Khiron Life Sciences Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED MARCH 31, 2019

MAY 30, 2019

Khiron Life Sciences Corp.
Management's Discussion & Analysis

Introduction

The following management's discussion and analysis ("**MD&A**") of the financial condition and results of the operations of Khiron Life Sciences Corp. (the "**Company"** or **"Khiron**") constitutes management's review of the factors that affected the Company's financial and operating performance for the quarter ended March 31, 2019. This discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the quarter ended March 31, 2019, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and interpretations of the IFRS Interpretations Committee ("**IFRIC**"). Information contained herein is presented as of May 30, 2019, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the board of directors of the Company (the "**Board**"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**") of the Canadian Securities Administrators. Additional information regarding Khiron Life Sciences Corp., including the Company's Annual Information Form, is available on our website at www.khiron.ca or through the Company's SEDAR profile available at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements	Assumptions	Risk factors
The Company will be able to continue its business activities.	The Company has anticipated all material costs and the operating activities of the Company, and such costs and activities will be consistent with the Company's current expectations; the Company will be able to obtain equity funding when required.	Unforeseen costs to the Company will arise; any particular operating cost increase or decrease from the date of the estimation; and capital markets not being favorable for funding resulting in the Company not being able to obtain financing when required or on acceptable terms.
The Company will be able to carry out anticipated business plans.	The operating activities of the Company for the three-month period ending March 31, 2019, will be consistent with the Company's current expectations; debt and equity markets, interest rates and other applicable economic conditions are favorable to the Company.	Sufficient funds not being available; increases in costs, the Company may be unable to retain key personnel to develop or enhance its business, take advantage of future opportunity or respond to competitive pressures.
Management's outlook regarding future trends	Financing will be available for the Company's future business, continuing development, maintenance and operation of its information technology systems.	General economic conditions could adversely impact technology spending by the Company's clients, put downward pressure on prices which could adversely impact the business, financial condition or results of operations and the Company may be unable to retain key personnel

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also refer to those risk factors set out under the "*Risk Factors*" below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Market and Industry Data

This MD&A 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 the 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 MD&A, 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.

Overview

Key developments during Q1 2019

- 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 cannabidiol ("**CBD**") based cosmeceuticals in the United States, marking the Company's entrance into U.S.'s legal hemp and 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 increased its ownership of Jemarz to 78% from 54%, with the payment 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.

- On February 28, 2019, the Company closed a bought deal financing issuing a total of 13,110,000 shares at a price of $2.20 per common share for aggregate gross proceeds of $28,842,000.

Summary of Quarterly Results

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Revenues	$ -	$ -	$ -	$ 891,677	$ 2,090,977
Comprehensive Loss	2,031,848	6,203,970	5,829,913	6,165,034	8,737,254
Weighted avg. shares	33,042,295	40,566,495	49,851,687	70,187,318	75,894,884
Total assets	2,345,202	8,601,765	18,775,679	40,348,817	63,380,815
Total non-current financial liabilities	-	-	-	2,353,080	1,912,073

Discussion of Operations for three months ended March 31, 2019

The Company's net loss for the three months ended March 31, 2019 was $8,737,254 (Three months ended December 31, 2018 – $6,165,034), with a basic and diluted loss per share of $0.12 and $0.09, respectively.

Revenues

Revenues for the three months ended March 31, 2019 were $2,090,977 (Three months ended December 31, 2018 of $891,677). The Q1 2019 revenues included full quarter revenues from both clinics and cosmeceutical sales, whereas the Q4 2018 revenues only recognized revenues part way through the reporting period. Financial results from the Company during the first quarter 2019 demonstrates demand from the clinics business and is consistent with management's view and outlook for the business. The Company also continues to establish distribution channels for its Kuida brand of products, which is anticipated to generate additional revenues in subsequent quarters.

Cost of sales

Cost of sales for the three months ended March 31, 2019 were $1,678,219 (Three months ended December 31, 2018 of $594,313). Cost of sales relates to both materials and labor associated with the sale of products and provision of services during the year.

Operating expenses

Operating expenses for the three months ended March 31, 2019 were $8,370,482 (Three months ended December 31, 2018 – $6,165,034), which consisted of:

- Share-based compensation of $702,536 (Three months ended December 31, 2018 – $1,106,782) related to the vesting of stock options and restricted share units to officers, directors, and consultants during the reporting period. The fair value of the equity compensation was estimated using the Black-Scholes option pricing model as at the date of grant.

- Professional fees were $707,785 (Three months ended December 31, 2018 – $ 615,831) and includes legal fees of $418,144 (Three months ended December 31, 2018 – $473,213). This increase is predominantly driven by professional services rendered in connection with an increase in corporate activities.

- Management and consulting fees were $1,188,080 (Three months ended December 31, 2018 – $603,611). This increase in management costs is a result of expanded business development efforts.

- Salaries and benefits expensed of $981,654 (Three months ended December 31, 2018 – $735,194), which includes mandatory contributions to the social security system and service bonuses, as per Colombian labor law. This increase in salary and benefits is directly attributable to the expansion of personnel across all business units during the period.

Liquidity and Capital Resources

The principal activities of the Company are the cultivation, production and distribution of cannabis. These activities have been financed since the inception of the Company through the completion of equity transactions such as equity offerings. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. See "*Risk Factors*" below.

At March 31, 2019, the Company had working capital of $35,354,168, as the Company had cash and cash equivalents of $38,387,860. The increase in cash and working capital is a result of cash received from the equity financing completed during the quarter.

Net cash used in operating activities for the period ended March 31, 2019 was $5,503,570. Operating activities were affected by a net increase in non-cash working capital balances of $946,180. This was due to an increase in accounts receivables of $1,063,370, increase in inventory for $41,677, increase in prepaid and other current assets of $322,763, and a decrease in accounts payable and accrued liabilities of $2,373,990. The Company also recorded non-cash expense totaling $1,553,989.

Net cash used in investing activities for the period ended March 31, 2019 was $25,568,647, as a result of investment in property and equipment and intangible assets of $2,256,667, investments in short-term investments of $21,578,980, and payments relating to the acquisition of non-controlling interest totaling $1,733,000.

Net cash provided from financing activities for the three ended March 31, 2019 was $29,445,289 as a result of:

Issuance of shares from bought deal financing (net of issuance costs)	$	26,593,588
Repayment of long-term debt		(192,274)
Issuance of shares from warrant exercise		2,768,975
Issuance of shares from option exercise		275,000
Cash flow from financing activities	**$**	**29,445,289**

The Company's liquidity risk from financial instruments is minimal as excess cash is held in current bank accounts.

The Company believes it has sufficient cash resources to meet its administrative overhead costs. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favorable to the Company. See "*Risk Factors*" below and "*Caution Regarding Forward-Looking Statements*" above.

Commitments

The following is a summary of the Company's obligations due in future fiscal years:

	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 to Fundacion Daya over two years. Fundacion Daya is Chile's leading medical cannabis institution and holder of the only medical cannabis license through DayaCann. As at March 31, 2019, the Company spent $284,250 (US$212,500) to begin clinical trials and the creation of an education platform.

On October 23, 2018, the Company entered into a donation agreement with Centro Fox, a not-for-profit organization, where Khiron will provide USD 1,000,000 over three years, ending in the year 2021. As at March 31, 2019, the Company has donated $524,789 (USD$388,888).

Transactions with Related Parties

The Company transacts with related parties in the normal course of business, which generally relates to the payment of executive and board compensation. These transactions are measured at their exchange amounts. During the three-month period ended March 31, 3019, the Company paid or accrued $889,585 (Three months ended December 31, 2018 – $603,611) in consulting fees and bonuses to directors and board members of the firm. No option-based awards or RSUs were granted during the period.

Change in Accounting Policy

None.

Recent Accounting Pronouncements

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
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

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.

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. Judgment 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.
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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 not yet assessed the impact of these standards on its consolidated financial statements and will not early adopt.

Management of Capital

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 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 year. The Company considers its shareholders equity as capital which as at March 31, 2019 is $47,890,254.

Financial Instruments

Fair values

At March 31, 2019, 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 year, 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 transactions

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

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 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.

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 year.

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.

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any material off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Share Capital

As at the date of this MD&A, the Company had 92,216,542 common shares issued and outstanding.

Stock options outstanding for the Company as at the date of this MD&A were as follows:

Number of stock options	Expiry Date	Exercise Price
1,665,000	April 19, 2022	$1.00
712,500	September 19, 2022	1.00
200,000	October 5, 2022	1.00
100,000	October 18, 2022	1.00
1,305,000	May 23, 2023	1.40
3,982,500		**$1.13**

As at the date of this MD&A the Company had the following warrants and compensation options outstanding:

Number of warrants	Expiry Date	Exercise price
1,147,969	May 24, 2020	$1.05
15,656	May 24, 2020	1.00
187,062	September 13, 2020	0.90
786,600	February 28, 2021	2.20
594,849	May 28, 2021	2.90
2,732,136		**$1.77**

The Company issued 5,135,000 restricted share units ("**RSUs**") to officers, employees, and other participants of the Company during the year-ended December 31, 2018. The RSUs vest quarterly and will vest in full on May 23, 2023 and settled in shares.

Significant accounting estimates

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.

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.

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.

Purchase price allocation
On the acquisition of subsidiaries, the Company is required to allocate the purchase price based on the fair value of identifiable assets and liabilities acquired. There is significant estimation required in this allocation, and there could be a difference between the estimated and actual fair values.

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. Additional risks and uncertainties not presently known to Khiron or that Khiron currently considers immaterial may also impair the business and operations.

For a discussion of the risks faced by the Company, please refer to the Company's Annual Information Form for the year ended December 31, 2018, available under the company profile on SEDAR, at www.sedar.com

Subsequent Events

Acquisitions and investments

i) On April 9, 2019, the Company announced that it had signed a definitive agreement to acquire 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 appointment of Mr. Mimran are subject to applicable regulatory and TSX Venture Exchange ("**TSXV**") approvals, among other customary closing conditions.

   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. As 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 $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 of the transaction, the Company will issue shares to a finder whom acted as advisor on this agreement. Completion of the transaction along with the issuance of the 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 May 28, 2019, the Company completed a bought deal financing issuing 9,914,150 common shares at a price of $2.90 per share for aggregate gross proceeds of $28,751,035 (the "**Offering**").

The Company paid the underwriters a cash commission equal to 6% of the gross proceeds and non-transferable compensation options equal to 6% of the common shares sold under the Offering. Each compensation option issued is exercisable at the Issue Price to acquire one common share for a period of 24 months following the closing of the Offering.

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 $2.90; exercise price of $2.90; expected volatility of 103%; risk-free interest rate of 1.69%; and an expected average life of 24 months resulting in a fair value of $932,000.

ii) As at May 30, 2019, 606,683 common shares were issued on the exercise of 606,683 warrants and compensation options for gross proceeds of $613,457.