KHIRON LIFE SCIENCES CORP

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017
(in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Khiron Life Sciences Corp.:

Opinion

We have audited the consolidated financial statements of Khiron Life Sciences Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2018 and the period from February 17, 2017 (date of incorporation) to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and the period from February 17, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jonathan Mac Neil.

MNP LLP

Toronto, Ontario — Chartered Professional Accountants

April 30, 2019 — Licensed Public Accountants

To the Shareholders of Khiron Life Sciences Corp.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgements and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

April 30, 2019

"Alvaro Torres"
Signed: CEO

"Darren Collins"
Signed: CFO

Khiron Life Sciences Corp.

Audited Consolidated Statement of Financial Position
(expressed in Canadian Dollars unless otherwise stated)
As at December 31, 2018 and 2017

Assets		December 31, 2018	December 31, 2017
Current assets	**Notes**		
Cash and cash equivalents	5	**$ 15,013,718**	$ 1,809,645
Short term investments	6	**3,949,554**	-
Accounts receivables	7	**4,170,634**	286,923
Inventory	8	**238,388**	-
Prepaid other current assets		**561,513**	558,409
Total current assets		**$ 23,933,807**	$ 2,654,977
Non-current assets			
Non-current accounts receivables	7	**153,137**	-
Property and equipment	9	**9,620,599**	242,563
Intangible assets	10	**2,005,500**	-
Goodwill	10	**4,635,774**	-
Total assets		**$ 40,348,817**	$ 2,897,540
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	12	**$ 6,439,972**	$ 704,263
Current portion of long-term debt	13	**155,606**	-
Total current liabilities		**$ 6,595,578**	$ 704,263
Non-current liabilities			
Non-current accounts payable	12	**$ 377,263**	$ -
Non-current portion of contingent consideration	11	**1,772,245**	-
Deferred tax liabilities	11	**650,000**	-
Non-current portion of long-term debt	13	**2,353,080**	-
Deferred consideration	11	**3,063,242**	-
Total liabilities		**$ 14,811,408**	$ 704,263
Equity			
Share capital	15	**$ 39,826,123**	$ 4,291,289
Warrants	15	**5,836,115**	1,085,422
Share based compensation	16	**3,915,481**	626,111
Accumulated other comprehensive loss		**(454,361)**	(30,133)
Deficit		**(23,585,949)**	(3,779,412)
Total equity		**25,537,409**	2,193,277
Total liability and equity		**$ 40,348,817**	$ 2,897,540

The accompanying notes are an integral part of these consolidated financial statements.

Khiron Life Sciences Corporation

Audited Consolidated Statement of Loss and Comprehensive Loss
(expressed in Canadian Dollars unless otherwise stated)
Years ended December 31, 2018 and 2017

	Note		2018		2017
Revenues					
Services revenues		$	**795,716**	$	-
Product revenues			**95,961**		-
		$	**891,677**	$	-
Cost of sales		$	**594,313**	$	-
Gross profit			**297,364**		-
Operating expenses					
General and administrative		$	**9,560,797**	$	1,377,081
Selling, marketing and promotion			**1,704,543**		140,765
Travel and development			**807,946**		336,361
Professional fees			**1,016,879**		369,646
Consulting services	19		**3,293,005**		532,163
RTO listing expense	4		**521,157**		-
Share-based compensation	11,19		**3,289,370**		1,008,571
			20,193,697		3,764,587
Other income			**(228,698)**		(1,005)
Other expenses			**60,322**		15,830
		$	**19,727,957**	$	3,779,412
Current income tax expense			**81,140**		-
Deferred income tax recovery			**(2,560)**		-
			78,580		
Net Loss		$	**19,806,537**	$	3,779,412
Other comprehensive loss			**424,228**		30,133
Comprehensive loss		$	**20,230,765**	$	3,809,545
Loss per Shares (basic and diluted)			**(0.42)**		(0.14)
Weighted average shares outstanding			**48,518,873**		27,757,213

The accompanying notes are an integral part of these consolidated financial statements.

Khiron Life Sciences Corp.

Audited Consolidated Statement of Cash Flow
(expressed in Canadian Dollars unless otherwise stated)
Years ended December 31, 2018 and 2017

Cash used in operating activities	**2018**	**2017**
Net loss for the period	**(19,806,537)**	(3,779,412)
Adjustments for:		
Share-based compensation	**3,289,370**	1,008,571
Depreciation and amortization	**337,919**	389
Income tax recovery	**78,580**	
Changes in non-cash working capital items		
Accounts receivables	**834,154**	(286,923)
Inventory	**(181,225)**	-
Prepaids and other current assets	**5,359**	(71,509)
Accounts payable and accrued liabilities	**668,470**	704,263
Net cash used in operating activities	**(14,773,910)**	(2,424,621)
Cash used in investing activities		
Purchase of property and equipment	**(3,825,834)**	(242,952)
Cash acquired via asset acquisition	**-**	1,000
Short-term investments	**(3,949,554)**	-
Acquisition, net of cash	**(1,377,587)**	-
Acquisition, non-controlling interest	**(67,000)**	-
Net cash used in investing activities	**(9,219,975)**	(241,952)
Cash used in financing activities		
Proceeds from issuance of private placements	**905,000**	4,506,351
Proceeds from issuance of subscription receipts	**10,336,000**	-
Proceeds from financing	**11,592,347**	-
Proceeds from warrant exercises	**14,691,880**	-
Proceeds from option exercises	**60,000**	-
Net cash provided from financing activities	**37,585,227**	4,506,351
Cash and cash equivalent, beginning of period	**1,809,645**	-
Net change in cash and cash equivalent	**13,591,342**	1,839,778
Effect of movements in exchange rates on cash held	**(387,269)**	(30,133)
Cash and cash equivalents, end of period	**15,013,718**	1,809,645

The accompanying notes are an integral part of these consolidated financial statements.

Khiron Life Sciences Corp.

Audited Consolidated Statement of Changes in Equity

(expressed in Canadian Dollars unless otherwise stated)

	Number of common shares	Share capital	Share-based compensation	Options/ warrants reserve	Acc. Other comprehensive income	Retained deficit	Total
Balance, February 17, 2017	-	$ -	$ -	$ -	$ -	$ -	$ -
Founders shares	5,000,000	25,000	-	-	-	-	25,000
Shares issued for acquisition	14,300,000	1,000	-	-	-	-	1,000
Shares issued to private placement	8,000,000	2,000,000	-	-	-	-	2,000,000
Share issuance cost	-	(15,000)	-	-	-	-	(15,000)
Units issued in private placement	4,270,281	2,989,196	-	-	-	-	2,989,196
Unit issuance cost	-	(572,143)	-	139,981	-	-	(432,162)
Unit issuance cost	-	(677,764)	-	677,764	-	-	-
Fair value of share-based payments	-	-	626,111	-	-	-	626,111
Shares issued to Service Provider	1,000,000	541,000	-	267,677	-	-	808,677
Net loss for the period	-	-	-	-	-	(3,779,412)	(3,779,412)
Other comprehensive loss	-	25,000	-	-	(30,133)	-	(30,133)
Balance, December 31, 2017	**75,042,988**	**$ 39,826,123**	**$ 3,915,481**	**$ 5,836,115**	**$ (454,361)**	**$ (23,585,949)**	**$ 25,537,409**

	Number of common shares	Share capital	Share-based compensation	Options/ warrants reserve	Acc. Other comprehensive income	Retained deficit	Total
Balance, January 1, 2018	**32,570,281**	**$ 4,291,289**	**$ $ 626,111**	**$ $ 1,085,422**	**$ (30,133)**	**$ (3,779,412)**	**$ 2,193,277**
Share issuance - private placement	905,000	805,450	-	99,550	-	-	**905,000**
Share issuance - rights offering	1,440,542	-	-	-	-	-	**-**
Share issuance - warrants exercised	12,355,416	14,691,880	-	-	-	-	**14,691,880**
Share issuance – OTCQB listing	500	-	-	-	-	-	**-**
Share issuance - options exercised	60,000	60,000	-	-	-	-	**60,000**
Share issuance - acquisition	1,400,000	2,072,000	-	-	-	-	**2,072,000**
Subscription receipt shares, net of issuance costs	11,230,000	6,536,000	-	3,800,000	-	-	**10,336,000**
Subscription receipt costs	-	(411,143)	-	411,143	-	-	**-**
Shares retained by Adent shareholders	706,249	628,300	-	-	-	-	**628,300**
Fair value of share-based payments	-	-	3,289,370	-	-	-	**3,289,370**
Financing - September, net of issuance costs	14,375,000	12,497,500	-	440,000	-	-	**12,937,500**
Financing - September costs	-	(1,345,153)	-	-	-	-	**(1,345,153)**
Net loss for the year	-	-	-	-	-	(19,806,637)	**(19,806,637)**
Other comprehensive loss	-	-	-	-	(424,228)	-	**(424,228)**
Balance, December 31, 2018	**75,042,988**	**$ 39,826,123**	**$ 3,915,481**	**$ 5,836,115**	**$ (454,361)**	**$ (23,585,949)**	**$ 25,537,409**

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of operations and going concern

Khiron Life Science Corp. ("Khiron" or the "Company") was incorporated under the Business Corporations Act (Ontario) on February 17, 2017. The Company combines 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. Khiron has received licences 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 100 King Street West, Suite 1600, Toronto, Ontario, Canada M5X 1G5 and its main office in Colombia is at Carrera 11 No. 84-09 Of. 402, Bogotá, Colombia.

As at December 31, 2018, the Company was focused on the development and construction of its cultivation and processing facility, as well as the definition of products for distribution. On September 22, 2017, the Company's wholly owned subsidiary, Khiron Colombia SAS, received its first licence from the Ministry of Justice in Colombia and, on October 19, 2017, the Company was granted all the licences required in Colombia for the cultivation, production, domestic distribution and international export of both low and high tetrahydrocannabinol ("THC") medical cannabis. Due to these developments, Khiron is licenced to commence cultivation of medicinal grade cannabis on its 17.2 hectares of land. On November 30, 2018, the Company acquired Jemarz SAS doing business as the Latin American Institute of Neurology and the Nervous System ("ILANS"), with an annual patient base of over 100,000. Furthermore, the Company has wholly-owned non-operating subsidiaries incorporated in Mexico, Chile, and Peru.

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2018, the Company has not yet achieved profitable operations and had a loss of $19,528,376. The Company however expects to have sufficient liquidity to continue operations in the future, satisfy all commitments and repay its liabilities arising from normal business operations as they become due. See Note 21, Subsequent Events, for additional capital raised subsequent to year-end.

2. Significant accounting policies

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these consolidated financial statements are based on IFRS's issued and outstanding as of April 30, 2019, the date the Board of Directors approved the statements.

<u>Basis of presentation</u>

The consolidated financial statements have been prepared on historical cost basis except for financial instruments which are measured at fair value as explained in the accounting policies.

<u>Basis of consolidation</u>

The consolidated financial statements as at December 31, 2018, reflect the assets, liabilities, and results of operations of Khiron Life Science Corp. and its subsidiaries Khiron Colombia SAS and ILANS. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

These consolidated financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

2. Significant accounting policies – continued

Foreign currencies

The functional currency of the Company is the Canadian dollar. The functional currency of the subsidiary Khiron Colombia SAS and ILANS is the Colombian Peso. For the purpose of the consolidated financial statements, the results and financial position are expressed in Canadian Dollars.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At each financial reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the consolidated statement of loss and comprehensive loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the spot rate at the date of the initial transaction. Nonmonetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

The financial statements of foreign subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the end of the reporting period for assets and liabilities and the average exchange rates for the period for revenue, expenses and cash flows. Foreign exchange differences arising on translation are recognized in other comprehensive income (loss) and in the cumulative transaction adjustment in shareholders' equity.

Estimates and critical judgments by management

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are made as appropriate in the period they become known. Items for which actual results may differ significantly from these estimates are described in the following section.

During the year and following the acquisition of ILANS, there is significant management judgement on the collectability of overdue receivable. Furthermore, as a condition of the acquisition of ILANS, there is significant judgement on the calculation of the contingent consideration. See note 8.

Share-based compensation

The fair value of stock options and warrants is based on the application of the Black-Scholes option pricing model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the share price, volatility of the share price, expected dividend yield and expected risk-free interest rate.

Useful lives of property and equipment and intangible assets

Depreciation and amortization of property, equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of the assets.

2. Significant accounting policies – continued

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Cash and cash equivalents

Cash and cash equivalents includes cash on deposit at banking institutions and amounts held in trust on behalf of the Company.

Property and equipment ("PPE")

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the following terms and methods:

Estimated useful life/ asset depreciation method	
Construction and Building	20% declining balance
Machinery and equipment	Straight-line over 5 years
Office Equipment	Straight-line over 10 years
Computer equipment and communication	Straight-line over 3 years
Medical equipment	Straight-line over 1 and 10 years
Transportation	Straight-line over 5 years
Leasehold improvements	Straight-line over lease term
Construction and Building	Straight-line over 5 years
Software	20% declining balance

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statement of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial period end, and adjusted if appropriate.

2. Significant accounting policies – continued

Intangible asset

Intangible assets are recorded at cost less accumulated amortization. They are amortized over their estimated useful lives using the following methods and rates:

Estimated useful life/ asset depreciation method	
Software	Straight-line over 5 years
Customer relationship	Straight-line over 6 years
Non-compete	Straight-line over 5 years
Brands	Indefinite

An asset's residual value, useful life and amortization method are reviewed at each consolidated statements of financial position date and adjusted if appropriate.

Intangible assets acquired as part of a business combination is valued at fair value at the date of acquisition. For intangible that have a definite life, amortization is amortized using the straight-line method over the contractual life of the asset. The Company has indefinite intangible assets acquired through business combinations related to brands.

Impairment of non-financial assets

Long-lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit, or “CGU”). An impairment loss is recognized for the amount, if any, by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset’s fair value less cost to sell and the value in use (being the present value of expected future cash flows of the asset or CGU). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. The amount of a provision is the best estimate of the consideration at the end of the reporting period. Provisions measured using estimated cash flows required to settle the obligation are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company has no material provisions as at December 31, 2018.

Share capital and warrants

Common shares and warrants are classified as equity. The share capital represents the amount received upon issuance of shares. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period in which the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of

2. Significant accounting policies - continued

their value within the unit using the Black-Scholes option pricing model to determine the fair value of warrants issued.

Share-based compensation transactions

The Company has a share-based payment plan that grants stock options to employees and non-employees. This plan is an equity-settled plan. For equity-settled share-based payment transactions, the Company measures the goods and services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, using an option pricing model.

The expense is recognized over the vesting period of the options granted and is recognized as an expense in earnings with a corresponding credit to reserve for share-based payments. At the end of each reporting period the Company re-assesses its estimate of the number of stock options expected to vest and recognizes the impact of the revisions in the consolidated statement of loss and comprehensive loss. Any consideration paid by employees and directors on exercise of stock options is credited to share capital combined with any related share-based compensation expense originally recorded in reserve for share-based payments.

Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares to the extent that that are not antidilutive.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

2. Significant accounting policies - continued

Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit and loss as incurred. To date, no development costs have been capitalized.

Impairment of financial assets

Financial assets, other than those classified at fair value through profit and loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also amends the requirements around hedge accounting, and introduces a single, forward-looking expected loss impairment model.

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Summary of the Company's classification and measurements of financial assets and liabilities

	IFRS 9		IAS 39	
	Classification	**Measurement**	**Classification**	**Measurement**
Cash and cash equivalents	FVTPL	Fair value	Loans and receivables	Fair Value
Short-term investments	FVTPL	Fair value	Loans and receivables	Fair Value
Accounts receivable and advances	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Due to related parties	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Debt	Amortized cost	Amortized cost	Other liabilities	Amortized cost

Financial assets, other than those classified at fair value through profit and loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value through profit or loss (FVTPL); ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Financial assets at fair value through comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. Significant accounting policies – continued

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

IFRS 15 - Revenue from Contracts with Customers; effective for annual periods beginning on or after January 1, 2018, specifies how and when to recognize revenue, based on a five-step model, and enhances relevant disclosures to be applied to all contracts with customers. The Company has applied IFRS 15 retrospectively and determined that there is no change to the comparative periods or transitional adjustments required as a result of the adoption of this standard. The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

To recognize revenue under IFRS 15, the Company applies the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when or as the Company satisfies a performance obligation

Revenue from the direct sale of products to customers for a fixed price is recognized when the company transfers control of the good to the customer. Judgement is required in determining whether the customer is a business or the end consumer in certain cases. The evaluation is made on the basis whether control is obtained related to the product and whether or not there is an additional transfer to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms. The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive taking into account any variation that may result from rights of return.

The Company is engaged with sale of cosmeceutical products by way of consumer package goods in the Latin American market along with provision of services to patients through ILANS which includes, provision of medical health services, and sale of goods. The Company recognizes services revenues over a period of time as performance obligations are completed.

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IFRS 16 - In January 2016, the IASB issued IFRS 16, replacing IAS 17, "Leases". IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity's lease obligations. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Company has assessed the impact of these standards on its consolidated financial statements with operating leases recognized consistent with leases under Note 21.

3. Capital risk management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally

3. Capital risk management – continued

imposed capital requirements.
Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the period. The Company considers its shareholders equity as capital which as at December 31, 2018 is $ 25,537,409.

4. Financial instruments

Fair values

At December 31, 2018, the Company's financial instruments consist of cash and cash equivalents, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the period, there were no transfer of amounts between levels.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Level 1 – cash and cash equivalents
Level 2 – none
Level 3 – contingent consideration related to acquisitions

The Company has exposure to the following risks from its use of financial instruments:
- Credit risk; and
- Liquidity risk

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. All of the Company's cash is held at financial institutions which are Colombian chartered banks, Canadian credit unions, or fund held in trust with legal counsel in which management believes that the risk of loss is minimal, but the Company is subject to concentration of credit risk. Trade and accounts receivables consist of trade accounts receivable created in the course of normal business along with recoverable service taxes.

(expressed in Canadian Dollars unless otherwise stated)

4. Financial instruments – continued

		December 31, 2018		December 31, 2017
0 – 30 days	$	629,265	$	-
31 – 90 days		1,306,062		-
91 – 120 days		555,701		-
>121 days		580,210		-
Total	**$**	**3,071,238**	**$**	**-**

Due to the acquisition of ILANS and the operation of the clinics in Colombia, the aging of accounts receivables is generally subject to collectability greater than 30 days. The historical average receivable is settled around 80 days after revenue recognition which is consistent with the clinics industry in Colombia. Prior to acquisition, ILANS experienced similar collection cycles with no bad debts realized.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with out of cash. As at December 31, 2018, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturity dates within one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the period.

Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar but is exposed to foreign currency risk with respect to the expenditures incurred by its Colombian subsidiary, Khiron Colombia SAS. If the currency were to increase or decrease by 5%, the foreign exchange loss or gain would be $10,000.

5. Cash and cash equivalents

The Company held $14,932,226 (2017 – $65,052) in its bank account with $81,492 (2017 – $1,744,593) held in legal trust.

6. Short-term investments

The Company held short-term investments as at December 31, 2018 in aggregate of $3,949,554 (2017 – $nil) in guaranteed investment certificates (“GIC”) with maturities ranging from thirty days to one year, bearing annual interest of 1.50% to 2.45%.

7. Accounts receivables

		December 31, 2018		**December 31, 2017**
Trade receivables	$	3,071,238	$	-
Related party receivables		952,535		-
VAT receivables		299,997		286,923
Total	**$**	**4,323,770**	**$**	**286,923**

The Company held $693,763 in related party receivables related to a director in a Colombian subsidiary for the year-ended December 31, 2018.

8. Inventory

The Company held inventory in relation to the cultivation site in Doima, Ibagué as well as medical equipment held to be used by medical professionals in the clinic as part of the acquisition of ILANS.

(expressed in Canadian Dollars unless otherwise stated)

9. Property, plant and equipment,

Cost	Land	Construction and Building	Machinery and equipment	Office Equipment	Computer equipment and communication	Medical equipment	Transportation	PPE in Transit	Leasehold improvements	Software	Total
Balance, December 31, 2017	**-**	**-**	**19,378**	**-**	**7,448**	**-**	**-**	**-**	**214,833**	**1,293**	**242,952**
Additions	-	-	93,788	87,809	34,646	-	-	559,376	3,045,259	84,666	**3,905,544**
Additions from acquisitions	1,335,274	3,376,810	-	81,440	36,829	468,964	39,676	-	-	-	**5,338,993**
Foreign currency translation	138,336	49,608	(59)	27,999	37,903	211,949	21,222	5,547	(19,967)	(309)	**471,418**
Balance, December 31, 2018	**1,473,610**	**3,426,418**	**113,107**	**197,248**	**116,016**	**680,913**	**60,897**	**564,923**	**3,240,125**	**85,650**	**9,958,907**
Accumulated Depreciation											
Balance, December 31, 2017	**-**	**-**	**-**	**-**	**(66)**	**-**	**-**	**-**	**-**	**(323)**	**(389)**
Depreciation	-	(16,623)	(8,872)	(38,505)	(42,675)	(210,979)	(21,379)	-	-	(6,764)	**(345,797)**
Foreign currency translation	-	-	-	890	754	5,622	552	-	-	60	**7,878**
Balance, December 31, 2018	**-**	**(16,623)**	**(8,872)**	**(37,615)**	**(41,987)**	**(205,357)**	**(20,827)**	**-**	**-**	**(7,027)**	**(338,308)**

Cost	Land	Construction and Building	Machinery and equipment	Office Equipment	Computer equipment and communication	Medical equipment	Transportation	PPE in Transit	Leasehold improvements	Software	Total
Balance, February 17, 2017	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions	-	-	19,378	-	7,448	-	-	-	214.833	1,293	**242,952**
Balance, December 31, 2017	**-**	**-**	**19,378**	**-**	**7,448**	**-**	**-**	**-**	**214,833**	**1,293**	**242,952**
Accumulated Depreciation											
Balance, February 17, 2017	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation	-	-	-	-	(66)	-	-	-	-	(323)	**(389)**
Balance, December 31, 2017	**-**	**-**	**-**	**-**	**(66)**	**-**	**-**	**-**	**-**	**(323)**	**(389)**
Net Book Value											
December 31, 2017	**-**	**-**	**19,378**	**-**	**7,382**	**-**	**-**	**-**	**214,833**	**970**	**242,563**
December 31, 2018	**1,473,610**	**3,409,795**	**104,235**	**159,633**	**74,029**	**475,556**	**40,070**	**564,923**	**3,240,125**	**78,623**	**9,620,599**

(expressed in Canadian Dollars unless otherwise stated)

10. Intangible Assets

	Customer Relationships	Brands	Non-Compete	Goodwill	Total Intangible Assets and Goodwill
Cost					
January 1, 2018	$ -	$ -	$ -	$ -	$ -
Additions from acquisitions	609,000	748,000	648,500	4,635,774	6,641,274
December 31, 2018	**$ 609,000**	**$ 748,000**	**$ 648,500**	**$ 4,635,774**	**$ 6,641,274**

	Customer Relationships	Brands	Non-Compete	Goodwill	Total Intangible Assets and Goodwill
Accumulated Amortization					
January 1, 2018	$ -	$ -	$ -	$ -	$ -
Amortization	-	-	-	-	-
December 31, 2018	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

	Customer Relationships	Brands	Non-Compete	Goodwill	Total Intangible Assets and Goodwill
Cost					
January 1, 2017	$ -	$ -	$ -	$ -	$ -
Additions from acquisitions	-	-	-	-	-
December 31, 20178	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

	Customer Relationships	Brands	Non-Compete	Goodwill	Total Intangible Assets and Goodwill
Accumulated Amortization					
January 1, 2017	$ -	$ -	$ -	$ -	$ -
Amortization	-	-	-	-	-
December 31, 2017	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

(expressed in Canadian Dollars unless otherwise stated)

11. Acquisition

On November 30, 2018, the Company acquired ILANS for an initial consideration of $1,393,000 in cash along with 1,400,000 shares valued at $1.48 as at the date of acquisition. Deferred consideration relates to cash committed to the acquisition base on the definitive agreement discounted back to present value. The accounting for the acquisition consummated has been provisionally determined as at December 31, 2018. As such, the assets and liabilities acquired along with total consideration has been determined provisionally and subject to adjustment.

At the date of acquisition, the Company acquired necessary information to determine the fair value of net identifiable assets acquired as at the acquisition date. Based on the acquisition date, the initial purchase price was allocated on a provisional basis to the fair value of net identifiable assets based on the Company's best estimate of fair value. The calculation of goodwill represents management's assessment of future potential synergies and growth that does not meet the definition for separate recognition. Subsequent to year-end, the Company acquired additional consideration of the business based on defined payment dates over the next 24 months. See note 20 and 22.

Measurement for the fair value of the contingent consideration liability is performed using unobservable inputs considered to be a level three financial instrument. Expectation of future performance and probability of milestones being achieved discounted to present value drives the fair value of such liabilities. As at the date of acquisition and at December 31, 2018, management believes that there is high probability of such milestones being met.

On a standalone basis, had the Company acquired the business on January 1, 2018, revenues estimates would have been $10,446,995 for the full year and a net profit of $682,324.

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Cash	$	1,393,000
Deferred consideration		3,130,242
Common shares issued		2,072,000
Contingent consideration		1,772,245
Total consideration	**$**	**8,367,487**
Net identifiable assets (liabilities) acquired		
Cash	$	15,413
Accounts receivables		4,696,671
Inventories		57,163
Prepaid expenses and deposits		8,464
Property, plant and equipment		5,338,993
Long-term receivables		174,330
Intangible assets		
Customer relationships		609,000
Brand		748,000
Non-compete		648,500
Accounts payable and accruals		(5,113,802)
Deferred tax liabilities		(650,000)
Income taxes payable		(330,700)
Loans and borrowings		(2,470,319)
Net Identifiable assets	**$**	**3,731,713**
Purchase price allocation		
Net identifiable assets acquired	$	3,731,713
Goodwill		4,635,774
	$	**8,367,487**
Net cash outflows		
Cash consideration paid	$	1,393,000
Cash acquired		(15,413)
Net cash	$	**1,377,587**

(expressed in Canadian Dollars unless otherwise stated)

12. Accounts payable and accrued liabilities

		December 31, 2018		December 31, 2017
Accounts payable and accrued liabilities	$	5,987,924	$	447,968
Payroll liabilities		276,141		45,588
Other liabilities		175,907		210,707
Total current payable	**$**	**6,439,972**	**$**	**704,263**
Non-current payables		**377,262**		**-**
Total accounts payables and accrued liabilities	**$**	**6,817,235**	**$**	**704,263**

13. Loans and borrowing

Loans and borrowing are classified as financial liabilities and initially measured at fair value and subsequently at amortized cost.

Changes to the carrying value of loans and borrowings are as follows:

	Interest rate	Maturity date		December 31, 2018		December 31, 2017
Finance lease	8.8%	June 1, 2025	$	1,054,411	$	-
Loan	N/A	February 1, 2022		29,227		-
Loan	10.90%	April 1, 2020		37,358		-
Loan	10.00%	July 1, 2020		29,155		-
Loan	10.50%	January 1, 2020		27,318		-
Loan	10.48%	October 1, 2020		154,102		-
Loan	10.90%	September 1, 2021		107,872		-
Loan	10.30%	May 1, 2019		31,521		-
Loan	9.79%	November 1, 2021		44,129		-
Loan	10.41%	March 1, 2020		24,586		-
Loan	11.73%	November 1, 2021		132,388		-
Loan	10.41%	August 1, 2021		519,278		-
Loan	10.41%	September 1, 2021		33,132		-
Loan	10.90%	May 1, 2019		116,744		-
Total			**$**	**2,353,080**	**$**	**-**
Current Portion				155,606		-
Total loans and borrowing			**$**	**2,508,686**	**$**	**-**

The loans acquired as part of the ILANS acquisition on November 30, 2018 are fully secured with by ILANS capital assets.

(expressed in Canadian Dollars unless otherwise stated)

14. Share capital

Authorized share capital

The authorized share capital consisted of unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Common shares issued

	Number of common shares	Amount
Balance, February 17, 2017	**-**	**$ -**
Founder shares (i), (ii)	5,000,000	25,000
Shares issued for subsidiary (iii)	14,300,000	1,000
Issuance of shares (iv)	9,000,000	2,541,000
Issuance cost of shares (v)	-	(15,000)
Issuance of units to investors and brokers (v)	4,270,281	2,989,196
Fair value of units to brokers (v)	-	(116,048)
Fair value brokers warrants (v)	-	(139,981)
Other issuance cost of units (v)	-	(316,114)
Fair value of warrants attached to the units (v)	-	(677,764)
Balance, December 31, 2017	**32,570,281**	**$ 4,291,289**

(i) On February 17, 2017, the Company issued an aggregate of 3,700,000 founder shares to the founders of the Company at a price of $0.005 per founder share.

(ii) On March 3, 2017 the Company issued 1,300,000 shares to employees and consultants at a value of $0.005 per common share, being the price of the last equity transaction.

(iii) On February 17 2017, the Company issued 14,300,000 shares to Cannainversiones S.A.S for the acquisition of all issued and outstanding shares in Chiron Inversiones S.A.S. ("Chiron"), a company incorporated under the laws of Colombia (see note 6).

(iv) In April 2017, the Company completed a non-brokered private placement for 8,000,000 common shares, at a price of $0.25 per share for gross proceeds of $2,000,000.

In October 2017, the Company engaged a service provider (the "Service Provider") to provide consulting advice in compliance and consistent with best practices and procedures for Canadian cannabis production. The contract period is two years with the option to renew annually. Pursuant to the agreement, the Company will issue 1,000,000 common shares as part of payment for services. These shares are subject to a statutory four month hold period and have a lock up provision of (i) 10% release upon signing, (ii) 15% release each six months preceding the signing of the agreement over a period of 3 years. The 1,000,000 common shares were valued at $541,000 and had been set up as a prepaid expense in other assets. The expense related to the shares that were released upon signing were expensed immediately as share based payments. The remaining expense will be recognized as over the two-year life of the contract.

(v) On August 24, 2017, the Company completed a brokered private placement for 4,104,497 Units, at a price of $0.70 per Unit for gross proceeds of $2,873,148 and 165,783 Units were issued to brokers as commission. Each Unit consists of one unit share of the Company and one-half of one Warrant. Each whole Warrant shall entitle the holder thereof to acquire one share at a price of $1.05, until the date which is 24 months following the completion of the listing of the Company's common shares on the TSXV (the "**Liquidity Event**").

14. Share Capital - continued

(expressed in Canadian Dollars unless otherwise stated)

These warrants were assigned a value of $677,794 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.24%;
- Expected life: 2.5 years;
- Expected volatility: 128%; and
- Share price: $0.541.

The Company paid a total of $572,143 in commission, finder fees and legal expenses ($316,115 in cash, $116,048 by issuing 165,784 units and $139,981 by issuing 287,314 broker warrants) associated with the closing. Each broker warrant entitles the holder thereof to purchase one unit, which consists of one common share and one-half of one common share purchase warrant, at an exercise price of $0.70 for a period of 24 months following the completion of the Liquidity Event. Each whole common share purchase warrant entitles the holder to purchase one common share until 24 months following the completion of the Liquidity Event at the exercise price of $1.05 per share. These broker warrants were assigned a value of $139,979 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.24%;
- Expected life: 2 years;
- Expected volatility: 128%; and
- Unit price: $0.70.

	Number of common shares		Amount
Balance, December 31, 2017	**32,570,281**	**$**	**4,291,289**
Share issuance – private placement	905,000		805,450
Share issuance – rights offering	1,440,542		-
Share issuance – warrants exercised	12,355,416		14,691,880
Share issuance – options exercised	60,000		60,000
Share issuance – acquisition	1,400,000		2,072,000
Share issuance – OTCQB listing	500		-
Subscription receipt shares, net of issuance costs	11,230,000		6,536,000
Share issuance costs	-		(411,143)
Shares retained by Adent shareholders	706,249		628,300
Financing - September	14,375,000		12,497,500
Share issuance costs	-		(1,345,153)
Balance, December 31, 2018	**75,042,988**	**$**	**39,826,123**

(i) On March 28, 2018, Khiron completed a non-brokered private placement offering of 905,000 units at a price of $1.00 per unit for aggregate gross proceeds of $905,000. Each unit consisted of one common share and one common share purchase warrant of Khiron. Each warrant shall entitle the holder thereof to acquire one common share of Khiron at a price of $1.20 for a period of 24 months following the listing of Khiron, subject to adjustment and acceleration. No commissions were paid in connection with the offering. The Company assigned a value of $99,550 using the Black-Scholes valuation model.

(ii) In March 2018, an additional 1,325,542 common shares were issued to subscribers pursuant to rights issued under the Company's March 2017 and August 2017 financings, respectively. Pursuant to a provision in the March 2017 financing, the Company was required to issue common shares equal to 10% of the subscribers' initial subscription in the event the Company's common shares were not listed by March 28,

(expressed in Canadian Dollars unless otherwise stated)

2018. With respect to the August 2017 financing, a provision in the financing required the Company to issue

common shares equal to 15% of the subscribers' initial subscription in the event the Company's common shares were not listed by March 24, 2018.

On April 2018, an additional 115,000 common shares were issued to subscribers under the Company's April 2017 financing pursuant to a provision in the financing that required the Company to issue common shares equal to 10% of the subscribers' initial subscription in the event the Company's common shares were not listed by April 12, 2018.

(iii) On January 12, 2018, Khiron issued 11,230,000 subscription receipts at a price of $1.00 per subscription receipt for total proceeds of $11,230,000. Each subscription receipt was automatically converted, for no additional consideration, into 11,230,000 units upon closing of the Qualifying Transaction. Each unit consisted of one common share and one common share purchase warrant. Each full warrant entitled the holder to purchase one common share of Khiron at a price of $1.20 per share for a period of two years from date of listing, subject to acceleration provision.

The Company assigned a value of $3,800,000 using the Black-Scholes valuation model. The underlying assumptions used in the estimation of fair value in the Black-Scholes valuation model using the following assumptions: exercise price of $1.20, volatility of 90%, risk free rate of 1.5% on the date of grant, expected life of 2 years, and dividend yield of 0%.

(iv) On September 11, 2018, Khiron issued 14,375,000 common shares at a price of $0.90 per share for total gross proceeds of $12,937,500 ("September 2018 Financing"). The Company assigned a value $440,000 related to the 1,006,250 compensation options issued using the Black-Scholes valuation model. The underlying assumptions used in the estimation of fair value in the Black-Scholes valuation model using the following assumptions: exercise price of $0.90, volatility of 90%, risk free rate of 1.5% on the date of grant, expected life of 2 years, and dividend yield of 0%.

15. Warrants

The following table reflects the continuity of warrants for the period ended December 31, 2018:

	Note	Number of warrants	Amount
Balance, February 17, 2017		-	$ -
Issued in units	10(v)	2,135,134	1.05
Issued in brokers	10(v)	287,314	0.70
Issued in Service Provider	(i)	1,000,000	1.05
Balance, December 31, 2017		**3,422,448**	**$ 1.02**
Issued in private placement	(ii)(vi)	905,000	1.20
Issued broker warrants in connection with Qualify Transaction	(iii)	786,100	1.00
Issued warrants in connection with Company warrants	(iv)(vi)	11,230,000	1.20
Issued broker warrants in connection with Sept financing	(v)	1,006,250	0.90
Exercised		(12,355,416)	1.19
Expired	(vi)	(235,851)	1.20
Balance, December 31, 2018		**4,758,531**	**1.00**

(i) Pursuant to the Service Provider agreement, the Company granted 1,000,000 common purchase warrants having an exercise price of $1.05 and shall be exercisable within a period of 2 years. These warrants are subject to a statutory four month hold period. These warrants were valued at $267,677 using the Black-Scholes model and were expensed as share based compensation expense.

15. Warrants – continued

(ii) On March 28, 2018, Khiron completed a non-brokered private placement offering of 905,000 at a price of $1.00 per unit for aggregate gross proceeds of $905,000. Each unit consistent of one common share and one common share purchase warrant of Khiron. Each warrant shall entitle the holder thereof to acquire one common share of Khiron at a price of $1.20 for a period of 24 months following the listing of Khiron, subject to adjustment and acceleration. No commissions were paid in connection with the offering. Funds will be used to further develop the business of Khiron and for general working capital purposes.

(iii) In connection with the Qualifying Transaction concurrent financing the Company issued 786,100 broker warrants. Each broker warrant is exercisable into one common share of the Company at a price of $1.20 for a period of two years. The Company used the Black-Scholes option pricing model to determine the fair value of broker warrants granted using the following assumptions: risk-free rate of 1.5% on the date of grant, expected life of 2 years, volatility of 90%, forfeiture rate of 0%, dividend yield of 0%.

(iv) On May 16, 2018, the Company and Adent Capital Corp. closed the previously announced Qualifying Transaction (the “Qualifying Transaction”). Pursuant to the Qualify Transaction, a subsidiary of Adent amalgamated with the target which constitute the Qualifying Transaction of Adent pursuant to TSX Venture Exchange Inc. (the “Exchange” or “TSXV”) policy 2.4 – Capital Pool Companies.

Pursuant to the terms of the Transaction all outstanding securities of the Target were exchanged for post Consolidation securities of Khiron on an 8:1 basis. In connection with the Transaction, Khiron issued 46,852,073 common shares to former shareholders of Target.

Pursuant to the Qualifying Transaction, the Company further issued 11,230,000 warrants with an assigned value of $5,873,473 using the Black-Scholes valuation model. The underlying weighted assumptions used in the estimation of fair value in the Black-Scholes valuation model using the following assumptions: exercise price of $1.20, volatility of 128%, risk free rate of 2% on the date of grant, expected life of 2 years, and dividend yield of 0%.

(v) On September 11, 2018, Khiron issued 14,375,000 common shares at a price of $0.90 per share for total gross proceeds of $12,937,500 (“September 2018 Financing”). The Company assigned a value $440,000 related to the 1,006,250 compensation options issued using the Black-Scholes valuation model. The underlying assumptions used in the estimation of fair value in the Black-Scholes valuation model using the following assumptions: exercise price of $0.90, volatility of 90%, risk free rate of 1.5% on the date of grant, expected life of 2 years, and dividend yield of 0%. Each compensation option is exercisable into one common share of the Company at a price of $0.90 for a period of two years.

(vi) On October 25, 2018, the Company announced the acceleration of its warrants subject to the warrants under the Warrant Indenture (“Indenture”) governing the common share purchase warrants issued on January 12, 2018. Pursuant to the indenture, the Company may accelerate the expiry date of the warrants when the closing price of the common shares on the Toronto Stock Exchange Venture exceeds $1.40 for a period of ten consecutive days in any 30-trading day period (the “Acceleration Event”). The Acceleration Event occurred as of October 3, 2018 and the Company exercised its option to accelerate the expiry time of the warrants to November 14, 2018. As a result of the Acceleration Event, a total of 235,851 warrants expired.

16. Stock options

(expressed in Canadian Dollars unless otherwise stated)

The Company has adopted a stock option plan (the "Plan"), to be administered by the Directors of the Company. Under the Plan, the Company may grant options to directors, officers, employees and consultants to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the Plan will be for a term not to exceed five years. The plan provides that it is solely within the discretion of the Board to determine who should receive stock options, in what amounts, and determine vesting terms. The exercise price for any stock option shall not be lower than the market price of the underlying common shares at the time of grant.

The following table reflects the actual stock options issued and outstanding as of December 31, 2018:

	Number of stock options	Weighted average exercise price
Balance, February 17, 2017	**-**	**-**
Granted [i]	3,012,500	**$1.00**
Balance, December 31, 2017	3,012,500	**$1.00**
Granted [ii]	1,305,000	1.40
Exercised	(60,000)	1.00
Balance, December 31, 2018	**4,257,500**	**$1.12**

Each stock option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The Company settles stock options exercised through the issuance of common shares from treasury.

[i] On April 19, 2017, the Company granted 2,000,000 stock options to its officers, directors and consultants at a price of $1.00 per common share. The options will vest immediately. The estimated fair value of the options at the grant date was $405,000 using the Black-Scholes option pricing model. The estimated fair value of the options has been charged to share-based compensation on the consolidated statement of loss and comprehensive loss and credited to share-based payments in the shareholders' equity. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: expected dividend yield of 0%; share price of $0.25; expected volatility of 151%; risk-free interest rate of 1.00%; and an expected average life of 5 years.

On September 12, 2017, the Company granted 712,500 stock options to its consultants at a price of $1.00 per common share. The options will vest in 25% increments on a quarterly basis for one year. The estimated fair value of the options at the grant date was $329,603 using the Black-Scholes option pricing model. The estimated fair value of the options has been charged to share-based compensation on the consolidated statement of loss and comprehensive loss and credited to share-based payments in the shareholders' equity. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: expected dividend yield of 0%; share price of $0.541; expected volatility of 142%; risk-free interest rate of 1.76%; and an expected average life of 5 years.

On October 12, 2017, the Company granted 300,000 stock options to its advisors at a price of $1.00 per common share. The options will vest in 25% increments on a quarterly basis for one year. The estimated fair value of the options at the grant date was $138,780 using the Black-Scholes option pricing model. The estimated fair value of the options has been charged to share-based compensation on the consolidated statement of loss and comprehensive loss and credited to share-based payments in the shareholders' equity. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: expected dividend yield of 0%; share price of $0.541; expected volatility of 142%; risk-free interest rate of 1.76%; and an expected average life of 5 years.

[ii] On May 23, 2018, the Company granted 1,105,000 stock options to its employees and consultants at a

(expressed in Canadian Dollars unless otherwise stated)

price of $1.40 per common share. The options will vest in 25% increments on a semi-annual (six month) basis over two years. The estimated fair value of the options at the grant date was $509,930 using the Black-Scholes option pricing model. The estimated fair value of the options has been charged to share-based compensation on the consolidated statement of loss and comprehensive loss and credited to share-based payments in the shareholders' equity. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: expected dividend yield of 0%; share price of $1.00; expected volatility of 103%; risk-free interest rate of 1.51%; and an expected average life of 2 years.

On June 24, 2018, the Company granted 200,000 stock options to its advisors at a price of $1.40 per common share. The options will vest in 25% increments on a semi-annual (six month) basis over two years. The estimated fair value of the options at the grant date was $148,915 using the Black-Scholes option pricing model. The estimated fair value of the options has been charged to share-based compensation on the consolidated statement of loss and comprehensive loss and credited to share-based payments in the shareholders' equity. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: expected dividend yield of 0%; share price of $1.38; expected volatility of 103%; risk-free interest rate of 2.00%; and an expected average life of 2 years.

17. Restricted share units

The Company issued 5,135,000 restricted share units (“RSUs”) to aid in attracting, retaining, and motivating officers, employees, and other participants of the Company. Providing RSUs will further allow participants to align their interests with long-term shareholder value. The RSUs vest quarterly and will vest in full on May 23, 2023 and will be settled in shares. The Company recorded share-based compensation expense related to the RSUs of $2,646,442 for the twelve months ended December 31, 2018 (December 31, 2017 – $nil) to the consolidated statement of loss and comprehensive loss.

18. Loss per share

For the period ended December 31, 2018, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $19,528,376 and the weighted average number of common shares outstanding of 48,518,873. Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

19. Related party transactions

The Company transacts with related parties in the normal course of business, which is generally relates only to the payment of executive and board compensation. These transactions are measured at their exchange amounts.

Remuneration of directors and key management of the Company was as follows:

For the year-ended December 31		2018		2017
Remuneration	$	3,024,751	$	608,829
Option based awards		148,915		364,500
Restricted Share Units		1,780,000		-

As part of the acquisition of ILANS (see note 11), the Company acquired accounts receivable related to the original founder of the company that totaled to $693,763 as at December 31, 2018. Certain legal services were provided by a director of the Company with payments totaling to $1,085,515 during 2018 and $75,644 during 2017.

(expressed in Canadian Dollars unless otherwise stated)

20. Segmented Information

An operating segment is a component of the Company which (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available.

Taking into consideration the recent acquisition made by the Company, the Company has two operating segments including the corporate office maintained in Toronto, Canada.

Geographic Segments

December 31, 2017	Canada	Colombia	Total
Revenues	$ -	$ -	**$ -**
Gross profit	-	-	**-**
Cash	1,744,593	65,052	**1,809,645**
Capital assets	2,375,878	521,662	**2,897,540**

December 31, 2018	Canada	Colombia	Total
Revenues	$ -	$ 891,677	**$ 891,677**
Gross profit	-	297,364	**297,364**
Cash	9,592,721	5,420,997	**15,013,718**
Capital assets	6,887	9,613,712	**9,620,599**

Operating Segments

December 31, 2017	Corporate	Medical	Product and Services	Total
Revenues	$ -	$ -	$ -	**$ -**
Gross profit	-	-	-	**-**
Cash	1,744,593	-	65,052	**1,809,645**
Capital assets	-	-	242,563	**242,563**

December 31, 2018	Corporate	Medical	Product and Services	Total
Revenues	$ -	$ 795,716	$ 95,961	**$ 891,677**
Gross profit	-	241,974	55,390	**297,364**
Cash	9,592,721	90,480	5,330,517	**15,013,718**
Capital assets	6,887	5,539,272	4,074,440	**9,620,599**

(expressed in Canadian Dollars unless otherwise stated)

21. Commitments and contingencies

	Payments due by period			
Contractual obligations	**Less than 1 year $**	**1 – 5 years $**	**After 5 years $**	**Total $**
Operating lease - land	48,425	230,054	480,180	758,659
Computer Equipment	27,757	27,757	-	55,514
Operating lease – office	157,039	728,204	1,448,375	2,333,618
	$ 233,221	**$ 986,015**	**$ 1,928,555**	**$ 3,147,791**

On September 27, 2018, the Company signed and committed to pledge US$1,000,000 with Fundacion Daya over two year. Fundacion Daya is Chile's leading medical cannabis institution and holder of the only medical cannabis through DayaCann. As at December 31, 2018, the Company has spent $132,923 (US$100,000) to begin clinical trials and the creation of an education platform.

On October 23, 2018, the Company signed and executed a donation agreement with Centro Fox, a non-for-profit organization where Khiron will provide USD1,000,000 over three years, ending in the year 2021. As at December 31, 2018, the Company has donated $451,143 (USD333,333).

As part of the acquisition of ILANS that closed on November 30, 2018, payment to acquire additional equity totaling $3,270,000 over the next 24 months. Subsequent to year-end, the Company paid an additional, $1,733,000 to acquire 144,000 shares bringing total ownership to 78%.

22. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate is as follows:

		2018		**2017**
Net Income (Loss) before recovery of income taxes	$	**19,727,957**	$	(3,779,412)
Expected income tax (recovery) expense	$	**(5,227,910)**	$	(1,001,540)
Difference in foreign tax rates		**(347,130)**		(92,610)
Share based compensation and non-deductible expenses		**1,373,930**		204,720
Share issuance cost booked directly to equity		**38,340**		(155,590)
Change in tax benefits not recognized		**(596,090)**		1,045,020
Income tax (recovery) expense	$	**78,580**	$	**-**

Income tax (recovery) is allocated as follows				
Current tax (recovery) expense	$	**81,140**	$	**-**
Deferred tax (recovery) expense		**(2,560)**		**-**
	$	**78,580**	$	**-**

(expressed in Canadian Dollars unless otherwise stated)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Deferred tax asset		December 31, 2018		December 31, 2017
Property, plant, and equipment	$	35,750	$	-
Intangible assets		7,020		-
Share issuance costs - 20(1)(e)		2,616,040		514,760
Non-capital losses carried forward - Canada		10,727,520		1,654,450
Net operating loss - Colombia		7,067,570		1,424,790
Net deferred tax assets	**$**	**20,453,900**	**$**	**3,594,000**

The Canadian non-capital loss-carry forwards expire as noted in the table below. The Colombia net operating loss can be carried forward for 12 calendar years and will expire in 2030. Share issue and financing costs will be fully amortized in 2023.

The Company's Canadian non-capital income tax losses expire as follows:

Fiscal Year Ending December 31,		
2037	**$**	**1,654,450**
2038		**9,073,070**
		10,727,500

23. Subsequent events

Acquisitions and investments

i) 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 "**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 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 JV, while Dixie will, among other things, licence its brand, market portfolio and product formulation and processes to the 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.

ii) On February 28, 2019, the Company increased its ownership of Jemarz to 78% from 54%, with the transfer of $1,733,000 in additional consideration, pursuant to the terms of the ILANS Agreement. The ILANS Agreement provides the means for the Company to purchase a 100% interest in ILANS.

iii) On April 9, 2019, the Company announced that it had signed a definitive agreement to acquire

23. Subsequent events – continued

100% of NettaGrowth, 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 common shares to the shareholders of NettaGrowth in connection with the transaction. A finder's fee of 420,000 common shares is due as a result of the 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 acquisition, 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.

iv) On April 25, 2019, the Company announced the signing of a non-binding letter of intent for the acquisition of 100% of the outstanding securities of Canapalife S.r.l. and 100% of the economic interest in Campodoro S.r.l. ("**Canapalife Group**") from Alvaro Garro and Paolo Puggioni (the "**Vendors**"), being the sole shareholders of Canapalife Group. For consideration, the Company will issue common shares equal to $10,500,000 (the "Purchase Price") at a deemed price per share equal to the trailing 20-day volume weighted average closing price of its common shares on the TSXV. An earn out of additional common shares for up to C$4,500,000, will be payable by Khiron to the Vendors over the course of two years, subject to Canapalife Group attaining certain revenue milestones.

As part the transaction, the Company will issue shares to Hillcrest Merchant Partners Inc. whom acted as advisor on this agreement. Issuance of any finder's fee, is subject to the execution of a definitive agreement and receipt of all required regulatory approvals, including final acceptance of the TSXV.

Financings

i) On February 28, 2019, the Company announced that it had closed a bought deal equity financing, including the exercise in full of the over-allotment option, resulting in the issuance of 13,110,000 common shares at a price of $2.20 per common share (the "**Issue Price**") for aggregate gross proceeds of $28,842,000 (the "**Offering**").

In consideration for their services, the Company agreed to pay the underwriters a cash commission equal to 6% of the gross proceeds and non-transferable broker warrants equal to 6% of the common shares sold under the Offering. Each broker warrant issued will be exercisable at the Issue Price to acquire one common share for a period of 24 months following the closing of the Offering. In total, a cash commission of $1,730,520 was paid to the underwriters and 786,600 broker warrants were issued.

The Company applied the following assumptions based on the Black-Scholes model to determine the fair value of the broker warrants as at the date of issuance: expected dividend yield of 0%; share price of $2.20; exercise price of $2.20; expected volatility of 108%; risk-free interest rate of 3.00%; and an expected average life of 24 months. As a result, the Company allocated $982,000 to the fair value of the broker warrants and $24,322,640 to share capital of the Company.

ii) As at April 30, 2019, 275,000 common shares were issued on the exercise of 275,000 stock options for gross proceeds of $275,000.

iii) As at April 30, 2019, 3,263,804 common shares were issued on the exercise of 3,263,804 warrants and compensation options for gross proceeds of $3,241,162.