Khiron Life Sciences Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED March 31, 2020 and 2019

May 27, 2020

Introduction

The following interim management's discussion and analysis (Interim MD&A) of Khiron Life Sciences Corp. (the "Company" or "Khiron") for the three months ended March 31, 2020 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, 2019 (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, 2019 and 2018, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020 and 2019, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted.

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 May 27, 2020, 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 is available on its 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 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 MD&A speak only as of the date of this 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 in ***Risk Factors***. 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 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.

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 (TSXV) under the symbol "KHRN", the OTCQX Best Market (OTCQX) under the symbol "KHRNF" and on the Frankfurt Stock Exchange (FSE) under the symbol "A2JMXC".

Khiron's objective is to become the global leader in creating high quality cannabis derived medical and wellbeing products for sale around the world. Khiron's mission is to improve the quality of life of patients and consumers through the applied use of medical cannabis. With core operations in Latin America the Company's strategy focuses on achieving first mover advantage in the Latin American market of over 620 million people and is evolving its strategy towards global expansion. The Company's wholly owned subsidiary, Khiron Colombia S.A.S. (Khiron Colombia), is licensed in Colombia for the cultivation, production, domestic distribution, and international export of both tetrahydrocannabinol (THC) and cannabidiol (CBD) medical cannabis. The Company delivers best in class regulatory compliance, is fully authorized to manufacture and fill prescriptions for high- and low-THC medical cannabis in Colombia, and has the first approved line of CBD cosmetic products on shelf in Colombia, and available in the United States (US) and the United Kingdom (UK).

The Company has three operating segments:

(1) Medical cannabis products, in which the Company grows, produces and sells branded products and services to patients with medical conditions where cannabis can be an acceptable, proven option;

(2) Health services, where the Company operates its own network of medium complexity health centres (operating under the ILANS and Zerenia brands) offering a suite of health, medical and surgical services in alignment with insurance company partners; and

(3) Wellbeing products, focused on delivering the benefits of CBD and hemp across an array of various branded consumer packaged goods, such as its Kuida® cosmetics line.

The Company leverages its branded product market experience, scientific expertise, agricultural advantages and educational platforms to introduce its products and services across markets in Latin America, Europe, UK, and the US.

Overview

Key developments during Q1 2020 and up to May 27, 2020

Medical cannabis products

Colombia

- Effective March 20, 2020, Khiron Colombia has all licenses and certifications in Colombia to manufacture psychoactive (high-THC) and non-psychoactive (low-THC) cannabis magistral preparations. Magistral preparations are custom formulations prescribed by physicians according to the individual needs and symptoms of patients and prepared as prescribed by a certified pharmaceutical establishment using cannabis derivatives. As of March 2020, Khiron Colombia was legally permitted to fill prescriptions and sell low-THC medicinal cannabis. Effective May 19, 2020, prescriptions for high-THC medicinal cannabis can be filled through the Company's ILANS clinics.
- Khiron Colombia is now legally permitted to fill prescriptions for low-THC and high-THC medicinal cannabis, making it the first licensed producer authorized to sell both high- and low-THC medical cannabis in Colombia. The Company commenced commercial sales of low-THC medical cannabis through its health centres in March 2020. Initial high-THC product prescriptions under the National Narcotics Fund (NNF) authorization will be filled through the Company's fully owned ILANS clinics which are in receipt of high-THC dispensary authorization starting May 19, 2020. Distribution will expand as Khiron's Colombian pharmacy partners receive dispensing authorization, which is anticipated in Q3 2020.
- The Company implemented a series of actions to ensure faster access to potential patients and doctor outreach through its teleconsultation platform at its health centres in Colombia to provide virtual services to patients across Colombia.
- In April, 2020 the Company entered into a sales and distribution agreement with Locatel Colombia S.A.S. (Locatel), a pharmacy, healthcare products, and medical equipment retailer with a database of over 2 million patients in Colombia. Khiron's low-THC magistral preparations will be available immediately through Locatel stores across Colombia's largest urban centres. Locatel will also be able to dispense prescriptions for high-THC cannabis once its pharmacies are licensed by the NNF.

Peru

- Khiron Peru S.A. intends to import the whole cannabis plant extract from Khiron Colombia and has entered into an exclusive 2-year agreement with Farmacia Universal S.A.C. of Peru, a leading pharmacy chain and manufacturing laboratory based in Lima, to manufacture and distribute Khiron-branded medical cannabis products in Peru. On March 13, 2020, the Company obtained the import license from DIGEMID which allows the Company to import and commercialize medical cannabis derivatives. Farmacia Universal S.A.C. has received the requisite Good Storage Practices certification but still requires authorization for commercialization from DIGEMID. Once this final authorization is received and high-THC import quotas are received from the Peruvian authorities the Company expects to begin sales of medical cannabis in Peru.

Brazil

- Brazil's new regulatory framework for medical cannabis, administered by the Health Regulatory Agency (ANVISA), establishes a comprehensive procedure for the manufacture and import of medical cannabis products and requirements for commercialization, prescription and dispensing. The regulations, first announced in December 2019 under Resolution RDC #327/2019 and which came into force on March 10, 2020, create a new class of medical cannabis-based products that may be prescribed by doctors and sold through pharmacies, enabling safe and legal access for patients. Among other things, RDC #327/2019 establishes manufacturing quality standards and prohibits the import of all parts of the cannabis plant, (including dried flower) and only permits the import of fully manufactured extracts or formulated products of cannabis. Local cultivation of cannabis in Brazil continues to be prohibited.
- In January 2020, ANVISA published RDC No. 335/2020 in order to establish new criteria and procedures for the special import of cannabis-based products by individuals, for personal use in a health treatment, upon prescription of a medical professional. The new measures create a more simplified process for personal importation of cannabis-based products than under the previous regulations revoked by RDC No. 335/2020. Khiron Colombia has received authorization from ANVISA for its cannabis-based products to be imported by patients into Brazil for personal use under a medical prescription. This authorization will enable Khiron Colombia to apply for a permit to export Khiron cannabis products for medical purposes to Brazil, subject also to TSXV approval.
- In April 2020, the Company entered into an agreement with Medlive S.A.S. (Medlive), a leading marketer and distributor of pharmaceutical products to clinics, hospitals and pharmacies in southern Brazil. Under the agreement, the Company's medical cannabis products will be marketed through the Medlive network of doctor offices, clinics, hospitals and governmental institutions. Physicians in Medlive's extensive network will receive medical education and training related to Khiron's products.

Mexico

- In March 2020, the Company entered into an agreement with Tecnologico de Monterrey (Monterrey Institute of Technology) in Mexico, a leading University ranked third in Latin America, bringing science-based, online, medical cannabis education to an initial group of up to 1,500 healthcare practitioners in Latin America.

Europe and United Kingdom

- In April 2020, Khiron branded European Union GMP (Good Manufacturing Practices) medical cannabis became available for prescription from doctors and clinics participating in Project Twenty21 in the UK and in May, Khiron received its first medical cannabis prescriptions. Khiron is the exclusive Latin American supplier to Project Twenty21, Europe's first and largest national medical cannabis registry study. Project Twenty21 aims to enroll 20,000 patients by the end of 2021, creating the largest body of evidence for the effectiveness and tolerability of medical cannabis – with an aim to demonstrate to policymakers that medical cannabis should be as widely available, and affordable, as other approved medicines for patients who would benefit from them.

Health services

In January 2020, the Company opened Zerenia, an integrative medical care clinic designed to treat "body, mind and spirit" with medical cannabis and other services. The clinic increases Khiron's clinical capacity by 75% and forms part of the Company's patient acquisition strategy as it begins filling medical cannabis prescriptions in Colombia. Zerenia offers a person-centered integrated care model, with the concept of integrative medicine combining traditional and complementary medicine, and with evidence-based treatments and high standards of professional practice. Services are delivered across multiple clinical units which include: Pain management, mental health, surgical, neurology and dentistry. These services are supported by rehabilitation, complementary medicine and diagnostic technology, involving programs for managing multiple symptoms in different pathologies. Zerenia is located in Bogota's city centre and builds on the integration and growth of the ILANS neurological clinics.

Q1 financial summary

The Company recorded a net loss of $9.2 million in the first quarter of 2020. This compares to a net loss of $8.0 million in the prior year first quarter. On an adjusted EBITDA basis Q1 2020 was a $5.9 million loss which was comparable to the adjusted loss of $5.7 million in Q1 2019 (see *Adjusted EBITDA* for calculation). The Company incurred higher salary and office costs in Q1 2020 compared to Q1 2019 resulting from its increased presence in a number of new countries, including Germany, Peru, Chile and Uruguay. Conversely, less consulting and legal fees were paid in Q1 2020 because there was less emphasis on financing and acquisition related transactions.

Revenues and gross profits remained comparable between periods despite March 2020 showing the impacts of COVID-19 with a lack of sales growth for the Kuida products and the considerable drop in surgical revenues at the Company's health centres. Effective from May 26, the health centres have resumed the surgical practice. Current surgical demand together with servicing the back log of patient surgeries should catch up some of the lost revenues.

Outlook and Impact of COVID-19

At the time of writing this MD&A the World Health Organization has declared a pandemic stemming from the coronavirus disease (COVID-19). The pandemic has had far-reaching impacts on every business and every individual globally. For the time being and until economies stabilize, Khiron has shifted its strategic approach to limit global expansion, alter marketing methods and conserve cash, but has maintained its overall strategic direction to improve the quality of life of patients and consumers. The Company has defined its strategic approach during this global crisis as follows:

- prioritizing the physical and mental health of its employees and health professionals;
- prudent cash management by limiting global expansion and altering marketing efforts to focus on the already established markets of the Company;
- ensuring continuity of health services and treatment of patients, following appropriate safety guidelines;
- maintaining continuity of production operations in Colombia and the ensuing supply chain; and
- building a strong strategic position in the medical cannabis space and ensuring sales growth in Colombia and sales entry into new markets in the UK, Peru and Brazil.

On March 22, 2020, the Colombian government issued Decree 457 declaring a national quarantine (presently until May 31, 2020). In this decree and subsequent regulations, the government listed what it considers to be essential services that can remain in operation during the crisis. Khiron applied for and received the essential service exemption for its cultivation site, laboratory facilities and health centres in Colombia. As a result, the Company continues to employ all its employees and doctors but has implemented several cost-saving measures including pay reductions and reductions in employee benefits.

With all approvals received to sell medical cannabis, significant quotas awarded to the Company to harvest and manufacture high-THC cannabis along with an established patient network and growing demand for medical cannabis products, the Company's core focus will be on its higher-margin, medical businesses where revenue growth has the greatest potential and immediate impact.

The Company's health centres are currently the only locations in Colombia where medical cannabis can be dispensed and most of the Company's locations remain open. Certain invasive procedures have been suspended (e.g. neurosurgeries) until May 26, and measures are in place to ensure adequate spacing of appointments and patients in clinic waiting areas. The Company has also introduced a teleconsultation service, leveraging its medical team and existing patient network to meet essential patient needs during the COVID-19 pandemic. From an initial beta launch, the Company anticipates rapidly expanding services across its entire patient network amidst the growing acceptance of telemedicine services. This method of delivering services will allow the Company to move swiftly to continue to deliver clinical services and prescriptions for medical cannabis and other drugs directly to patients. A number of third-party payers have already approved teleconsultation services to be covered under their insurance programs. Between the teleconsultations, in-person visits to the clinics and in-home visits, the Company is able to provide care to as many patients as possible in Colombia.

The Company will continue its assertive efforts to enter into countries such as the UK, Peru and Brazil, and leverage its Colombian expertise to prescribe, sell and distribute medical cannabis, but with COVID-19 there may be regulatory delays and other barriers to entry until the pandemic is concluded.

Physician education on the benefits and application of cannabinoid therapies is an important element of building awareness for the Khiron brand of cannabis products. A shift to virtual and digital platforms has been a key tactical change in the Company's strategy for marketing medical products. One such initiative being the agreement the Company entered into with Tecnologico de Monterrey in Mexico.

Sales of the Company's wellness product line have been impacted by the COVID-19 crisis and the follow-on of store closures and economic instability. As a result, the Company has delayed the launch of the new Kuida® product lines and significantly limited marketing efforts in the US and UK. The focus on marketing and sales globally will be through digital strategy and on-line platforms. In the meantime, the Company continues to uncover new distribution networks globally for launch of the wellness product line once stores re-open while looking to alternative distribution methods, such as direct sales.

The Company's cash balance of $24.5 million at March 31, 2020 must be prudently managed to maintain its liquidity amidst the uncertainty of incoming cash flows during the COVID-19 pandemic. The Company's core focus will be on its medical businesses using a predominantly digital strategy focus to grow its patient network and sell its medical cannabis products both locally in Colombia and globally. In addition, the resumption of surgeries as of May 26 will benefit cash flows at ILANS as the health centres aim to treat the backlog of patients whose surgeries were deferred because of the measures required from the pandemic. Maintaining high quality growth and extracts at its cultivation site will be critical to the Company's success. Cost reductions in salaries, marketing and other administrative functions have been implemented. Capital expenditure programs have been postponed, where possible. The Colombian government has resolved to provide financial relief, which has included reductions for employment benefits and income supplements for lost revenues. In addition, the Company has deferred certain loan repayments at ILANS and obtained lease payment reductions for its office and health centre leases. The Company will avail itself of financial relief measures and continue to emphasize other administrative cost reduction measures so that the Company should be able to maintain a positive cash balance through 2020. Maintaining liquidity through the crisis and continuing with its core strategy should place the Company in a very strong competitive position once the crisis ends.

Review of Operations for the Three Months Ended March 31, 2020 and 2019

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

	For the three months ended March 31	
(Canadian dollars)	**2020**	2019
	$	$
Health services:		
Revenues	**1,817,870**	2,021,144
Cost of sales	**1,436,580**	1,657,088
Gross profit health services	**381,290**	364,056
Medical cannabis products:		
Revenues	**480**	-
Cost of sales	**110**	-
Gross profit medical products	**370**	-
Wellness products:		
Revenues	**82,299**	69,833
Cost of sales	**27,047**	21,131
Gross profit wellness products	**55,252**	48,702
Gross profit	**436,912**	412,758
Expenses		
General and administrative costs	**(5,847,296)**	(4,471,169)
Share-based compensation	**(2,148,615)**	(702,536)
Selling, marketing and promotion	**(759,219)**	(716,305)
Research and development	**(943,519)**	(1,098,284)
Transaction fees	**-**	(1,382,188)
	(9,698,649)	(8,370,482)
Other income, net (other loss, net)	**24,550**	(46,015)
Net loss	**(9,237,187)**	(8,003,739)

Gross profit – health services

Health services include the revenues and costs from the ILANS clinics. The Company reviews the ILANS financial results through 5 business units – consultation, pain therapy, sleep therapy, minor day surgery procedures and deep brain stimulation surgery.

Since the Company acquired ILANS in November 2018, the business strategy has been to strengthen margins by focusing on higher margin and/or higher volume services. The gross margin in the first quarter of 2019 increased to 21% as compared to 18% in the first quarter of 2019 largely due to an increase in day surgeries.

The national quarantine announced in Colombia on March 22 from the COVID-19 pandemic resulted in reduced patient visits to the health centres as the Company ensured adequate spacing of appointments and patients in clinic waiting areas. In addition, certain invasive procedures were suspended (e.g. neurosurgeries) that typically garner higher revenues at higher margins. Revenues at the health centres were trending above $700,000 in both January and February with March reduced to just below $400,000 due to the reduced surgeries in the month.

From the onset of the pandemic, revenues have been negatively impacted, but the Company has concentrated on promoting telehealth services and effective from May 26, the health centres have resumed the surgical practice. Current surgical demand together with servicing the back log of patient surgeries should catch up some of the lost revenues.

Gross profit – medical cannabis products

Following receipt of all regulatory approvals in Colombia, first sales of low-THC medical cannabis commenced at the end of March 2020 through the Company's health centres. Additional approvals received in May allow the Company to now sell both low- and high-THC medical cannabis through its health centres.

Gross profit – wellness products

Wellness products revenues are largely from sales to distributors of the Company's Kuida products in Colombia, which started distribution in the fourth quarter of 2018. First sales of Kuida began in the UK in the first quarter of 2020 selling 1,270 units through on-line shopping sites and live-TV streams.

The COVID-19 pandemic caused the closure of retail stores and a general economic recession. As a result, until there are signs of improvements in economic stability marketing efforts for the Kuida line of products will focus on digital platforms and its own on-line shop.

The table below shows the revenue for the Kuida products in the first quarter of 2020 and 2019.

(Canadian dollars)	**Q1 2020**	**Q1 2019**
	$	$
Wellness products revenues	82,299	69,833
Units sold (#)	6,489	4,498

Expenses

General and administrative costs

General and administrative costs include the following:

	For the three months ended March 31	
	2020	2019
	$	$
Salaries	**3,185,528**	1,020,835
Professional fees	**683,947**	1,151,302
Consulting	**194,479**	234,543
Investor relations	**289,260**	726,633
Travel and development	**171,267**	456,899
Corporate governance	**181,586**	342,469
Donations	**-**	73,646
Office and general	**961,618**	436,267
Depreciation and amortization	**179,611**	28,575
	5,847,296	4,471,169

Changes in general and administrative costs period over period are due to the following:

- Salaries – through 2019 Khiron prepared to execute on its growth strategy and established presence in multiple countries – including Germany, Peru, Chile and Uruguay. This resulted in an increase in salaries in those countries as well as increased headcount in the Company's corporate office in Bogota, Colombia.
- Professional fees - include accounting and legal fees, both of which have decreased. In 2019, the Company was actively seeking acquisition and financing related transactions which required the services of outside legal counsel.
- Travel and development – a reduction in travel in 2020 due to reduced consulting and acquisition related activity plus in March the onset of COVID-19 restricted all company travel.
- Investor relations - costs in 2019 were higher with the expansion of the Company's shareholder base, particularly with the commencement of trading on the Frankfurt Stock Exchange.
- Corporate governance - includes directors' fees, directors' and officers' insurance, and filing and listing fees. The decrease from 2019 is mostly due to additional fees incurred with the 2019 share issuance.
- Office and general – the increase from 2019 is correlated to the increased presence in further countries, including additional office space that was required in the Bogota corporate office.

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 the issuance of 1,700,000 restricted share units and 1,600,000 stock options in November 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, costs associated with marketing and selling Kuida and preparing to launch medical cannabis through educational forums. The first quarter of 2019 includes marketing efforts for the launch of Kuida in the UK. In March, following the restrictions caused by COVID-19, the Company stopped most of its marketing efforts. Conferences and exhibitions were cancelled. The Company is now focused on on-line strategies for promotion of Kuida and education on medical cannabis, which significantly reduces costs during the crisis.

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 last half of 2019 and in March 2020 the Company received its final certification required to manufacture and sell medical cannabis in Colombia. At December 31, 2019 and March 31, 2020, the Company recorded the cost of cannabis inventory and biological assets for plants that will be used for commercial purposes amounting to $168,590 on the balance sheet. A fair value measurement will be used later in 2020 for cannabis inventory and biological assets once a fair value can be measured reliably. All other costs related to production through 2019 and 2020 were expensed as research and development.

In addition, the Company incurs costs related to pre-clinical studies, education platforms and cultivation studies. In Q1 2020 theses costs amounted to $219,181 compared to $312,507 in Q1 2019 as less funds were paid towards cultivation related studies.

Transaction fees

In 2019 the Company paid a finder's fee of $750,000 in relation to the joint venture arrangement with Dixie, paid in the form of equity and paid $500,000 in compensation bonuses related to the financing transactions.

Liquidity and Financial Condition

Cash flows

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

	For the three months ended March 31	
(Canadian dollars)	**2020**	2019
	$	$
Cash used in operating activities:		
Before working capital changes [(1)]	**(6,800,694)**	(6,449,750)
Working capital changes	**(2,968,408)**	946,180
	(9,769,102)	(5,503,570)
Cash used in investing activities:		
Purchase of property, plant and equipment	**(1,384,527)**	(2,256,667)
Acquisition of ILANS	**-**	(1,733,000)
	(1,384,527)	(3,989,667)
Cash provided from financing activities:		
Proceeds from share issuances	**-**	26,593,588
Proceeds from exercise of options and warrants	**-**	3,043,975
Shares purchased and cancelled	**(212,389)**	
Repayment of long-term debt	**(249,994)**	(192,274)
	(462,383)	29,445,289
Change in cash and short-term investments	**(11,616,012)**	19,952,052
Opening cash and short-term investments	**36,904,781**	18,963,272
Foreign exchange on cash and other	**(814,288)**	(527,464)
Closing cash and short-term investments	**24,474,481**	38,387,860

(1) Adjusted for accrued interest paid on maturity attributable to short-term investments.

Cash used in operating activities

Cash used in operating activities before working capital changes mainly includes cash provided by profits from health services and sales of wellness products less general and administrative costs, selling, marketing and promotion, and research and development. Net cash outflows were comparable between Q1 2020 and Q1 2019, as explained above in ***Review of Operations***. In Q1 2020, working capital changes reflect additional cash used mainly related to signing bonuses paid but not fully expensed.

Cash used in investing activities

In Q1 2020, the Company continued the construction at its new Zerenia health centre and purchased some medical equipment. In Q1 2019, the Company completed the construction of its cultivation, extraction, and analysis facilities in Ibagué, Colombia and incurring leasehold improvement costs at its corporate offices in Bogota, Colombia.

On November 30, 2018, the Company acquired ILANS and under the terms of the purchase agreement an instalment payment was made in Q1 2019 for $1,733,000. Later, on May 31, 2019 the purchase agreement for ILANS was amended and a final cash payment of $937,873 was made.

Cash provided by financing activities

In Q1 2020, the Company received final approval from the TSXV for a normal course issuer bid to repurchase, for cancellation, up to 5,830,615 common shares of the Company, representing approximately 5% of the Company's presently issued and outstanding common shares (the "NCIB") commencing on or about March 4, 2020. The NCIB will expire on the earlier of: (i) one year from such commencement; or (ii) the date on which the Company has purchased the maximum number of common shares to be acquired under the NCIB. The purchase and payment for the common shares will be made in accordance with TSXV requirements at the market price of the applicable securities at the time of acquisition, plus applicable brokerage fees. The actual number of common shares that may be purchased and the timing of any such purchases will be determined at management's discretion and will be made in accordance with the requirements of the TSXV. As of March 31, 2020 the Company had repurchased 511,500 common shares for a total cost of $212,389. No further shares have been repurchased subsequent to March 31 to the date of this Interim MD&A.

In Q1 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. 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. Each compensation option issued will be exercisable at the issue price of $2.20 to acquire one common share expiring February 28, 2021. Share issuance costs totaled $2,247,412 and 786,600 compensation options were issued valued at $1,770,000.

Proceeds from the 2019 financings and September 2018 financing were intended for the following purposes.

(Canadian dollars)	September 2018	February 2019	May 2019	Total financings	Use of proceeds
Intended use of proceeds:	$	$	$	$	$
Colombia cultivation facility expansion and equipment	6,476,040	3,500,000	-	9,976,040	5,200,000
Clinic construction	520,000	-	-	520,000	520,000
Cosmeceutical product launch and marketing	1,150,000	1,550,000	5,000,000	7,700,000	2,400,000
International expansion	-	8,519,200	-	8,519,200	3,750,000
Future acquisitions	-	4,000,000	-	4,000,000	1,200,000
Uruguay facility build	-	-	13,000,000	13,000,000	600,000
Working capital, general and administrative and issuance costs	4,791,460	11,272,800	10,751,035	26,815,295	26,815,295
	12,937,500	28,842,000	28,751,035	70,530,535	40,485,295

The Company still intends to expand the cultivation facility in Colombia and expand internationally to launch medical cannabis and wellness products. With COVID-19 the Company's growth is tempered, particularly with the wellness products, but with available cash resources can still focus on executing its medical cannabis strategy both in Colombia and internationally. The $13 million of proceeds allocated to the build of the cultivation and processing facility in Juan Lacaze, Uruguay have been put on hold. The Company intends to build-out additional infrastructure at the cultivation site in Ibague, Colombia once the COVID-19 pandemic is settled. This additional infrastructure is to increase the number of greenhouses and complete the installation of solar panels to reduce energy power consumption. This will allow the Company to not only sell in Colombia but also to achieve its strategy of selling in the Brazilian market while also reducing the risk of crop failure.

The Company has taken the decision to reallocate the proceeds that were to be used for the cultivation and processing facility in Uruguay to build-out the Zerenia health centre in Bogota and to sustain the Company's administrative costs while the COVID-19 pandemic continues to impact on the business.

Commitments and contingencies

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

	Payments due by period				
Contractual obligations	**2020**	**2021-2023**	**2024-2025**	**2026+**	**Total**
	$	$	$	$	$
Financial lease - land	90,601	362,403	241,602	553,672	**1,248,278**
Financial lease – corporate and medical offices	572,363	1,267,607	345,915	14,413	**2,200,299**
Loans	194,179	215,955	-	-	**410,134**
	857,143	**1,845,965**	**587,518**	**568,085**	**3,858,710**

Under the terms of the Dayacann Agreement (and the related agreements), the Company agreed to purchase the Dayacann Product cultivated by Dayacann in Chile, and Dayacann agreed to assist in the development of medicinal cannabis products extracted from Dayacann Product, with a goal to commercialize said products within two years of the date of the agreement. The agreement anticipated receiving the cannabis cultivation permit in February 2019 whereas the permit was received by DayaCann in December 2019, approximately ten months later than was expected. In light of the permitting delay, together with the concurrent ever worsening political unrest in Chile, the Company believes there are likely to be further delays to the development of the cannabis regulatory framework and commercialization of medical cannabis products in Chile. The Company is currently in discussions with DayaCann on how to move forward with the agreement, considering the significant delays in the receipt of the permits and the feasibility of the agreement in terms of cost and timing. To date, the Company spent US$120,000 (all in 2019) towards the US$1.2 million commitment as defined in the Dayacann Agreement. The remaining commitment is contingent on the timing for planting, harvesting and testing.

In March 2020, a lawsuit was filed in Uruguay against one of the Company's subsidiaries and other defendants unrelated to the Company, claiming certain finder's fees in connection with the acquisition of NettaGrowth and Dormul by the Company in June 2019. The Company believes the claims are completely without merit and intends to vigorously defend the claim. Due to the early stage of the proceedings, it is not possible to estimate the Company's potential liability in the litigation, if any.

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 March 31, 2020, the Company has not yet achieved profitable operations and had a loss of $9.2 million and a deficit of $68.9 million. As described earlier in ***Outlook and COVID-19***, management believes that with the reduced spending measures already in place, deferral of growth opportunities and capital spending and relief from the Colombian government and banking institutions on debt repayments and lease payments, the Company should have 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 $24.5 million and a working capital balance of $28.4 million at March 31, 2020. The net cash use in Q1 2020 was $12 million, of which approximately $4 million was for capital expenditures and one-time transactions. In April the net cash use was reduced to $1.7 million because of cash reductions implemented by the Company immediately following the start of the pandemic. The objective over the remainder of the year is to maintain this approximate monthly spend and focus on increasing the inflows of cash from medical cannabis sales.

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

Summary of Quarterly Results

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
	$	$	$	$	$	$	$	$
Revenues	1,900,649	2,510,470	2,773,239	2,207,680	2,090,977	891,677	-	-
Net loss	9,237,187	7,107,213	10,621,101	10,645,726	8,003,739	6,504,379	5,180,411	6,207,151
Basic and diluted loss per share	0.08	0.06	0.09	0.11	0.11	0.09	0.10	0.15
Weighted average shares outstanding	116,606,697	115,399,465	113,996,724	95,973,144	75,894,884	70,187,318	49,851,687	40,566,495

(1) The Company has applied consistent accounting principles and has maintained consistent presentation and functional currency principles between periods.

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 TSXV 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.
- Salaries increased on a quarterly basis as the Company prepared for growth on a global scale.
- Q4 of 2019 includes a gain realized on the amendment to the acquisition agreement for ILANS.
- Q2 of 2019 includes transaction fees of $1.3 million related to the acquisition of NettaGrowth. In Q4 of 2019 these fees were reversed and capitalized to Intangible Assets.
- Revenues in Q1 2020 reflect lower revenues from the health centres because of the deferral of surgery revenues due to COVID-19.

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 March 31	
(Canadian dollars)	**2020**	2019
	$	$
Net loss before tax	**(9,238,890)**	(8,003,739)
Add back (deduct):		
Interest expense	**121,108**	150,000
Depreciation and amortization	**289,580**	101,453
Share-based compensation	**2,148,615**	702,536
Amortization of signing bonus	**814,694**	-
Transaction fees	**-**	1,382,188
Adjusted EBITDA	**(5,864,893)**	(5,667,562)

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 March 31	
	2020	2019
	$	$
Management fees and salaries	**1,491,425**	979,585
Share-based compensation	**1,513,160**	24,156
Donations to Centro Fox, a non-for-profit organization, controlled by Vicente Fox, a Khiron board member	**-**	73,646

As at March 31, 2020, prepaid expenses and other current assets includes $3.4 million of signing bonuses relating to key management personnel of the Company. This amount was paid in 2019 and Q1 2020 and will be expensed on a straight-line basis through March 2021.

A member of Khiron's Board of Directors is party to an agreement with the Company whereby in certain defined transactions that member would receive a fee equal to two percent of the transaction value. The agreement terminates on the earlier of completion of a transaction or a date either party notifies of termination. No transaction has occurred to warrant payment and no amount has been accrued in the financial statements.

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 March 31, 2020 is $61.4 million.

Financial Instruments

Fair values

At March 31, 2020, 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 – none
- Level 2 – cash and cash equivalents
- Level 3 – contingent consideration related to acquisitions

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, Canadian credit unions, or funds 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. The aging of the trade accounts receivable is shown in the table below.

	As at March 31 2020	As at December 31 2019
	$	$
0 – 30 days	**1,400,019**	1,653,973
31 – 90 days	**244,580**	199,912
91 – 120 days	**35,831**	34,546
>121 days	**299,554**	487,078
Total	**1,979,984**	2,375,509

Due to the nature of the ILANS operations (health centres in Colombia), the aging of accounts receivables is generally subject to collectability greater than 30 days. The historical average receivable is settled around 88 days after revenue recognition which is typical for the industry in Colombia.

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 March 31, 2020, 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 it is exposed to foreign currency risk with respect to the expenditures incurred by its foreign subsidiaries, predominately its Colombian subsidiary, Khiron Colombia SAS. If the currency were to increase or decrease by 5%, the foreign exchange loss or gain would be $185,000.

Off-Balance-Sheet Arrangements

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

Share Capital

As at the date of this MD&A, May 27, 2020, the Company had 116,100,818 common shares issued and outstanding, 1,568,511 warrants outstanding, 5,159,167 stock options outstanding and 6,496,250 restricted share units outstanding. Each warrant, stock option and restricted share unit is exercisable or exchangeable for common shares of the Company on a one for one basis.

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 three months ending March 31, 2020 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.

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 MD&A, available under the Company profile on SEDAR, at www.sedar.com.