of the licensee; or (ii) the declaration that a legal representative is criminally liable for drug trafficking or related crimes, after having issued the respective license.

*Emerging Market Risks*

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

All of Khiron's operations are in Colombia. Colombia has a history of economic instability or crises (such as inflation or recession). While there is no current political instability, and historically there has been no change in laws and regulations, this is subject to change in the future and could adversely affect Khiron's business, financial condition and results of operations.

In particular, fluctuations in the Colombian economy and actions adopted by the Government of Colombia have had and may continue to have a significant impact on companies operating in Colombia, including Khiron. Specifically, Khiron may be affected by inflation, foreign currency fluctuations, regulatory policies, business and tax regulations and in general, by the political, social and economic scenarios in Colombia and in other countries that may affect Colombia.

Global economic crises could negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Colombia. Such events could materially and adversely affect Khiron's business, financial condition and results of operations.

*Global Economy*

Financial and securities markets in Colombia are influenced by the economic and market conditions in other countries, including other South American and emerging market countries and other global markets. Although economic conditions in these countries may differ significantly from economic conditions in Colombia, investors' reactions to developments in these other countries, such as the recent developments

in the global financial markets, may substantially affect the capital flows into, and the market value of securities of issuers with operations in Colombia.

An economic downturn or volatility could have a material adverse effect on Khiron's business, financial condition and results of operations. The economy of the Colombia, where Khiron's operations are located, has experienced significant economic uncertainty and volatility during recent years. A weakening of economic conditions could lead to reductions in demand for Khiron's products. For example, its revenues can be adversely affected by high unemployment and other economic factors. Further, weakened economic conditions or a recession could reduce the amount of income customers are able to spend on Khiron's products. In addition, as a result of volatile or uncertain economic conditions, Khiron may experience the negative effects of increased financial pressures on its clients. For instance, Khiron's business, financial condition and results of operations could be negatively impacted by increased competitive pricing pressure, which could result in Khiron incurring increased bad debt expense. If Khiron is not able to timely and appropriately adapt to changes resulting from a weak economic environment, its business, results of operations and financial condition may be materially and adversely affected.

A crisis in other emerging market countries could dampen investor enthusiasm for securities of issuers with South American operations. Financial conditions in Argentina, Brazil or other emerging market countries could negatively impact Colombia's economy in the future. If such fluctuations were to occur, Khiron's business, financial condition and results of operations could be materially and adversely affected.

*TSXV Restrictions on Business*

As a condition to initially listing on the TSXV, the TSXV required that Khiron deliver an Undertaking (the "**Undertaking**") confirming that, while listed on TSXV, Khiron will only conduct the business of the production, sale and distribution of medicinal marijuana in Colombia pursuant to the Licences and in accordance with applicable law, unless prior approval is obtained from TSXV. The Undertaking could have an adverse effect on Khiron's ability to do business or operate outside of Colombia and on its ability to expand its business into other areas, including the provision of non-medical marijuana in the event that the laws were to change to permit such sales, if Khiron is still listed on the TSXV and remains subject to the Undertaking at such time. The Undertaking may prevent Khiron from expanding into new areas of business when Khiron's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition and results of Khiron's operations.

*Risks Related to the Transactions*

Completion of each of the Dayacann, Netta and Dixie Transactions (collectively, the "**Transactions**") is subject to certain conditions and may not be completed on the terms proposed or at all

Completion of each of the Transactions is subject to a number of conditions precedent. Although the Company has entered into definitive strategic agreements or binding letters of intent with each of the parties under the Transactions, the Transactions may not be realized or completed on the terms initially agreed or announced, or at all.

Further, the realization or completion of the Transactions is subject to, among other things, the completion of due diligence, the execution of definitive agreements, receipt of governmental and third party consents and approvals and TSXV review and approval. There is a risk that the TSXV may not approve the Transactions which may prevent Khiron from expanding into new areas of business.

There is no assurance that the Transactions will be realized or completed. Failure to complete any one, or all, or the Transactions could negatively impact the share price of the Khiron Shares or otherwise adversely affect the business of the Company.

*Realizing the Benefits of Transactions*

Even if the Transactions are completed, the benefits anticipated by the Company to be derived from the completion of the Transactions cannot be assured and may not be attained in the timeframe that the Company anticipates, or at all. The ability to realize the benefits of the Netta Transaction (if completed) or the Company's recent acquisition of a 54% interest in ILANS will depend in part on successfully integrating operations, procedures and personnel in a timely and efficient manner, as well as on the Company's ability to realize the anticipated growth opportunities and synergies, efficiencies and cost savings from integrating businesses. This integration, which will involve operating a larger organization and often times in new jurisdictions, will require the dedication of significant management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, and customer and employee relationships that may adversely affect the ability of the Company to achieve the anticipated benefits of the Transactions.

The Company's ability to realize the benefits from any of its strategic alliances or proposed joint ventures, including under the Dayacann Transaction and the Dixie Transaction (if completed) are subject to all the risks normally associated with strategic or joint venture operations and could present unforeseen obstacles and costs. Achieving any of the expected benefits will depend, in part, on the parties cooperatively concluding the stated objectives and complying with their respective obligations under the arrangements. Additionally, to the extent any of the Company's partners experience any adverse events or conditions including to their financial position, litigation or other adverse actions or regulatory events, or have unknown or undisclosed risks or liabilities, their ability to contribute to or continue with the alliance or joint venture may be compromised. Any of the foregoing risks and uncertainties may have a material adverse effect on the business, financial condition and operations of the Company.

See also *"General Development of the Business".*

*Expansion into New Jurisdictions*

The Company's expansion and proposed expansion into other jurisdictions is subject to all the normal risks associated with operating in a new jurisdiction. The Company may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations (including those specifically related to the cannabis industry and related activities), the effects of competition, opposition to the Company's activities and other risks and uncertainties associated with conducting business in such jurisdictions. The Company will also be subject to new political, legal and regulatory regimes and other risks including but not limited to taxation, price controls, export/import controls, permitting and licensing regimes, environmental laws, labour laws, changing political conditions and currency fluctuations. The legal and regulatory requirements may be different from those in Colombia and the officers and directors of the Company will rely, to a great extent, on the Company's local legal counsel and local consultants and advisors in respect of legal, banking, financing and tax matters in order to ensure compliance with material legal, regulatory and governmental developments as they pertain to and affect the Company's operations, particularly with respect to cannabis or related operations. Increased compliance costs will be incurred by the Company. Further, there can be no assurance that any market for the Company's products will develop in these new jurisdictions. These factors may limit the Company's ability to successfully expand its operations into such jurisdictions and may have a material adverse effect on the Company's business, financial condition and results of operations.

**Regulatory Risks**

*Legal Proceedings*

From time to time, Khiron may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. Khiron will evaluate its exposure to these legal and regulatory proceedings and establish

reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on Khiron's financial results.

*Regulatory Compliance Risks*

Achievement of Khiron's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. Khiron may not be able to obtain or maintain the necessary licences, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its business. Khiron cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by local governmental authorities. To date, Khiron has received the Licences to cultivate Low THC Medicinal Cannabis and licences to cultivate and produce High THC Medicinal Cannabis from the Colombian government. The impact of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of Khiron.

The officers and directors of Khiron must rely, to a great extent, on Khiron's Colombian legal counsel and local consultants retained by Khiron in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect Khiron's business operations, and to assist Khiron with its governmental relations. Khiron must rely, to some extent, on those members of management and the board who have previous experience working and conducting business in Colombia in order to enhance its understanding of and appreciation for the local business culture and practices in Colombia. Khiron also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of banking, financing and tax matters in Colombia. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in Colombia are beyond the control of Khiron and may adversely affect its business.

Khiron will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Khiron may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Khiron's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Khiron.

*Canadian Regulatory and Civil Proceedings*

Khiron operates in Colombia pursuant to licences and authorizations granted by the Ministry of Justice and the Ministry of Health. Consequently, certain activities conducted by Khiron are permissible under one regulatory regime while not under another. In the past, Canadian courts and regulatory authorities have taken the view that it is not contrary to Canadian federal or provincial law for a person to be engaged in, or for an entity to hold interests in affiliates that are engaged in, certain regulated activities where such activities may be regulated differently than in the home jurisdictions and have enforced extra-territorial laws even where such laws (or regulatory regimes applicable to certain activities or industries) differs from those in the Canadian jurisdiction. There is a risk however that the Canadian courts or applicable Canadian or other governmental authorities may take a contrary view with respect to the business of Khiron and view Khiron as having violated their local laws, despite Khiron having obtained all applicable Colombian licences or authorizations and despite that Khiron does not carry on business in Canada. Therefore, there is a risk that civil and criminal proceedings, including class actions, could be initiated against Khiron. Such potential proceedings could involve substantial litigation expense, penalties, fines, seizure of assets, injunctions or

other restrictions being imposed upon Khiron or its business partners, while diverting the attention of key executives. Such proceedings could have a material adverse effect on Khiron's business, revenues, operating results and financial condition as well as impact upon Khiron's reputation.

*Change of Cannabis Laws, Regulations and Guidelines*

Cannabis laws and regulations are dynamic and subject to evolving interpretations which could require Khiron to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of Khiron's businesses. Khiron cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on Khiron's business. Management expects that the legislative and regulatory environment in the cannabis industry in Colombia and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry for the foreseeable future. Compliance with any such legislation may have a material adverse effect on Khiron's business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public's perception of the cannabis industry could affect future legislation or regulation in different jurisdictions.

*Reliance on Licences and Authorizations*

Khiron's ability to grow, store and sell cannabis in Colombia is dependent on Khiron's ability to sustain and/or obtain the necessary licences and authorizations by certain authorities in Colombia.

The licences and authorizations are subject to ongoing compliance and reporting requirements and the ability of Khiron to obtain, sustain or renew any such licences and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Failure to comply with the requirements of the licences or authorizations or any failure to maintain the licences or authorizations would have a material adverse impact on the business, financial condition and operating results of Khiron.

Although Khiron believes that it will meet the requirements to obtain, sustain or renew the necessary licences and authorizations, there can be no guarantee that the applicable authorities will issue these licences or authorizations. Should the authorities fail to issue the necessary licences or authorizations, Khiron may be curtailed or prohibited from the production and/or distribution of cannabis or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of Khiron may be materially adversely affected.

**Risks Related to the United States**

*Marijuana remains illegal under U.S. federal law*

Marijuana is a Schedule 1 controlled substance and is illegal under federal U.S. law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of federal law. Since federal law criminalizing the use of marijuana is not pre-empted by state laws that legalize its use, strict enforcement of federal law regarding marijuana would harm Khiron's business, prospects, results of operation, and financial condition.

*Risks related to ambiguity between federal and state law*

Federal law is not pre-empted by state law in these circumstances, so the federal government can assert criminal violations of federal cannabis laws despite the existence of state laws allowing such activity. The

level of prosecutions of state-legal cannabis operations is entirely unknown, nonetheless the stated position of the current administration is hostile to legal cannabis, and furthermore may be changed at any time by the Department of Justice, to become even more aggressive. The Sessions Memorandum lays the groundwork for United States Attorneys to take their cues on enforcement priority directly from Attorney General Jeff Sessions by referencing federal law enforcement priorities set by Attorney General Jeff Sessions. If the Department of Justice policy under Attorney General Jeff Sessions was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then Khiron could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries in the United States, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

Notably, current federal law (in the form of the Leahy Amendment) prevents the Department of Justice from expending funds to intervene with states' rights to legalize cannabis for medical purposes. In the event Congress fails to renew this federal law in its next budget bill, the Leahy Amendment for medical cannabis operators will be void. Should the Leahy Amendment not be renewed upon expiration in subsequent spending bills there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law. Such potential proceedings could involve significant restrictions being imposed upon Khiron or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on Khiron's business, revenues, operating results and financial condition.

Additionally, there can be no assurance as to the position any new administration may take on marijuana and a new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to Khiron and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the federal laws more aggressively.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on Khiron, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded common shares. In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

*Risks Specifically Related to the U.S. Regulatory System*

Khiron will operate in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

Khiron will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Khiron and, therefore, on Khiron's prospective returns. Further, Khiron may be subject to a variety of claims

and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The hemp industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of Khiron and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce Khiron's earnings and could make future capital investments or Khiron's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

In case of non-compliance with the strict requirements of the 2014 and/or 2018 Farm Bill, Khiron may be deemed involved in the cannabis industry in the US where local and state laws permit such activities or provide limited defenses to criminal prosecutions. The enforcement of relevant laws is a significant risk.

While the 2018 Farm Bill removes Hemp derived products from Schedule I status under the CSA, the legislation does not legalize cannabis generally. Marijuana continues to be categorized as a Schedule I controlled substance under the CSA. Therefore, unless in strict compliance with the 2014 and/or 2018 Farm Bill, as applicable, marijuana-related activities such as cultivation, manufacture, importation, possession, use or distribution of cannabis, are illegal under US federal law. Strict compliance with state laws with respect to cannabis will neither absolve Khiron of liability under US federal law, nor will it provide a defense to any federal proceeding which may be brought against Khiron. Any such proceedings brought against Khiron may adversely affect Khiron's operations and financial performance.

Because of the conflicting views between state legislatures and the federal government of the United States regarding cannabis (inclusive of marijuana and hemp), investments in hemp businesses in the United States are subject to inconsistent and constantly changing legislation, regulation, and enforcement. Unless and until the United States Congress amends the CSA with respect to marijuana or the DEA reschedules or de-schedules marijuana (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which would adversely affect the current and future business of Khiron in the United States. As a result of the tension between state and federal law, there could be a number of risks associated with Khiron's future business in the United States.

Additionally, there can be no assurance that state laws within the US legalizing and regulating the sale and use of marijuana will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of marijuana in a manner that could make it extremely difficult or impossible to transact business in the cannabis industry. Federal actions against any individual or entity engaged in the cannabis industry or a substantial repeal of cannabis related legislation could adversely affect Khiron and its business.

Violations of any United States federal laws and regulations as they relate to the 2014 and 2018 Farm Bills could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on Khiron, including its reputation and ability to conduct business, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for Khiron to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of

any information requested by the applicable authorities involved, and such time or resources could be substantial.

*Risks Associated with Numerous Laws and Regulations*

The production, labeling and distribution of the products that Khiron plans to distribute are regulated by various federal, state and local agencies. These governmental authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of Khiron's product claims or the ability to sell its products in the future. The FDA and applicable state agencies regulate Khiron's products to ensure that the products are not adulterated or misbranded.

Khiron would be subject to regulation by the FDA and other agencies as a result of the manufacture and sale of its CBD products in the United States. State laws vary significantly as to regulation of hemp-derived CBD in consumable products. The shifting compliance environment, patchwork of state laws, and the need to build and maintain robust systems to comply with different regulations in multiple jurisdictions increases the possibility that Khiron may violate one or more of the requirements. If Khiron's operations are found to be in violation of any of such laws or any other governmental regulations, or perceived to be in violation, Khiron may be subject to penalties or other negative effects, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of Khiron's operations or asset seizures and the denial of regulatory applications (including those regulatory regimes outside of the scope of DEA and FDA jurisdiction, but which may rely on the positions of the DEA and FDA in the application of their respective regimes), any of which could adversely affect Khiron's business and financial results.

Failure to comply with FDA requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. Khiron's advertising is subject to regulation by the Federal Trade Commission ("**FTC**") under the Federal Trade Commission Act as well as subject to regulation by the FDA under the DSHEA, and applicable state laws. In recent years, the FTC has initiated numerous investigations of dietary and nutritional supplement products and companies based on allegedly deceptive or misleading claims. At any point, enforcement strategies of a given agency can change as a result of other litigation in the space or changes in political landscapes, and could result in increased enforcement efforts, which would materially impact Khiron's business. Additionally, some states also permit advertising and labeling laws to be enforced by state attorney generals, who may seek relief for consumers, class action certifications, class wide damages and product recalls of products sold by Khiron. Private litigations may also seek relief for consumers, class action certifications, class wide damages and product recalls of products sold by Khiron. Any actions against Khiron by governmental authorities or private litigants could have a material adverse effect on Khiron's business, financial condition and results of operations.

*Leahy Amendment*

The Leahy Amendment prohibits the Department of Justice from spending funds appropriated by Congress to enforce the tenets of the CSA against the medical cannabis industry in states which have legalized such activity. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. The Leahy Amendment will expire with the Fiscal Year 2019 on September 30, 2019. At such time, it may or may not be included in the Fiscal Year 2020 omnibus appropriations package or a continuing budget resolution, and its inclusion or non-inclusion, as applicable, is subject to political changes.

*U.S. state regulatory uncertainty*

The rulemaking process for cannabis operators at the state level in any state will be ongoing and result in frequent changes. As a result, a compliance program is essential to manage regulatory risk. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing ancillary cannabis businesses and their relationships to state-licensed or permitted cannabis operators, if any. Notwithstanding Khiron's efforts, regulatory compliance and the

process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that Khiron will receive the requisite licenses, permits or cards to operate its businesses.

In addition, local laws and ordinances could restrict Khiron's business activity. Local governments have the ability to limit, restrict, and ban cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could be adopted or changed, and have a material adverse effect on the Khiron's business in the United States.

Multiple states are considering special taxes or fees on businesses in the marijuana industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon Khiron's business, results of operations, financial condition or prospects in the United States.

*Restricted access to banking*

In February 2014, the Financial Crimes Enforcement Network ("**FinCEN**") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, Khiron may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The inability or limitation in Khiron's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for Khiron to operate and conduct its business as planned or to operate efficiently in the United States.

*Anti-money Laundering Laws and Regulations*

Khiron is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), the Criminal Code (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network ("**FCEN"**) of the U.S. Department of the Treasury issued a memorandum providing instructions to banks seeking to provide services to marijuana related businesses (the "**FCEN Memo**"). The FCEN Memo states that in some circumstances, it may not be appropriate to prosecute banks that provide services to marijuana-related businesses for violations of federal money laundering laws. It refers to supplementary guidance that former Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo. Under U.S. federal law, banks or other financial institutions that provide a cannabis-related business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy. While this risk would appear to be diminished because Hemp related activities that are in compliance with the 2018 Farm Bill are not in violation of the CSA, there is no certainty that such is the case.

If any of Khiron's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States or Canada were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of Khiron to declare or pay dividends, effect other distributions or subsequently repatriate such funds. Furthermore, while Khiron has no current intention to declare or pay dividends in the foreseeable future, Khiron may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

*Lack of access to U.S. bankruptcy protections*

Because the use of cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If Khiron were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to Khiron, which would have a material adverse effect.

*Limited trademark protection*

Khihron will not be able to register any United States federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, Khiron likely will be unable to protect its cannabis product trademarks within the United States. The use of our trademarks by third-parties could have a material adverse effect on the value of such trademarks and our business.

*Potential FDA regulation of Marihuana*

Should the federal government legalize cannabis, it is possible that the FDA, would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact would be on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If Khiron is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on Khiron's business, operating results and financial condition.

*Uncertainty Caused by Potential Changes to Regulatory Framework*

There is substantial uncertainty and different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses as to the importation of derivatives from the Cannabis plant and the scope of 2014 Farm Bill-compliant hemp production and commercialization, the 2018 Farm Bill and the emerging regulation of cannabinoids. These different opinions include, but are not limited to, the regulation of cannabinoids by the DEA and or the FDA, as well as applicable state agencies, and the extent to which manufacturers of products containing imported raw materials and/or 2014 and 2018 Farm Bill-compliant cultivators and processors may engage in interstate commerce. The USDA and FDA are currently in the process of rulemaking to establish standards governing the production and sale of hemp products in the U.S., and there is uncertainty as to whether such rules will be unfavorable or could negatively impact operations. The uncertainties cannot be resolved without further federal, and perhaps even state-level, legislation, regulation or a definitive judicial interpretation of existing legislation and rules. If these uncertainties continue, they may have an adverse effect upon the introduction of the Khiron's products in different markets.

*New Dietary Ingredient ("NDI") Objection by FDA*

There is substantial uncertainty and different interpretations among state and federal regulatory agencies, legislators, academics and businesses as to whether cannabinoids were present in the food supply and marketed as such prior to October 15, 1994, or whether such inclusion of cannabinoids is otherwise approved by the FDA as dietary ingredients. The uncertainties cannot be resolved without further federal legislation, regulation or a definitive judicial interpretation of existing legislation and rules. A determination that hemp-derived cannabinoids were not present in the food supply, and marketed as dietary ingredients prior to October 15, 1994, are not otherwise permissible for use as a dietary ingredient or are adulterants would have a materially adverse effect upon Khiron and its business. Khiron could be required to submit an 'NDI notification to the FDA with respect to its hemp extracts. If FDA objects to Khiron's NDI notification or if the FDA determines that Khiron was required to file an NDI and did not, this would have a materially adverse effect upon Khiron and its business.

*FDA Interpretation of IND Preclusion*

The FDA has taken the position that CBD cannot be marketed as a dietary supplement because it has been the subject of investigation as a new drug (previously defined as ''IND Preclusion''). There is evidence that GW Pharmaceuticals plc received authorization for its IND related to CBD in 2006. It is the FDA's interpretation of the IND Preclusion that the preclusion date is the date in which it authorized the drug for investigation. If the FDA were to enforce the IND Preclusion against Khiron based on its interpretation of the legislation, this would materially and adversely impact Khiron's business and financial condition.

*Positive Test for THC or Banned Substances*

Khiron's products will be made from CBD extracted from Hemp in accordance with the 2014 and 2018 Farm Bills. Hemp-derived CBD products are made from Cannabis, which contains THC. As a result, certain products of Khiron may contain low levels of THC. THC is considered an illegal substance in many jurisdictions. Moreover, regulatory framework for legal amounts of consumed THC is evolving. Whether or not ingestion of THC (at low levels or otherwise) is permitted in a particular jurisdiction, there may be adverse consequences to end users who test positive for trace amounts of THC attributed to use of Khiron's products. In addition, certain metabolic processes in the body may cause certain molecules to convert to other molecules which may negatively affect the results of drug tests. Positive tests may adversely affect the end user's reputation, ability to obtain or retain employment and participation in certain athletic or other activities. A claim or regulatory action against Khiron based on such positive test results could adversely affect Khiron's reputation and could have a material adverse effect on its business and operational results.

*Product Viability*

If the products Khiron sells are not perceived to have the effects intended by the end user, its business may suffer and the business may be subject to products liability or other legal actions. Many of Khiron's products contain innovative ingredients or combinations of ingredients. There is little long-term data available with respect to efficacy, unknown side effects and/or interaction with individual human biochemistry, or interaction with other drugs. Moreover, there is little long-term data available with respect to efficacy, unknown side effects and/or its interaction with individual animal biochemistry. As a result, Khiron's products could have certain side effects if not taken as directed or if taken by an end user that has certain known or unknown medical conditions.

**Risk Related to Colombia**

*Operational Risks*

Operations in Colombia are subject to risk due to the potential for social, political, economic, legal and fiscal instability. The government in Colombia faces ongoing problems including but not limited to inflation, unemployment and inequitable income distribution. Colombia is also home to South America's largest and

longest running insurgency and large swaths of the countryside are under guerrilla influence. In addition, Colombia experiences narcotics-related violence, a prevalence of kidnapping and extortionist activities and civil unrest in certain areas of the country. Such instability may require Khiron to suspend operations on its properties. Although Khiron is not presently aware of any circumstances or facts which may cause the following to occur, other risks may involve matters arising out of the evolving laws and policies in Colombia, any future imposition of special taxes or similar charges, as well as foreign exchange fluctuations and currency convertibility and controls, the unenforceability of contractual rights or the taking or nationalization of property without fair compensation, restrictions on the use of expatriates in Khiron's operations, or other matters. Khiron also bears the risk that changes can occur in the government of Colombia and a new government may void or change the laws and regulations that Khiron is relying upon.

Currently there are no restrictions on the repatriation from Colombia of earnings to foreign entities and Colombia has never imposed such restrictions. However, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future. Exchange control regulations require that any proceeds in foreign currency originated on exports of goods from Colombia (including minerals) be repatriated to Colombia. However, purchase of foreign currency is allowed through any Colombian authorized financial entities for purposes of payments to foreign suppliers, repayment of foreign debt, payment of dividends to foreign stockholders and other foreign expenses.

*Inflation in Colombia*

Colombia has in the past experienced double digit rates of inflation. If Colombia experiences substantial inflation in the future, Khiron's costs in Colombian peso terms will increase significantly, subject to movements in applicable exchange rates. Inflationary pressures may also curtail Khiron's ability to access global financial markets in the longer term and its ability to fund planned capital expenditures, and could materially adversely affect Khiron's business, financial condition and results of operations. The Colombian government's response to inflation or other significant macro-economic pressures may include the introduction of policies or other measures that could increase Khiron's costs, reduce operating margins and materially adversely affect its business, financial condition and results of operations.

*Operations in Spanish*

As a result of Khiron conducting its operations in Colombia, the books and records of Khiron, including key documents such as material contracts and financial documentation are principally negotiated and entered into in the Spanish language and English translations may not exist or be readily available.

*Enforcement of Judgments*

Khiron is incorporated under the laws of Canada, however all of its assets are located outside Canada. Furthermore, many of Khiron's directors and officers reside outside Canada. As a result, investors may not be able to effect service of process within Canada upon Khiron's directors or officers or enforce against them in Canadian courts judgments predicated on Canadian securities laws. Likewise, it may also be difficult for an investor to enforce in Canadian courts judgments obtained against these persons in courts located in jurisdictions outside Canada.

As a result of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board or controlling shareholders than they would as public shareholders of a Canadian company.

**Financial and Accounting Risks**

*Access to Capital*

In executing its business plan, Khiron makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Since its

incorporation, Khiron has financed these expenditures through offerings of its equity securities. Khiron will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. Khiron may incur major unanticipated liabilities or expenses. Khiron can provide no assurance that it will be able to obtain financing to meet the growth needs of Khiron.

*Foreign Sales*

Khiron's functional currency is denominated in Canadian dollars. Khiron currently expects that sales will be denominated in Colombian pesos and may, in the future, have sales denominated in the currencies of additional countries in which it establishes sales offices. In addition, Khiron incurs the majority of its operating expenses in Colombia Pesos. In the future, the proportion of Khiron's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Company's business, financial condition and results of operations. Khiron has not previously engaged in foreign currency hedging. If Khiron decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide Khiron from foreign currency fluctuations and can themselves result in losses.

*Estimates or Judgments Relating to Critical Accounting Policies*

The preparation of financial statements in conformity with International Financial Reporting Standards, or IFRS, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Khiron bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Khiron's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause Khiron's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Company. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

*Tax Risks*

The Company will operate and will be subject to income tax and other forms of taxation (which are not based upon income) in multiple tax jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, the Company's earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. Khiron may have exposure to greater than anticipated tax liabilities or expenses. Khiron will be subject to income taxes and non-income taxes in a variety of jurisdictions and its tax structure is subject to review by both domestic and foreign taxation authorities and the determination of the Company's provision for income taxes and other tax liabilities will require significant judgment.

Khiron will be subject to different taxes imposed by the Colombian government and any changes within such tax legal and regulatory framework may have an adverse effect on our financial results. All current tax legislation is a matter of public record and the Company will be unable to predict which additional legislation or amendments may be enacted.

**Risks Related to Khiron Shares**

*Market for Khiron Shares*

There can be no assurance that an active trading market for Khiron Shares will develop or, if developed, that any market will be sustained. Khiron cannot predict the prices at which the Khiron Shares will trade. Fluctuations in the market price of the Khiron Shares could cause an investor to lose all or part of its investment. Factors that could cause fluctuations in the trading price of the shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events by Khiron or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of agriculture companies; (iv) fluctuations in the trading volume of Khiron Shares or the size of Khiron's public float; (v) actual or anticipated changes or fluctuations in Khiron's results of operations; (vi) whether Khiron's results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving Khiron, its industry, or both; (ix) regulatory developments in the Canada, Colombia and foreign countries; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of Khiron Shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on Khiron from any of the other risks cited herein.

*No History of Payment of Cash Dividends*

Khiron has never declared or paid cash dividends on Khiron Shares. Khiron intends to retain future earnings to finance the operation, development and expansion of the business. Khiron does not anticipate paying cash dividends on Khiron Shares in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of the Board and will depend on Khiron's financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that the Board considers relevant.

*Reporting Issuer Status*

As a reporting issuer, Khiron will be subject to reporting requirements under applicable securities law and stock exchange policies. Khiron is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to Khiron's financial management control systems to manage its obligations as a subsidiary of a public company. Compliance with these requirements will increase legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on existing systems and resources. Among other things, Khiron will be required to file annual, quarterly and current reports with respect to its business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm the Khiron's business and results of operations. Khiron may need to hire additional employees to comply with these requirements in the future, which would increase its costs and expenses. Management of Khiron expects that being a reporting issuer will make it more expensive to maintain director and officer liability insurance. This factor could also make it more difficult for Khiron to retain qualified directors and executive officers.

*Tax Issues*

There may be income tax consequences in relation to Khiron Shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

## DIVIDENDS AND DISTRIBUTIONS

While there are no restrictions in the Company's articles or pursuant to any agreement or understanding which could prevent the Company from paying dividends or distributions, Khiron has never declared or paid cash dividends on Khiron Shares. Khiron intends to retain future earnings to finance the operation, development and expansion of the business. Khiron does not anticipate paying cash dividends on Khiron Shares in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of the Board and will depend on Khiron's financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that the Board considers relevant.

## DESCRIPTION OF CAPITAL STRUCTURE

### Common Shares

Khiron is authorized to issue an unlimited number of Khiron Shares, of which 75,042,988 were outstanding as of December 31, 2018 and 92,072,502 are issued and outstanding as at the date hereof. Each Khiron Share is entitled to one vote per share, to receive an equal share of any dividends and distributions (whether payable in cash or otherwise) as may be declared from time to time, and, in the event of any liquidation, dissolution or winding-up of Khiron (whether voluntary or involuntary), to receive in equal amounts per share the assets of Khiron.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Khiron Shares are listed and traded on the TSXV under the trading symbol "KHRN" and the OTCQB under the trading symbol "KHRNF".

The table below shows the price ranges and volume of trading for each month since January 2017:

| Period | High ($) | Low ($) | Volume |
|---|---|---|---|
| April 2019 | $3.93 | $2.78 | 24,181,530 |
| March 2019 | $4.26 | $3.01 | 31,312,879 |
| February 2019 | $4.35 | $2.25 | 51,154,771 |
| January 2019 | $2.88 | $1.43 | 16,495,203 |
| December 2018 | $1.57 | $1.14 | 8,434,190 |
| November 2018 | $2.07 | $1.22 | 16,927,316 |
| October 2018 | $1.90 | $1.12 | 15,380,604 |
| September 2018 | $1.99 | $1.00 | 21,268,026 |
| August 2018 | $1.15 | $0.87 | 5,795,928 |
| July 2018 | $1.21 | $0.88 | 4,776,870 |
| June 2018 | $1.43 | $1.05 | 7,490,902 |
| May 2018[(1)] | $1.28 | $1.02 | 5,650,974 |
| April 2018 | Halted | Halted | Halted |
| March 2018 | Halted | Halted | Halted |
| February 2018 | Halted | Halted | Halted |
| January 2018 | Halted | Halted | Halted |
| December 2017 | Halted | Halted | Halted |
| November 2017 | Halted | Halted | Halted |
| October 2017[(2)] | $0.125 | $0.10 | 30,997 |
| September 2017 | $0.125 | $0.10 | 45,496 |
| August 2017 | $0.12 | $0.09 | 23,504 |
| July 2017 | $0.13 | $0.105 | 40,178 |

| | | | |
|---|---|---|---|
| June 2017[3] | $0.075 | $0.075 | 2 |
| May 2017 | Halted | Halted | Halted |
| April 2017 | Halted | Halted | Halted |
| March 2017 | Halted | Halted | Halted |
| February 2017 | Halted | Halted | Halted |
| January 2017 | Halted | Halted | Halted |

**Notes:**

(1) Trading in the common shares resumed on May 24, 2018 following the completion of the QT.
(2) Trading in the common shares was halted on October 24, 2017 in connection with the QT.
(3) Trading in the common shares was suspended on November 5, 2014 as a result of Adent not completing a QT within 24 months of listing. Trading was reinstated on June 20, 2017

**Prior Sales**

The following table sets forth the details regarding all issuances of Khiron Shares, including issuances of all securities convertible or exchangeable into Khiron Shares, from the QT to the date of this AIF:

| Date | Number of Securities Issued | Type | Issuance / Exercise Price Per Security |
|---|---|---|---|
| May 16, 2018 | 11,230,000 | Common Shares | [1] |
| May 16, 2018 | 34,915,823 | Common Shares | [2] |
| May 16, 2018 | 11,230,000 | Warrants | [3] |
| May 16, 2018 | 4,471,105 | Warrants | [4] |
| May 16, 2018 | 3,012,500 | Options | [5] |
| May 16, 2018 | 785,830 | QT Broker Warrants | [6] |
| June 26, 2018 | 25,000 | Common Shares[7] | $1.20 |
| June 27, 2018 | 25,000 | Common Shares[7] | $1.20 |
| June 28, 2018 | 15,000 | Common Shares[7] | $1.20 |
| July 3, 2018 | 17,478 | Common Shares[7] | $1.05 |
| September 12, 2018 | 14,375,000 | Common Shares[8] | $0.90 |
| September 12, 2018 | 1,006,250 | Compensation Warrants[8] | $0.90 |
| September 14, 2018 | 40,000 | Common Shares[7] | $1.20 |
| September 17, 2018 | 50,000 | Common Shares[7] | $1.20 |
| September 19, 2018 | 20,000 | Common Shares[7] | $1.20 |
| September 20, 2018 | 20,000 | Common Shares[7] | $1.20 |
| September 21, 2018 | 20,000 | Common Shares[7] | $1.20 |
| September 24, 2018 | 266,000 | Common Shares[7] | $1.20 |
| September 25, 2018 | 761,000 | Common Shares[7] | $1.20 |
| September 26, 2018 | 136,000 | Common Shares[7] | $1.20 |
| September 27, 2018 | 71,428 | Common Shares[7] | $1.05 |
| September 27, 2018 | 131,000 | Common Shares[7] | $1.20 |
| September 28, 2018 | 592,165 | Common Shares[7] | $1.20 |
| October 1, 2018 | 157,000 | Common Shares[7] | $1.20 |
| October 2, 2018 | 365,000 | Common Shares[7] | $1.20 |
| October 3, 2018 | 150,000 | Common Shares[7] | $1.20 |
| October 4, 2018 | 165,000 | Common Shares[7] | $1.20 |
| October 5, 2018 | 225,000 | Common Shares[7] | $1.20 |
| October 9, 2018 | 70,000 | Common Shares[7] | $1.20 |

| | | | |
|---|---|---|---|
| October 9, 2018 | 165,784 | Common Shares[11] | $0.70 |
| October 10, 2018 | 58,000 | Common Shares[7] | $1.20 |
| October 11, 2018 | 12,000 | Common Shares[7] | $1.20 |
| October 12, 2018 | 50,000 | Common Shares[7] | $1.20 |
| October 17, 2018 | 30,200 | Common Shares[7] | $1.20 |
| October 18, 2018 | 135,000 | Common Shares[7] | $1.20 |
| October 19, 2018 | 60,000 | Common Shares[10] | $1.00 |
| October 19, 2018 | 96,000 | Common Shares[7] | $1.20 |
| October 19, 2018 | 17,500 | Common Shares[7] | $1.05 |
| October 22, 2018 | 14,285 | Common Shares[7] | $1.05 |
| October 25, 2018 | 14,000 | Common Shares[7] | $1.20 |
| October 26, 2018 | 110,000 | Common Shares[7] | $1.20 |
| October 29, 2018 | 820,000 | Common Shares[7] | $1.20 |
| October 30, 2018 | 7,143 | Common Shares[7] | $1.05 |
| November 1, 2018 | 210,000 | Common Shares[7] | $1.20 |
| November 2, 2018 | 270,000 | Common Shares[7] | $1.20 |
| November 5, 2018 | 343,000 | Common Shares[7] | $1.20 |
| November 6, 2018 | 818,500 | Common Shares[7] | $1.20 |
| November 8, 2018 | 1,492,800 | Common Shares[7] | $1.20 |
| November 9, 2018 | 583,000 | Common Shares[7] | $1.20 |
| November 12, 2018 | 660,000 | Common Shares[7] | $1.20 |
| November 13, 2018 | 360,000 | Common Shares[7] | $1.20 |
| November 14, 2018 | 2,440,835 | Common Shares[7] | $1.20 |
| November 20, 2018 | 162,649 | Common Shares[11] | $1.00 |
| November 20, 2018 | 162,649 | Common Shares[7] | $1.20 |
| January 10, 2019 | 200,000 | Common Shares[10] | $1.00 |
| January 21, 2019 | 18,620 | Common Shares[11] | $0.90 |
| February 1, 2019 | 531,152 | Common Shares[11] | $0.90 |
| February 1, 2019 | 50,000 | Common Shares[7] | $1.05 |
| February 1, 2019 | 91,148 | Common Shares[11] | $0.70 |
| February 5, 2019 | 33,048 | Common Shares[7] | $1.05 |
| February 5, 2019 | 97,789 | Common Shares[11] | $0.90 |
| February 5, 2019 | 30,382 | Common Shares[11] | $0.70 |
| February 15, 2019 | 25,000 | Common Shares[10] | $1.00 |
| February 20, 2019 | 8,645 | Common Shares[11] | $0.90 |
| February 28, 2019 | 13,110,000 | Common Shares[12] | $2.20 |
| February 28, 2019 | 786,600 | Compensation Warrants[12] | $2.20 |
| March 13, 2019 | 97,789 | Common Shares[11] | $0.90 |
| March 22, 2019 | 332,172 | Common Shares[6] | $1.00 |
| March 22, 2019 | 45,491 | Common Shares[4] | $1.05 |
| March 27, 2019 | 11,885 | Common Shares[4] | $1.05 |
| April 3, 2019 | 25,000 | Common Shares[4] | $1.05 |
| April 12, 2019 | 82,892 | Common Shares[4] | $1.05 |
| April 12, 2019 | 82,975 | Common Shares[4] | $1.05 |
| April 12, 2019 | 354,751 | Common Shares[6] | $1.00 |

**Notes:**

(1) Issued to former holders of Khiron PrivateCo Subscription Receipts in connection with the closing of the QT at a deemed price of $0.89 per share. The Subscription Receipts were issued by Khiron

PrivateCo on January 12, 2018 in connection with the closing of the Subscription Receipt financing at price of $1.00 per Subscription Receipt.

(2) Issued to former shareholders of Khiron PrivateCo in connection with the closing of the QT at a deemed price of $0.89 per share.
(3) Issued to former holders of Subscription Receipts in connection with the closing of the QT. Each warrant is exercisable into one Khiron Share at a price of $1.20 per share until May 24, 2020.
(4) Replacement warrants issued to holders of outstanding warrants of Khiron PrivateCo previously issued prior to the completion of the QT. The warrants are exercisable into Khiron Shares at prices ranging from $0.70 to $1.05 per share.
(5) Issued to directors, officers, employees and consultants of the Company upon closing of the QT.
(6) Replacement broker warrants issued upon closing of the QT. Each warrant is exercisable into units consisting of one Khiron Share and one warrant at a price of $1.00 per unit. Each broker warrant is exercisable into one Khiron Share at a price of $1.20 per share until May 24, 2020.
(7) Issued pursuant to the exercise of warrants.
(8) Issued in connection with the September 2018 Offering, see "*General Development of the Business*".
(9) Issued in connection with the closing of the initial tranche acquisition of ILANS pursuant to the ILANS Agreement, see "*General Development of the Business*".
(10) Issued pursuant to the exercise of stock options.
(11) Issued pursuant to the exercise of compensation warrants.
(12) Issued in connection with the February 2019 Offering, see *"General Development of the Business*".

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

From the date of the Company's most recently completed financial year to the date of this Annual Information Form, taking into effect, among other things, the QT, the following are the securities of the Company subject to escrow or contractual restrictions on transfer:

| Designation of Class | Number of securities held in escrow or that are subject to a contractual restriction on escrow | Percentage of class |
|---|---|---|
| Common Shares | 14,647,047 | 15.91% |
| Warrants | 225,763 | 1.24% |

Certain Khiron shareholders remain subject to the CPC Escrow Agreement with a total of 1,200,001 common shares subject to such agreement. In connection with the QT, certain Khiron shareholders entered into the Value Escrow Agreement with the Company and Escrow Agent dated May 15, 2018 in accordance with the conditional approval of the QT by the TSXV. Pursuant to the Value Escrow Agreement, a total of 19,146,467 common shares and 295,115 warrants were deposited into escrow with the Escrow Agent (the "**Value Escrow Securities**").

Under the terms of the Value Escrow Agreement, 10% of the Value Escrow Securities were released from escrow on the date of the Final Exchange Bulletin – with subsequent 15% releases occurring 6, 12, 18, 24, 30 and 36 months from the date of the Final Exchange Bulletin.

In addition, certain non-principal shareholders of Khiron are subject to seed share resale restrictions ("**SSRR**"). SSRRs are Exchange hold periods of various lengths which apply where seed shares are issued to non-principals by private companies. The terms of the SSRRs are based on the length of time such shares of the target have been held and the price at which such shares were originally issued. There are 5 non-principal shareholders of Khiron who will hold an aggregate of 500,000 Khiron Shares that will be subject to a 36 month hold period which will be released on the same terms and conditions as the Value Escrow Agreement described above.

## DIRECTORS, OFFICERS AND PROMOTERS

### Name, Occupation and Security Holdings

The table below lists the following information about Khiron's directors and officers: their names; municipalities of residence; positions and offices held; principal occupations or employment; and the number of securities beneficially owned, directly or indirectly, or over which control or direction is exercised.

| Name and Municipality of Residence | Principal Occupations for the Last Five Years | Period or periods during which each director has served as a director of Khiron | Position With the Company | Number and Percent of Issued Shares | Number and Percent of Issued Warrants | Number and Percent of Issued Options |
|---|---|---|---|---|---|---|
| Sidney Himmel<br>*Toronto, Ontario* | Chairman of the Board of Khiron Life Sciences Corp. since February 2017; Chairman of the Board of Namaste Technologies Inc. in 2016; President & CEO of IC Potash Corp. from September 2007 to July 2015. | May 16, 2018 to present | Chairman and Director | 2,332,143[6]<br>(2.53%) | 35,714<br>(<1%) | 200,000<br>(4.63%) |
| Alvaro Torres<br>*Bogota, Colombia* | CEO of Khiron Life Sciences Corp. since February 2017; Managing Director of Delphi Capital Partners from October 2015 to February 2017; Atrio Project Manager at QBO from July 2014 to June 2015; General Manager at Gomez Cajiao from August 2011 to June 2014. | May 16, 2018 to present | Chief Executive Officer and Director | 4,015,477[5]<br>(4.36%) | 35,715<br>(<1%) | 200,000<br>(4.63%) |
| Darren Collins<br>*Milton, Ontario* | CFO of Khiron Life Sciences Corp; Director of Dalvay Capital Corp; CFO and Executive Vice President of Business Development of Namaste Technologies Inc.; Associate of Alvaro Capital; CEO and Director of Westbridge Energy Corp. | N/A | Chief Financial Officer[4] | 947,450<br>(1.03%) | 35,715<br>(<1%) | 200,000<br>(4.63%) |
| Mark Monaghan<br>*Panama City, Panama* | Director of the Board of Khiron Life Sciences Corp. since February 2017; Director of Westbridge Energy Corp. from December 2014 to April 2018; Managing Director of Dalvay Capital Corporation since 2012. | May 16, 2018 to present | Director | 2,569,500[7]<br>(2.79%) | 15,000<br>(<1%) | 200,000<br>(4.63%) |
| Alvaro Yañez<br>*Bogota, Colombia* | Director of Khiron Life Sciences Corp. since May 2017; Legal Manager at Petrominerales Colombia Corp. from January 2017 to May 2017; Legal Manager at Pacific Stratus Colombia Corp. from 2010 to January 2017. | May 16, 2018 to present | Director | Nil | Nil | 200,000<br>(4.63%) |
| Peter Simeon<br>*Oakville, Ontario* | Partner at Gowling WL G (Canada) LLP since February 2015; Partner at Wildeboer Dellelce LLP from June 2008 to February 2015. | May 16, 2018 to present | Director | 310,000<br>(<1%) | Nil | 200,000<br>(4.63%) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Vicente Fox<br>*Guanajuato, Mexico* | Director of the Board of Khiron Life Sciences Corp. since July 2018. President of the Vicente Fox Center of Studies, Library and Museum since January 2007. President of Mexico from December 2000 to December 2006. | July 17, 2018 to present | Director | Nil | Nil | Nil |
| Chris Naprawa<br>*Toronto, Ontario* | President of Khiron Life Sciences Corp. since June 2017. Partner, Sprott Capital Partners from January 2017 to June 2018; Managing Director, Primary Capital from September 2013 to December 2016; Head of Equity Sales and Trading, Dundee Securities From August 2011 to July 2013; Head of Equity Sales, Macquarie Canada from April 2004 to June 2011; | N/A | President | 1,556,889<br>(1.69%) | Nil | 200,000<br>(4.63%) |
| Andres Galofre<br>*Bogota, Colombia* | Vice President of Commercial of Khiron Life Sciences Corp since February 2017; Marketing Manager for Alpina from March 2009 to November 2012; Brand Manager for Kimberly-Clark from March 2008 to March 2009; Brand Manager for Pfizer from 2005 to 2008; Founder of VeggiesBox from January 2015 to February 2017. | N/A | Vice President of Business Development | 4,115,476[5] [8]<br>(4.47%) | 35,714<br>(<1%) | 200,000<br>(4.63%) |
| Jairo Espinoza<br>*Bogota, Colombia* | Vice President of Medical Affairs of Khiron Life Sciences Corp since December 2018; Founder of ILANS in Colombia (2009). Served on the Board of Directors for the World Society for Functional and Stereotactic Neurosurgery from 2010 to 2018 and as the President of the Sociedad Latinoamericana de Neurocirugía Funcional y Estereotáctica (SLANFE) from 2010 to 2012. | N/A | N/A[9] | 1,400,000<br>(1.52%) | Nil | Nil |

**Notes:**

(1) The Audit Committee of the Company is comprised of Sidney Himmel (chair), Mark Monaghan, and Peter Simeon.
(2) The Corporate Governance and Nominating Committee of the Company is comprised of Sidney Himmel, Alvaro Yañez (chair) and Alvaro Torres.
(3) The Compensation Committee of the Company is comprised of Peter Simeon, Mark Monaghan (chair) and Alvaro Yañez.
(4) Darren Collins will also act as the Corporate Secretary.
(5) Holder of 1/3 of the shares of Cannainversiones S.A.S., which in turn holds 12,046,429 Khiron Shares.
(6) Khiron Shares held through Bald Eagle Resources Ltd.
(7) Certain Khiron Shares and warrants held through Dalvay Capital Corp.
(8) Also holds 100,000 Khiron Shares directly.
(9) Jairo Espinosa sit on the board of directors of Jemarz.

### Term of Directors

The term of office of the directors expires annually at the time of the Company's annual general meeting. The term of office of the executive officers expires at the discretion of the Board.

**Aggregate Ownership of Securities**

As a group, the directors and officers of the Company hold approximately 17,346,935 Khiron Shares, representing 19% of all issued and outstanding Khiron Shares.

**Background of Management and Directors**

The following is a brief description of each of the Board members and members of management for Khiron (including details with regard to their principal occupations for the last five years):

*Sidney Himmel, age 65, Director and Board Chairman*

Mr. Himmel has over 30 years of corporate and finance experience in the Canadian markets, having worked as an executive and director of public companies, and corporate finance, institutional sales and research professional for notable Canadian and US financial institutions, including Deloitte, TD Securities and Merrill Lynch Canada. His experience also includes the completion of significant financial transactions and commercial partnerships internationally as well as the oversight and development of management teams and boards. Mr. Himmel holds Bachelor of Science (Chemistry) and Bachelor of Arts (Business and Finance) degrees, both from the University of Toronto. Mr. Himmel received the Chartered Accountant designation in 1981.

*Alvaro Torres, age 40, Chief Executive Officer and Director*

Mr. Torres has over 15 years of experience in the Latin American market, including infrastructure projects and project finance, management strategy, team development, and mergers and acquisitions. Mr. Torres was previously head of business development for SNC-Lavalin, Colombia, and was instrumental in growing the company from two people to more than 2,000 people in Colombia over the course of three years. Mr. Torres has overseen the development of projects totaling over $1 billion in capital expenditure, including the development and construction of Colombia's tallest skyscraper. Mr. Torres holds a Bachelor of Engineering and a Masters of Engineering from Rensselaer Polytechnic Institute and an MBA from Georgetown University.

Mr. Torres is responsible for the general management of the company and devotes 100% of his time to the management of the Company. In the last five years, Mr. Torres has served as President of Gomez Cajiao, a multidisciplinary engineering and construction management service firm, Project Manager at QBO Constructores SAS, Founder and Managing Director of Delphi Capital Partners and CEO of Khiron Life Sciences Corp. Upon engagement with the Company, Mr. Torres executed standard non-competition and non-disclosure agreements.

*Mark Monaghan, age 49, Director*

Mr. Monaghan has over 25 years of experience as an advisor, founder and board member with investment banks, merchant banks and public companies. Mr. Monaghan has served in senior executive roles with British and Canadian investment and advisory firms. Over the course of his career, he has completed billions of dollars of transactions for growth companies internationally. In the last five years, Mr. Monaghan has served as Managing Director of Dalvay Capital Corp., an investment and advisory firm focused on Latin American growth opportunities. Upon engagement with the Company, Mr. Monaghan executed standard non-competition and non-disclosure agreements. Mr. Monaghan holds a Bachelor of Arts in economics from Queen's University and a Bachelor of Commerce from the University of Windsor.

*Alvaro Yañez, age 41, Director*

Mr. Yañez has over 15 years of commercial and legal experience in Colombia and internationally. In the last five years, Mr. Yañez has served as Legal Manager of Pacific Exploration and Production, the largest independent oil company in Colombia and as Partner of his law firm Yañez & Associates. Upon engagement

with the Company, Mr. Yañez executed standard non-competition and non-disclosure agreements. Mr. Yañez has a law degree from Universidad del Rosario and an LL.M in corporate law from Instituto de Empresa.

*Peter Simeon, age 42, Director*

Mr. Simeon has over 16 years of experience as a lawyer focused on securities, corporate finance, and mergers and acquisitions. He has extensive experience in corporate commercial and securities law. In the last five years, Mr. Simeon has been a partner at two law firms in Toronto, Gowling WLG (Canada) LLP and Wildeboer Dellelce LLP. Upon engagement with the Company, Mr. Simeon executed standard non-competition and non-disclosure agreements. Mr. Simeon has a Bachelor of Arts from Queen's University and a law degree from Osgoode Hall at York University. Mr. Simeon acts as an independent director for several publicly traded companies in Canada.

*Vicente Fox, age 76, Director, Strategic Advisor and Brand Ambassador*

From December 2000 to November 2006, Mr. Fox was the 55th President of Mexico. Prior to his presidential nomination, Mr. Fox was CEO of Coca-Cola Latin America. In recent years, Mr. Fox founded the Centro Fox, a not-for-profit foundation dedicated to serving communities in México and Latin America. Currently, he serves on the board of directors for a leading US based cannabis publication advocating legalization.

The Company has appointed Mr. Fox to their board of directors as a strategic advisor and brand ambassador to further Khiron's brand and educational leadership interests throughout Latin America.

*Darren Collins, age 35, Chief Financial Officer*

Mr. Collins is a financial professional focused on the financial development of growth companies globally. He has been involved in over a billion dollars of transactions, and his expertise spans mergers and acquisitions, debt and equity financings, go-public transactions, commercial partnerships, capital budgeting and financial accounting. Prior to his current activities, Mr. Collins was engaged by investment and merchant banks, including Alegro Capital, LP in London, England, and Scotia Capital Inc. and Quest Capital Corp. (currently Sprott Resource Lending Corp.) in Toronto, Canada. In addition, he was previously Chief Financial Officer of an e-commerce company focused on the global distribution of vaporizers and accessories. Mr. Collins holds a Bachelor of Commerce degree in finance from Dalhousie University.

*Chris Naprawa, age 49, President*

Mr. Naprawa brings extensive institutional capital markets experience to the Company. Prior to joining Khiron, Mr. Naprawa was Partner at Sprott Capital Partners, Head of Equity Sales at Macquarie Canada, Head of Equity Sales and Trading at Dundee Securities, and Managing Director at Primary Capital. He was also previously founder and CEO of Startcast Solutions, a company successfully sold to a large telecommunications company. Mr. Naprawa holds a Bachelor of Arts from Queen's University.

As President, Mr. Naprawa will provide outreach to existing and potential shareholders in Canada and internationally. He devotes 100% of his time to the management of the Company. Upon engagement with the Company, Mr. Naprawa executed standard non-competition and non-disclosure agreements.

*Andres Galofre, age 37, Vice President of Business Development*

Andrés Galofre has 15 years of experience in pharmaceutical marketing, brand management and distribution of prescription drugs and consumer products in Latin America. Mr. Galofre was integral in leading the launch of Advil in the Colombian market, which reached a 28% domestic market share. In the last five years, Mr. Galofre has been Marketing Manager for Alpina, Founder of VeggiesBox and Chief Commercial Officer of Khiron Life Sciences Corp. Mr. Galofre has a Bachelor of Business Administration from CESA and an MBA from La Trobe University.

Mr. Galofre is an employee responsible for managing all commercial aspects of the Company and devotes 100% of his time to the management of the Company. Upon engagement with the Company, Mr. Galofre executed standard non-competition and non-disclosure agreements.

*Jairo Espinoza, age 49, Director of Jemarz,*

Jairo Espinoza has over 16 years of medical experience, specializing in stereotactic and functional neurosurgery to help with the control of chronic pain faced by his patients. He is noted for founding ILANS in Colombia which is a network of neurological institutions, providing interdisciplinary diagnosis and treatment of diseases in the nervous system. He is actively involved in the medical community, having served on the Board of Directors for the World Society for Functional and Stereotactic Neurosurgery from 2010 to 2018 and as the President of the Sociedad Latinoamericana de Neurocirugía Funcional y Estereotáctica (SLANFE) from 2010 to 2012.

**Employment, Consulting and Management Agreements**

***Darren Collins***

On February 17, 2018, the Company entered into a consulting agreement with Darren Collins through Mr. Collins' wholly-owned and directly controlled corporation, 2263171 Ontario Inc. Pursuant to the agreement, Mr. Collins provides all services to fulfill the duties and responsibilities as the Company's Chief Financial Officer in exchange for consideration of $10,000 per month and is eligible to participate in the Company's incentive stock option program.

The agreement may be terminated with cause, without prior written notice, and no continued fee payments to Mr. Collins by the Company. The agreement may also be terminated without cause, on 30 days' prior written notice. If terminated without cause, the Company must pay to Mr. Collins fees owing and expense reimbursements up to the date of termination.

***Alvaro Torres***

On March 1, 2017, the Company entered into an employment agreement with Alvaro Torres. Pursuant to the agreement, Mr. Torres provides all services to fulfill the duties and responsibilities as Chief Executive Officer, President and a director in exchange for total consideration of $250,000 per annum and is eligible to participate in the Company's incentive stock option program. On June 26, 2018, Mr. Torres resigned as President of the Company.

The agreement may be terminated by either party in accordance with Colombian law. No severance payment is contemplated in the terms of the agreement.

***Chris Naprawa***

On June 26, 2018, the Company entered into a consulting agreement with Chris Naprawa through Mr. Naprawa's wholly-owned and directly controlled corporation, Napperville Corp. Pursuant to the agreement, Mr. Naprawa provides all services to fulfill the duties and responsibilities as President in exchange for consideration of $22,950 per month, a one-time signing bonus of $800,000, a bonus of $500,000 if at any time the cash balance of the Company exceeds $10,000,000 and an additional $250,000 bonus for each $10,000,000 multiple within a calendar period, and stock options to purchase an aggregate total of 200,000 Khiron Shares. The options shall expire 3 years from the date of grant. The options will vest over a one year period, on a quarterly basis beginning 6 months after the date of grant, and once vested, each stock option may be exercised to purchase one Khiron Share for $1.40 per Khiron Share.

The agreement may be terminated at any time, with or without cause, on 90 days' notice. If terminated without cause by either party, the terminating party agrees to pay the other party the equivalent of 12 months

of the most recently paid consulting fee. In the event the Company is purchased by another entity, the compensation fee will be 36 months' pay upon termination.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the knowledge of Khiron, as of the date of this AIF and within the ten years before the date of this AIF, no proposed director, officer or promoter is or has been a director, officer or promoter of any person or company that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or

(b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.

*Penalties or Sanctions*

To the knowledge of Khiron, no proposed director, officer or promoter of the Company has:

(c) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(d) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable security holder making an investment decision.

The foregoing information, not being within the knowledge of Khiron, has been furnished by the respective directors and executive officers.

*Personal Bankruptcies*

To the knowledge of Khiron, no director, officer or promoter of the Company, or a personal holding company of any of them, has, within the ten years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangements, or compromise with creditors or had a receiver manager or trustee appointed to hold the assets of that individual.

**Conflicts of Interest**

The Company's directors are required by law to act honestly and in good faith with a view to the Company's best interests and to disclose any interests which they may have in any project or opportunity of ours. If a conflict of interest arises, any director in a conflict will disclose his interest and abstain from voting on such matter at a meeting of the Board.

To the best of the Company's knowledge, and other than as disclosed in this AIF, there are no known existing or potential conflicts of interest among the Company, the Company's promoters, directors and officers or other members of management of ours or any proposed promoter, director, officer or other member of management as a result of their outside business interests, except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict

may arise between their duties to the Company and their duties as a director or officer of such other companies.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the ordinary course of business, Khiron may be subject to certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving tax, social security, labour lawsuits and other matters. Khiron will accrue liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. There are no material proceedings currently pending against Khiron.

## INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this AIF, none of the Company's directors, executive officers or principal securityholders, or associates or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction within the preceding three years or in any proposed transaction that has materially affected or will materially affect the Company.

## TRANSFER AGENTS AND REGISTRARS

TSX Trust Company located at 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1 is transfer agent and registrar for Khiron.

## MATERIAL CONTRACTS

The Company's material contracts entered into within the last financial year or prior thereto but that still remains in effect, excluding those made in the ordinary course of the Company's business, are as follows:

1. the August 2017 Warrant Indenture;
2. the Subscription Receipt Agreement;
3. the QT Warrant Indenture;
4. the QT Definitive Agreement;
5. the Amalgamation Agreement;
6. the Agency Agreement;
7. the Dayacann Agreement;
8. the Fundacion Agreement; and
9. the Underwriting Agreement.

Copies of these agreements may be inspected during regular business hours at the office of Khiron's Canadian legal counsel, Gowling WLG (Canada) LLP, 100 King Street West, Suite 1600, Toronto, Ontario M5X 1G5.

## INTERESTS OF EXPERTS

The Company's auditor is MNP LLP, Chartered Professional Accountants and is located at 111 Richmond Street West, Suite 300, Toronto, Ontario M5H 2G4. Such auditor is independent in accordance with the Code of Professional conduct of the Chartered Professional Accountants of Ontario.

No person whose profession or business gives authority to a statement made by such person and who is named in this AIF has received or will receive a direct or indirect interest in the Company's property or any of the Company's associates or affiliates. As at the date hereof, other than as disclosed above, none of the aforementioned persons beneficially owns, directly or indirectly, securities of ours or the Company's associates and affiliates. In addition, other than as disclosed above, none of the aforementioned persons nor any director, officer or employee of any of the aforementioned persons, is or is expected to be elected, appointed or employed as, a director, senior officer or employee of the Company or of any of the Company's associates or affiliates, or as a promoter of ours or an associate or affiliate of ours.

## AUDIT COMMITTEES AND CORPORATE GOVERNANCE

The following information regarding the audit committee of the Board (the "**Audit Committee**") is required to be disclosed pursuant to National Instrument 52-110 – *Audit Committees*, and the Company is relying on the exemption at section 6.1 of said instrument in disclosing the below.

Pursuant to applicable laws, the policies of the TSXV and NI 52-110, the Company is required to have an audit committee comprised of not less than three directors, a majority of whom are not officers, control persons or employees of the Company or any affiliate of the Company. NI 52-110 requires the Company, as a venture issuer, to disclose annually in its information circular certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor.

### Audit Committee's Charter

The Board has adopted a written charter for the Audit Committee, in the form set out under Schedule "A" to this Annual Information Form.

### Composition of the Audit Committee

| Name | Independent / Not Independent[(1)] | Financial Literacy[(1)] |
|---|---|---|
| Sidney Himmel[(2)] | Independent | Financially Literate |
| Mark Monaghan | Independent | Financially Literate |
| Peter Simeon | Independent | Financially Literate |

**Notes:**

(1) Terms have their respective meanings ascribed in NI 52-110.
(2) Mr. Himmel is the Chair of the Audit Committee.

### Relevant Education and Experience

The Audit Committee has the primary function of fulfilling its responsibilities in relation to reviewing the integrity of Khiron's financial statements, financial disclosures and internal controls over financial reporting; monitoring the system of internal control; monitoring Khiron's compliance with legal and regulatory requirements, selecting the external auditor for shareholder approval; reviewing the qualifications, independence and performance of the external auditor; and reviewing the qualifications, independence and performance of Khiron's internal auditors. The Audit Committee has specific responsibilities relating to

Khiron's financial reports; the external auditor; the internal audit function; internal controls; regulatory reports and returns; and legal or compliance matters that have a material impact on Khiron. In fulfilling its responsibilities, the Audit Committee meets regularly with the internal and external auditor and key management members. Information concerning the relevant education and experience of the Audit Committee members can be found in "*Directors, Officers and Promoters*" above. The full text of the Audit Committee's charter is disclosed in Schedule "A".

### Audit Committee Oversight

At no time since the commencement of the financial year ended December 31, 2018 and up to the date of this AIF was a recommendation of the Audit Committee to nominate or compensate an external advisor not adopted by the Board.

### Pre-Approval Policies and Procedures

The Audit Committee will pre-approve all non-audit services to be provided to Khiron or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Audit Committee may delegate to one or more of its members the authority to pre-approve non-audit services but pre-approval by such member or members so delegated shall be presented to the full Audit Committee at its first scheduled meeting following such pre-approval.

### External Auditor Services Fees

The following table sets forth, by category, the fees for all services rendered by MNP LLP for the financial year ended December 31, 2018 and for the period between January 1, 2018 and the date of this AIF:

| | Year Ended December 31, 2018 | January 1 – April 30, 2019 |
|---|---|---|
| Audit Fees(1) | $66,801 | Nil |
| Audit-Related Fees(2) | Nil | Nil |
| Tax Fees(3) | $7,490 | Nil |
| All Other Fees(4) | Nil | Nil |

**Notes:**

(1) "Audit Fees" include fees necessary to perform the annual audit and quarterly review so the Company's consolidated financial statement. "Audit Fees" include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. "Audit Fees" also include audit or other attestation services required by legislation or regulation, such as comfort letters, consents, reviews of security filings and statutory audits.

(2) "Audit Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultation on proposed transactions, internal control reviews and audit or attestation services not required by legislation or regulation.

(3) "Tax Fees" include fees for all tax services other than those included in the "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning, and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

(4) "All Other Fees" includes all other non-audit services.

## ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans can be found in the Company's management information circular ("**Circular**") for its most recent annual meeting of securityholders. Additional information is also contained in the Company's audited financial statements and MD&A for the Company's most recently completed financial year. Copies of the aforementioned audited financial statements, MD&A and Circular have been filed with the securities regulatory authorities in all of the provinces of Canada other than Quebec, and may be found on SEDAR at www.sedar.com.

**SCHEDULE "A"**
**Audit Committee Charter**

## 1. PURPOSE AND PRIMARY RESPONSIBILITY

1.1 This charter sets out the Audit Committee's purpose, composition, member qualification, member appointment and removal, responsibilities, operations, manner of reporting to the Board of Directors (the "Board") of Adent Capital Corp. (the "Company"), annual evaluation and compliance with this charter.

1.2 The primary responsibility of the Audit Committee is that of oversight of the financial reporting process on behalf of the Board. This includes oversight responsibility for financial reporting and continuous disclosure, oversight of external audit activities, oversight of financial risk and financial management control, and oversight responsibility for compliance with tax and securities laws and regulations as well as whistle blowing procedures. The Audit Committee is also responsible for the other matters as set out in this charter and/or such other matters as may be directed by the Board from time to time. The Audit Committee should exercise continuous oversight of developments in these areas.

## 2. MEMBERSHIP

2.1 At least one of the members of the Audit Committee must be an independent director of the Company as defined in sections 1.4 and 1.5 of National Instrument 52-110 – Audit Committees ("NI 52-110"), provided that should the Company become listed on a more senior exchange, each member of the Audit Committee will also satisfy the independence requirements of such exchange.

2.2 The Audit Committee will consist of at least two members, all of whom shall be financially literate, provided that an Audit Committee member who is not financially literate may be appointed to the Audit Committee if such member becomes financially literate within a reasonable period of time following his or her appointment. Upon graduating to a more senior stock exchange, if required under the rules or policies of such exchange, the Audit Committee will consist of at least three members, all of whom shall meet the experience and financial literacy requirements of such exchange and of NI 52 110.

2.3 The members of the Audit Committee will be appointed annually (and from time to time thereafter to fill vacancies on the Audit Committee) by the Board. An Audit Committee member may be removed or replaced at any time at the discretion of the Board and will cease to be a member of the Audit Committee on ceasing to be an independent director.

2.4 The Chair of the Audit Committee will be appointed by the Board.

## 3. AUTHORITY

3.1 In addition to all authority required to carry out the duties and responsibilities included in this charter, the Audit Committee has specific authority to:

(a) engage, set and pay the compensation for independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities, and any such consultants or professional advisors so retained by the Audit Committee will report directly to the Audit Committee;

(b) communicate directly with management and any internal auditor, and with the external auditor without management involvement; and

(c) incur ordinary administrative expenses that are necessary or appropriate in carrying out its duties, which expenses will be paid for by the Company.

## 4. DUTIES AND RESPONSIBILITIES

4.1 The duties and responsibilities of the Audit Committee include:

(a) recommending to the Board the external auditor to be nominated by the Board;

(b) recommending to the Board the compensation of the external auditor to be paid by the Company in connection with (i) preparing and issuing the audit report on the Company's financial statements, and (ii) performing other audit, review or attestation services;

(c) reviewing the external auditor's annual audit plan, fee schedule and any related services proposals (including meeting with the external auditor to discuss any deviations from or changes to the original audit plan, as well as to ensure that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Audit Committee);

(d) overseeing the work of the external auditor;

(e) ensuring that the external auditor is independent by receiving a report annually from the external auditors with respect to their independence, such report to include disclosure of all engagements (and fees related thereto) for non-audit services provided to Company;

(f) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board by receiving, at least annually, a report by the external auditor on the audit firm's internal quality control processes and procedures, such report to include any material issues raised by the most recent internal quality control review, or peer review, of the firm, or any governmental or professional authorities of the firm within the preceding five years, and any steps taken to deal with such issues;

(g) ensuring that the external auditor meets the rotation requirements for partners and staff assigned to the Company's annual audit by receiving a report annually from the external auditors setting out the status of each professional with respect to the appropriate regulatory rotation requirements and plans to transition new partners and staff onto the audit engagement as various audit team members' rotation periods expire;

(h) reviewing and discussing with management and the external auditor the annual audited and quarterly unaudited financial statements and related Management Discussion and Analysis ("MD&A"), including the appropriateness of the Company's accounting policies, disclosures (including material transactions with related parties), reserves, key estimates and judgements (including changes or variations thereto) and obtaining reasonable assurance that the financial statements are presented fairly in accordance with IFRS and the MD&A is in compliance with appropriate regulatory requirements;

(i) reviewing and discussing with management and the external auditor major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the financial statements of the Company and its subsidiaries;

(j) reviewing and discussing with management and the external auditor the external auditor's written communications to the Audit Committee in accordance with generally accepted auditing standards and other applicable regulatory requirements arising from the annual audit and quarterly review engagements;

(k) reviewing and discussing with management and the external auditor all earnings press releases, as well as financial information and earnings guidance provided to analysts and rating

agencies prior to such information being disclosed;

(l) reviewing the external auditor's report to the shareholders on the Company's annual financial statements;

(m) reporting on and recommending to the Board the approval of the annual financial statements and the external auditor's report on those financial statements, the quarterly unaudited financial statements, and the related MD&A and press releases for such financial statements, prior to the dissemination of these documents to shareholders, regulators, analysts and the public;

(n) satisfying itself on a regular basis through reports from management and related reports, if any, from the external auditors, that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements that such information is fairly presented;

(o) overseeing the adequacy of the Company's system of internal accounting controls and obtaining from management and the external auditor summaries and recommendations for improvement of such internal controls and processes, together with reviewing management's remediation of identified weaknesses;

(p) reviewing with management and the external auditors the integrity of disclosure controls and internal controls over financial reporting;

(q) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company and assessing, as part of its internal controls responsibility, the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board;

(r) satisfying itself that management has developed and implemented a system to ensure that the Company meets its continuous disclosure obligations through the receipt of regular reports from management and the Company's legal advisors on the functioning of the disclosure compliance system, (including any significant instances of non-compliance with such system) in order to satisfy itself that such system may be reasonably relied upon;

(s) resolving disputes between management and the external auditor regarding financial reporting;

(t) establishing procedures for:

(i) the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practises relating thereto; and

(ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

(u) reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;

(v) pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor;

(w) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities;

(x) establishing procedures for:

(i) reviewing the adequacy of the Company's insurance coverage, including the Directors' and Officers' insurance coverage;

(ii) reviewing activities, organizational structure, and qualifications of the Chief Financial Officer ("CFO") and the staff in the financial reporting area and ensuring that matters related to succession planning within the Company are raised for consideration at the Board;

(iii) obtaining reasonable assurance as to the integrity of the Chief Executive Officer ("CEO") and other senior management and that the CEO and other senior management strive to create a culture of integrity throughout the Company;

(iv) reviewing fraud prevention policies and programs, and monitoring their implementation;

(v) reviewing regular reports from management and others (e.g., external auditors, legal counsel) with respect to the Company's compliance with laws and regulations having a material impact on the financial statements including:

(A) Tax and financial reporting laws and regulations;

(B) Legal withholding requirements;

(C) Environmental protection laws and regulations;

(D) Other laws and regulations which expose directors to liability; and

4.2 A regular part of Audit Committee meetings involves the appropriate orientation of new members as well as the continuous education of all members. Items to be discussed include specific business issues as well as new accounting and securities legislation that may impact the organization. The Chair of the Audit Committee will regularly canvass the Audit Committee members for continuous education needs and in conjunction with the Board education program, arrange for such education to be provided to the Audit Committee on a timely basis.

4.3 On an annual basis the Audit Committee shall review and assess the adequacy of this charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Company has a reporting relationship and, if appropriate, recommend changes to the Audit Committee charter to the Board for its approval.

## 5. MEETINGS

5.1 The quorum for a meeting of the Audit Committee is a majority of the members of the Audit Committee.

5.2 The Chair of the Audit Committee shall be responsible for leadership of the Audit Committee, including scheduling and presiding over meetings, preparing agendas, overseeing the preparation of briefing documents to circulate during the meetings as well as pre-meeting materials, and making regular reports to the Board. The Chair of the Audit Committee will also maintain regular liaison with the CEO, CFO, and the lead external audit partner.

5.3 The Audit Committee will meet in camera separately with each of the CEO and the CFO of the Company at least annually to review the financial affairs of the Company.

5.4 The Audit Committee will meet with the external auditor of the Company in camera at least once

each year, at such time(s) as it deems appropriate, to review the external auditor's examination and report.

5.5 The external auditor must be given reasonable notice of, and has the right to appear before and to be heard at, each meeting of the Audit Committee.

5.6 Each of the Chair of the Audit Committee, members of the Audit Committee, Chair of the Board, external auditor, CEO, CFO or secretary shall be entitled to request that the Chair of the Audit Committee call a meeting which shall be held within 48 hours of receipt of such request to consider any matter that such individual believes should be brought to the attention of the Board or the shareholders.

## 6. REPORTS

6.1 The Audit Committee will report, at least annually, to the Board regarding the Audit Committee's examinations and recommendations.

6.2 The Audit Committee will report its activities to the Board to be incorporated as a part of the minutes of the Board meeting at which those activities are reported.

## 7. MINUTES

7.1 The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

## 8. ANNUAL PERFORMANCE EVALUATION

8.1 The Board will conduct an annual performance evaluation of the Audit Committee, taking into account the Charter, to determine the effectiveness of the Committee.