Khiron Life Sciences Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED September 30, 2019

November 25, 2019

Introduction

The following interim management's discussion and analysis ("**Interim MD&A**") of Khiron Life Sciences Corp. (the "**Company"** or **"Khiron**") for the three and nine months ended September 30, 2019 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management's discussion and analysis, being the management's discussion and analysis for the year ended December 31, 2018 ("**Annual MD&A**"). This Interim MD&A does not reflect any non-material events since the date of the Annual MD&A.

For the purposes of preparing this interim 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 discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the years ended December 31, 2018 and 2017, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2019, together with the notes thereto.

The Company's unaudited condensed interim consolidated 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**"). The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of November 25, 2019, unless otherwise indicated.

This interim 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 interim MD&A contains or incorporates 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, objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, or estimates or predictions of actions of customers, suppliers, partners, distributors, competitors or regulatory authorities. 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 interim MD&A speak only as of the date of this interim MD&A or as of the date specified in such statement.

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 list of risk factors that may affect the forward-looking statements is not exhaustive, 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 interim 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 interim 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 interim 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.

Description of The Business

Khiron was incorporated under the *Business Corporations Act* (British Columbia) on May 16, 2012. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "KHRN", the OTCQB Venture Market ("OTCQB") under the symbol "KHRNF" and on the Frankfurt Stock Exchange ("FSE") under the symbol "A2JMXC".

The Company combines global scientific expertise, agricultural advantages, branded product market entrance experience and education to drive prescription and brand loyalty to address priority medical conditions such as chronic pain, epilepsy, depression and anxiety in the 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. The Company delivers best in class regulatory compliance, has the first approved set of CBD cosmetic products (Kuida) on shelf in Colombia, and is currently facilitating testing to satisfy all license requirements for commercial cannabis derived products, including tetrahydrocannabinol (THC) and cannabidiol (CBD) medical cannabis.

Overview

Key developments during Q3 2019 and up to November 25, 2019

Focus on maintaining a strong balance sheet

- Adjusted EBITDA was a loss of $5.5 million in the third quarter of 2019 compared to $3.7 million in the same period of 2018. The change from the prior year is due to increased spending as the Company executes on its strategy to grow. The adjusted EBITDA calculation is included later in the document.
- The Company ended the quarter with a strong $47.9 million balance in cash and short-term investments. The Company is directing and prioritizing its growth strategy towards product and service sales in countries with advanced cannabis regulation, as set forth below.

Advancements in multi-country operator strategy

- On August 6, 2019, the Company received approval from the TSX-V for the distribution and sale of Kuida cosmeceutical products in the United States and was launched in November 2019.
- Khiron's subsidiary in Peru has received authorization to register as a pharmacy by the Ministry of Health of Peru. This is an important and necessary step to obtaining import and commercialization licenses for medical cannabis products, once regulatory approvals in Peru are finalized.
- In November 2019, the Company received approval to sell Aceso Hemp CBD brand in Colombia, representing the first hemp CBD brand to enter Latin American market under the joint venture arrangement with Dixie Brands Inc. ("Dixie"). Introduction to the Colombian market is expected in the first quarter of 2020 with expansion to Chile and Uruguay planned for later in 2020.

Positive advancements in start-up operations

- The transition and integration of ILANS clinics with Khiron continued to advance positively through the third quarter showing a 23 percent increase in revenues quarter over quarter and a stronger gross margin than previous quarters. In August 2019, the Company launched a four-month pilot program with EPS SURA, a leading Colombian insurance provider with presence in nine countries including Mexico, Chile, and Uruguay as part of their affiliation with Suramerica S.A., to provide medical services to an initial group of 450 patients. The pilot program is designed to follow an integrated health care management model under a fixed fee structure.
- Cannabis production:
    - In July 2019, the Company obtained final approval to commercialize CBD production and received approvals for an additional 17 cannabis strains from the Colombian Agricultural Institute (ICA). Khiron now has a total of 22 strains registered. The Company began production of CBD medical products in September 2019.
    - Construction commenced in Colombia for additional greenhouses to complement the original 80,000 square foot greenhouse.
    - Commercial agreements were initiated with over 900 pharmacies across Colombia in advance of commercialization of the cultivation site in 2019. Final certifications are required for the laboratory facilities, which forms the final stage of manufacturing before the CBD medical products are available for sale. In October 2019, INVIMA, Colombia's food and drug regulatory agency, issued final guidelines on laboratory certification for medical cannabis products under the magistral preparation regulation. Final certification is expected in December 2019.

- In November 2019, the Ministry of Justice issued cultivation and production quotas for psychoactive cannabis (THC) to the Company. This quota allows the Company to start cultivating up to 560 kilograms of dry flower beginning in 2019, with harvest expected for the second quarter of 2020. The Company has already submitted requests for further quotas for 2020.
- In September 2019, the Company initiated construction of a cultivation and processing facility in Juan Lacaze, Uruguay, breaking ground in October. Subsequently, construction was temporarily halted as the Company prioritizes its cash spending needs based on advancements in regulatory environments in different countries. Licenses remain in good standing and a short-term delay in construction is not expected to impact the scheduled completion in the third quarter of 2020.

Expanded distribution of Kuida

- On August 7, 2019, the Company signed a distribution agreement with Grupo Éxito, one of South America's market leading retail groups. The agreement begins with initial Kuida presence in 21 stores including five key market, high-end Exito WOW concept stores. Grupo Éxito has a multinational retail presence in Colombia, Brazil, Argentina and Uruguay and operates 1,533 stores. Kuida is to be introduced as a key addition to the retailer's cosmetics products category, with experience centres and consultants in each Éxito WOW store to support sales and brand awareness. Grupo Éxito is part of the Groupe Casino mass-market retail group in France and has had a successful 110-year presence in the Latin American market and is the only retail company in the region included in the Dow Jones Sustainability index, under the "Emerging Markets" category.
- In September 2019, the Company received approval to sell three additional Kuida CBD products focused on anti-aging, hydration and everyday skin care. With the addition of these new products, the Kuida revenue generating cosmetics portfolio was expanded to 10 SKU's. The first sales of these new products are expected in the fourth quarter of 2019.
- In October 2019, the Company fulfilled E.U. cosmetic product regulatory requirements for seven Kuida products and received a "no objection" letter from the TSX-V for distribution of the Kuida products in the United Kingdom ("UK"). Commercialization in the UK is expected in the first quarter of 2020.
- In October 2019, the Company completed the first import of Kuida products into the United States ("US"). Product launch and sales began in November 2019.
- In October 2019, the Company entered into new distribution agreements in Colombia, increasing total points-of-sale to over 300 locations.
- In November 2019, the Company began sales of Kuida imports in the US, starting in California. The company will continue to expand its distribution and marketing strategy across the US in 2020.

Continued focus on education and research

- In July 2019, the Company was the sole cannabis company to participate in the XLIV International Course of Internal Medicine conference in Monterrey, Mexico. The conference hosted over 2,000 physicians and medical specialists to discuss medical cannabis developments and knowledge.
- In August 2019, initiated pre-clinical medical cannabis studies with the Universidad de la República of Uruguay and Institut Pasteur de Montevideo. These studies, which have been approved by the IRCCA (Instituto de Regulación y Control del Cannabis - the Regulatory Cannabis State Authority of Uruguay), will focus on the effects of three licensed Khiron strains targeting inflammation, oxidative and nervous system disorders.
- In August 2019, the Company entered into an exclusive endorsement agreement with the Colombian Association of Gerontology and Geriatrics, a scientific and professional association dedicated to the advancement of health and social services for aging population and geriatric patients at all levels of care.
- In November 2019, the Company entered into a contract with Project Twenty21 that will see Khiron as the exclusive Latin American provider of cannabis medicines to Project Twenty21 in the UK. Project Twenty21, Europe's first and biggest national medical cannabis registry, was launched on November 7, 2019 at the Royal College of Psychiatrists in London. The project will enrol 20,000 patients into clinical trials by the end of 2021, creating the largest body of evidence for the efficacy of medical cannabis, with an aim to then convince UK policy makers that medical cannabis should be as widely available, and affordable, as other approved medicines for patients who would benefit from them.

Other corporate initiatives

- In November 2019, the Company announced the resignation of Mark Monaghan from the Company's Board of Directors and the appointment of Deborah Rosati FCPA, FCA, ICD.D to the Company's Board of Directors.

Review of Operations for the Three and Nine months Ended September 30, 2019 and 2018

The following is a summary of Khiron's income statement:

	For the three months ended September 30		For the nine months ended September 30	
(Canadian dollars)	**2019**	2018	**2019**	2018
	$	$	**$**	$
Medical services:				
Revenues	**2,684,739**	-	**6,896,880**	-
Cost of sales	**2,159,608**	-	**5,636,834**	-
Gross profit medical services	**525,131**	-	**1,260,046**	-
Consumer products:				
Revenues	**88,500**		**175,016**	
Cost of sales	**20,175**	-	**47,129**	-
Gross profit consumer products	**68,325**		**127,887**	
Gross profit	**593,456**	-	**1,387,933**	-
Expenses				
General and administrative costs	**4,330,399**	3,352,208	**15,264,360**	9,566,386
Share-based compensation	**4,670,023**	1,493,731	**7,096,350**	2,239,063
Selling, marketing and promotion	**1,822,734**	305,496	**3,525,896**	946,267
Research and development	**655,599**	-	**2,827,486**	-
Transaction fees	**-**	-	**2,010,247**	521,157
Other	**(264,198)**	28,976	**(65,840)**	29,286
	11,214,557	5,180,411	**30,658,499**	13,302,158
Net loss	**10,621,101**	5,180,411	**29,270,566**	13,302,158

Gross profit – medical services
Medical services include the revenues and costs from the ILANS clinics, which were acquired on November 30, 2018. Revenues are in line with expectations and gross margins in the third quarter increased over 10% compared to the first six months of 2019, as the Company continued to focus on strengthening margins by rebalancing the services of the clinics to focus on higher margin and/or higher volume services. In the third quarter of 2019 revenues increased 30 percent compared to the second quarter using the base currency of the clinics (the Colombian peso), and still a strong 23 percent for the same period once converted to Canadian dollars. The Colombian peso devalued approximately 6 percent relative to the Canadian dollar during the third quarter. The increase in sales quarter over quarter was largely due to a higher number of surgical procedures at improved margins. It is expected that the fourth quarter sales will decrease relative to the third quarter because traffic to the clinics is likely to slow down during the holiday season in December.

Gross profit – consumer products
Consumer products revenues are largely from sales to distributors of the Company's Kuida products, which started distribution in the fourth quarter of 2018. Revenues doubled in the third quarter of 2019 as compared to first half of 2019. Awareness for the Kuida products continues to grow through the Company's marketing channels and increased distribution networks, and the Company expects Kuida revenues to continue to grow in the fourth quarter of 2019 especially with the expansion into new markets outside of Colombia and the holiday shopping season.

General and administrative costs

General and administrative costs include the following:

	For the three months ended September 30		For the nine months ended September 30	
(Canadian dollars)	**2019**	2018	**2019**	2018
	$	$	**$**	$
Salaries	**2,251,929**	1,266,738	**5,821,483**	3,360,688
Professional fees	**104,998**	763,999	**2,425,071**	2,180,152
Consulting	**401,467**	321,097	**1,294,849**	943,657
Investor relations	**54,563**	292,002	**1,382,942**	853,389
Travel and development	**362,111**	220,236	**1,270,365**	725,101
Corporate governance	**296,794**	201,476	**952,872**	459,307
Donations	**-**	-	**149,779**	-
Office and general	**793,838**	262,337	**1,712,136**	995,494
Depreciation and amortization	**64,699**	24,323	**254,863**	48,598
	4,330,399	3,352,208	**15,264,360**	9,566,386

General and administrative costs have increased period over period because of the following:

- With the growth of the business and in preparation to operate in multiple countries, the Company's head count has increased in comparison to 2018 resulting in higher salaries, travel costs and office expenses.
- Professional fees include accounting and legal fees, both of which have increased in connection with increased acquisition and financing related transactions in the first half of 2019. 2018 professional fees are mostly costs related to costs of listing on the TSX-V and other transactional advice. The third quarter of 2019 required minimal external legal and accounting advice.
- Consulting fees and investor relations costs have increased from 2018 with the Company's efforts to expand and grow its business. Consulting fees have increased in 2019 largely due to additional compliance procedures at the cultivation site in Colombia in connection with the first harvest and production of CBD extract. Investor relations increased in 2019 in connection with the increased shareholder base and enhanced efforts to communicate the Company's strategic progress through various media channels.
- Corporate governance includes directors' fees, and filing and listing fees. The increase from 2018 is mostly due to additional fees incurred with the 2019 share issuances.
- Donations were made under the agreement with Centro Fox (see *Transactions with Related Parties*).

Share-based compensation

Share-based compensation includes expenses related to both stock options and restricted share units. The increase from the prior year is largely due to the issuance of 4,090,000 restricted share units in May 2019 as well as 340,000 restricted share units in August 2019. The May 2019 issuance had a fair value of approximately $10 million which is mostly amortized over a two-year period.

Selling, marketing and promotion

These costs are related to corporate communications, educational conferences and costs associated with selling Kuida. Increased focus on selling the Kuida products in 2019 resulted in higher costs compared to 2018. Specifically, the Company increased the number of pop-up stores in the third quarter of 2019 as a means for increasing brand awareness and cannabis education. Costs related to the pop-up stores in the quarter were $0.1 million with continued expansion expected in the fourth quarter. In addition, the Company participated in a greater number of educational medical conferences and produced several educational and promotional videos.

Research and development

Research and development included non-capital related operating costs at the Company's cultivation, extraction, and analysis facilities in Ibagué, Colombia. The Company has successfully harvested licensed strains of cannabis and processed the dried flower into a cannabis extract in the third quarter of 2019. Final manufacturing of the product requires the use of a certified laboratory in Colombia. The Company expects the laboratory to be certified compliant to manufacture medical cannabis in December 2019. Once commercially saleable, the Company will recognize cannabis inventory and biological assets but until such time all costs related to production are expensed as research and development.

In addition, $562,357 was expensed for the nine months ending September 30, 2019 ($nil in the three months ending September 30, 2019) as payment to Fundacion Daya – Chile's leading medical cannabis institution and holder of the only medical cannabis license through DayaCann, to begin clinical trials and create an education platform in Chile.

Transaction fees

In the nine months ending September 30, 2019 the Company paid a finder's fee of $1,045,800 related to the acquisition of NettaGrowth and a finder's fee of $750,000 in relation to the joint venture arrangement with Dixie, both fees paid in the form of equity.

Liquidity and Financial Condition

Cash flows

A summary of the Company's cash flow is as follows:

	For the three months ended September 30		For the nine months ended September 30	
(Canadian dollars)	**2019**	2018	**2019**	2018
	$	$	**$**	$
Cash used in operating activities	**(7,939,864)**	(4,517,716)	**(21,650,843)**	(10,699,280)
Cash used in investing activities:				
Purchase of property, plant and equipment	**(470,376)**	(1,152,739)	**(3,888,452)**	(2,177,056)
Acquisition of ILANS	**-**	-	**(2,670,873)**	-
	(470,376)	(1,152,739)	**(6,559,325)**	(2,177,056)
Cash provided from financing activities:				
Proceeds from share issuances	**-**	11,851,440	**53,139,228**	23,622,021
Proceeds from exercise of options and warrants	**953,478**	2,518,397	**5,128,513**	2,614,749
Repayment of long-term debt	**(308,185)**	-	**(1,017,667)**	-
	645,293	14,369,837	**57,250,074**	26,236,770
Change in cash and short-term investments	**(7,764,947)**	8,699,382	**29,039,906**	13,360,434
Opening cash and short-term investments	**55,786,553**	6,498,047	**18,963,272**	1,809,645
Foreign exchange on cash and other	**(164,022)**	(498,998)	**(145,594)**	(471,648)
Closing cash and short-term investments	**47,857,584**	14,698,431	**47,857,584**	14,698,431

Cash used in operating activities

For the three and nine months ended September 30, 2019 additional cash was spent on general and administrative costs, selling, marketing and promotion, and research and development compared to the previous year, as explained above in *Review of Operations.*

Cash used in investing activities

In 2019, additional capital was spent to expand the Company's cultivation, extraction, and analysis facilities in Ibagué, Colombia, as well as incurring leasehold improvement costs at its corporate offices in Bogota, Colombia.

On November 30, 2018, the Company acquired ILANS for an initial consideration of $1,393,000 in cash and 1,400,000 common shares of the Company (valued at $1.48 per share as at the date of acquisition). In addition, cash payments totaling $3,130,242 million were to be paid in four instalments over a 24-month period, of which $1,800,000 was paid by February 28, 2019 ($1,733,000 paid in the first quarter of 2019). The Company also agreed to an earn-out payment of up to $5 million payable upon the satisfaction of certain conditions on or before December 3, 2020 (the "Earn-out Payment").

On May 31, 2019 the purchase agreement for ILANS was amended. A final cash payment of $937,873 was made and the remaining cash payment of $1,330,242 and the Earn-out Payment were eliminated.

Cash provided by financing activities

In 2019, the Company completed two equity financings:

- In the first quarter, on February 28, 2019, the Company completed a bought deal financing, issuing 13,110,000 common shares at a price of $2.20 per common share for aggregate gross proceeds of $28,842,000 (the "**February offering**"). In consideration for their services, 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 February offering. Each compensation option issued will be exercisable at the issue price of $2.20 to acquire one common share for a period of 24 months following the closing of the February offering. Share issuance costs totaled $2,247,412 and 786,600 compensation options were issued valued at $983,000.
- In the second quarter, on May 28, 2019, the Company completed a bought deal financing, issuing 9,914,150 common shares at a price of $2.90 per common share for aggregate gross proceeds of $28,751,035 (the "**May offering**"). In consideration for their services, 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 May offering. Each compensation option issued will be exercisable at the $2.90 issue price to acquire one common share for a period of 24 months following the closing of the May offering. Share issuance costs totaled $2,206,395 and 594,849 compensation options were issued valued at $932,000.

In 2018, the Company completed the following financings:

- The Company 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 the Company. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $1.20 for a period of 24 months following the closing of the Qualifying Transaction, subject to adjustment and acceleration.
- The Company issued 11,230,000 subscription receipts in connection with its qualifying transaction at a price of $1.00 per subscription receipt for total proceeds of $11,230,000. Each subscription receipt 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 warrant entitles the holder to purchase one common share of the Company at a price of $1.20 per share for a period of two years from closing of the Qualifying Transaction, subject to an acceleration provision.
- In the third quarter of 2018, the Company issued 14,375,000 common shares at a price of $0.90 per share for total gross proceeds of $12,937,500. In connection with the share issuance, the company issued 1,006,250 compensation options which were assigned a value $440,000 using the Black-Scholes valuation model. Share issuance costs totaled $1,345,153.

Commitments

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

	Payments due by period			
Contractual obligations	**Q4 2019**	**2020-2024**	**2025+**	**Total**
	$	$	$	$
Financial lease - land	33,213	664,255	741,752	1,439,220
Financial lease – corporate and medical offices	212,419	2,350,908	206,061	2,769,388
Loans	17,352	184,430	570,128	771,910
Signing bonuses	1,080,000	2,160,000	-	3,240,000
	1,342,984	**5,359,593**	**1,517,941**	**8,220,518**

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 September 30, 2019, the Company spent $562,357 (US$400,000) to begin clinical trials and the creation of an education platform.

Financial Condition

The application of the going concern concept assumes that the Company will continue in operation for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at September 30, 2019, the Company has not yet achieved profitable operations and had a loss of $29,270,566. However, management believes that the Company has sufficient liquidity to continue operations for at least the next twelve months, satisfy all commitments and repay its liabilities arising from normal business operations as they become due. The Company had cash and short-term investments of $47.9 million and a working capital balance of $46.2 million at September 30, 2019.

Growth in revenues (cash inflows) are contingent on advancements in cannabis related regulation. The Company has a strong cash position at September 30 and is focused on allocating its capital towards countries where regulatory approvals are more imminent. As a result, Colombia is in process of expanding its cultivation facilities and enhancing energy sources at an estimated cost of $3.7 million. The cultivation facility construction in Uruguay, estimated at $10 million, started but after breaking ground a decision was made to temporarily halt until regulatory approvals advance further. The cultivation site in Colombia can operate at a low-cost and with the expansion could also allow for export of product to meet demand in the other countries in the short-term.

See "*Risk Factors*" below and "*Caution Regarding Forward-Looking Statements*" above.

Summary of Quarterly Results

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
	$	$	$	$	$	$	$	$
Revenues	2,773,239	2,207,680	2,090,977	891,677	-	-	-	-
Net loss	10,621,101	10,645,726	8,003,739	6,504,379	5,277,844	6,207,151	2,010,370	1,712,466
Basic and diluted loss per share	0.09	0.11	0.12	0.09	0.12	0.15	0.06	0.05
Weighted average shares outstanding	113,996,724	95,973,144	75,894,884	70,187,318	49,851,687	40,566,495	33,042,295	32,570,281

The Company began generating revenue in the fourth quarter of 2018 with the product launch of Kuida and the acquisition of Ilans on November 30, 2018. Gross margins increased modestly over the periods.

Items affecting net loss:

- Higher salaries were incurred in the second quarter of 2018 which included signing bonuses for key management positions and higher professional fees resulting from the Company listing on the TSX-V in the second quarter of 2018.
- Kuida was launched in the fourth quarter of 2018 and as a result additional costs were incurred for marketing and selling. These costs further increased through each of the quarters in 2019 as the Company stressed brand awareness and expanded distribution channels and markets.
- In 2019, the Company completed the construction of and commenced operations in its cultivation, extraction, and analysis facilities in Ibagué, Colombia expensing non-capital related costs from the start of 2019.

Adjusted EBITDA

The Company has included adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) as a non-GAAP performance measure in this document. This performance measure is employed by management to assess the Company's operating and financial performance and to assist in business decision-making. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors and other stakeholders use this information to evaluate the Company's operating and financial performance; however, this non-GAAP performance measure does not have a standardized meaning. Accordingly, the performance measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

The following table provides a reconciliation of net loss to adjusted EBITDA

	For the three months ended September 30		For the nine months ended September 30	
(Canadian dollars)	**2019**	2018	**2019**	2018
	$	$	**$**	$
Net loss	**10,621,101**	5,180,411	**29,270,566**	13,302,158
Add back:				
Depreciation and amortization	**434,291**	24,323	**624,655**	48,598
Share-based compensation	**4,670,023**	1,493,731	**7,096,350**	2,239,063
Transaction fees	**-**	-	**2,010,247**	521,157
Adjusted EBITDA	**5,516,787**	3,662,357	**19,539,314**	10,493,340

Transactions with Related Parties

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with key management personnel, which includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	**2019**	2018
	$	$	**$**	$
Management fees and salaries	**673,227**	1,810,086	**2,670,804**	2,469,666
Share-based compensation	**2,289,552**	1,484,783	**4,034,885**	1,928,915
Donations	**-**	-	**149,779**	-

On October 23, 2018, the Company signed and executed a donation agreement with Centro Fox, a non-for-profit organization owned by Vicente Fox, a Khiron board member, where Khiron committed to provide US$1 million over three years, ending in the year 2021. In July 2019, the Company amended the donation agreement with Centro Fox to provide for an acceleration of the scheduled donation in return for additional participation by Centro Fox relating to the medical cannabis industry. The final payment of US$555,000 was made in July 2019, which amount was accrued and expensed in 2018.

Certain members of Khiron's Board of Directors are party to an agreement with the Company whereby in certain completed transactions they would receive a fee equal to a percentage of the transaction value. One such agreement provides for a two percent fee and terminates on the earlier of completion of a transaction or a date either party notifies of termination. The second agreement provides for a one percent fee and expires in April 2020.

Change in Accounting Policy

(a) Leases ("IFRS 16")

The Company has adopted IFRS 16 using the modified retrospective approach with an initial application date of January 1, 2019. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to asset and liability accounts and applies the standard prospectively.

On adoption of IFRS 16, the Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments. The associated right-of-use assets were measured at the amount equal to the lease liability on January 1, 2019, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of

the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company has elected to apply the exemptions not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

The impact of the adoption of IFRS 16 as at January 1, 2019 was to increase property, plant and equipment by $1.2 million to capitalize the right-of-use assets and correspondingly increase long-term debt by the same amount.

(b) Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Currently, the Company has three reportable segments, the medical services segment, the cultivation segment and the wellness products segment. The Company has determined that the goodwill associated with all acquisitions to date belong to the medical services and cultivation segments as these segments hold the acquired entities and are at the lowest level at which management monitors goodwill.

Goodwill is measured at historical cost and is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. Cash Generating Units ("CGUs") have been grouped for purposes of impairment testing. Impairment is determined for goodwill by assessing if the carrying value of CGUs which comprise the CGU segment, including goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of the CGUs are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGUs. Any goodwill impairment is recorded in income in the reporting period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

(c) 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 net loss as incurred.

(d) Uncertainty over income tax treatments ("IFRIC 23")

The Company adopted IFRIC 23 on January 1, 2019 on a modified retrospective basis without restatement of comparative information. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The adoption

of the new standard had no impact on the unaudited condensed interim consolidated financial statements as at September 30, 2019.

Recent Accounting Pronouncements

Business combinations ("IFRS 3")

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020 with early adoption permitted. The amendment clarifies that a business must include, at minimum, an input and a substantive process that together contribute to the ability to create outputs, and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets by providing supplemental guidance for assessing whether an acquired process is substantive. For acquisitions that are determined to be acquisitions of assets as opposed to business combinations, the Company allocates the transaction price to the individual identifiable assets acquired and liabilities assumed on the basis of their relative fair values, and no goodwill is recognized. Acquisitions that continue to meet the definition of a business combination are accounted for under the acquisition method, without any changes to the Company's accounting policy. The Company is currently assessing the impact of this standard.

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 adjusts 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 September 30, 2019 is $82.6 million.

Financial Instruments

Fair values

At September 30, 2019, the Company's financial instruments consist of cash and cash equivalents, short-term investments 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 – none

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, short-term investments and accounts receivable. The risk for cash and short-term investments is mitigated by holding these instruments with highly rated financial institutions. The Company provides credit to its customers in the normal course of business and has mitigated this risk by managing and monitoring the underlying business relationships. Collection terms on average, are between 30 to 60 days. As at September 30, 2019, the Company is not exposed to any significant 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 cash. As at September 30, 2019, the Company's financial liabilities consist of accounts payable and accrued liabilities and long-term debt, 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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in net loss is interest income on Canadian dollar cash and short-term investments. As at September 30, 2019, the Company is not exposed to any significant interest rate risk.

Foreign currency risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's functional and reporting currency is the Canadian dollar. The Company holds the majority of its cash and short-term investments in Canadian dollars but is exposed to foreign currency risk with respect to the expenditures incurred by its Colombian subsidiary, Khiron Colombia.

Off-Balance-Sheet Arrangements

The Company does not have any off-balance-sheet arrangements.

Share Capital

As at the date of this MD&A, November 25, 2019, the Company had 114,741,068 common shares issued and outstanding, 2,527,029 warrants outstanding, 3,632,500 stock options outstanding and 8,497,500 restricted share units outstanding.

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. Factors that could cause actual results to differ materially from those set forth in forward-looking information include, but are not limited to: financial risks; inflationary risks; foreign exchange risks; international taxation risks; the Company's ability to obtain or maintain insurance at reasonable rates; product development, facility and technological risks; agricultural risks; changes to applicable laws or regulations; ability to obtain or maintain licences or certifications; product recall and product liability risks; import, export and transportation risks; expected number of medical cannabis users and the willingness of physicians to prescribe medical cannabis to patients in the markets in which the Company operates; ability to access financing on commercially attractive terms.

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 ("2018 AIF"), available under the Company profile on SEDAR, at www.sedar.com. Readers should note that, since the Company filed the 2018 AIF, the Transactions described under *RISK FACTORS* at page 50 of the 2018 AIF have been completed substantially on the terms announced and have been approved by the TSX-V.

Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There was no material change in the Company's internal controls over financial reporting that occurred during the third quarter of 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure.

Limitations of controls and procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.