Khiron Life Sciences Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED June 30, 2020 and 2019

August 23, 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 and six months ended June 30, 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 and six months ended June 30, 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 August 23, 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, Asia, and the US.

Overview

Key developments during Q2 2020 and up to August 23, 2020

Medical cannabis products

Colombia

- 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, and in May 2020, high-THC product prescriptions under the National Narcotics Fund (NNF) authorization were filled through the Company's fully owned ILANS clinics which are in receipt of high-THC dispensary authorization. Distribution will expand as Khiron's Colombian pharmacy partners receive dispensing authorization, which is anticipated in Q3 2020. To the Company's knowledge, Khiron Colombia remains the only company authorized to sell both high- and low-THC magistral formulations in Colombia.
- At the end of July, the Company surpassed 1,000 patient prescriptions for Khiron medical cannabis products in Colombia in the first 10 weeks of prescription activity, representing a significant milestone in leveraging the Company's commercial assets and generating product revenues. Daily prescriptions have been rising on an accelerated basis since then, and by the second week of August the Company had issued more than 1,500 prescriptions.
- In April 2020, Khiron Colombia 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 has already been dispensed at its pharmacies and is available 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 National Narcotics Fund.
- During the second quarter of 2020, cultivation ramped up towards full capacity levels at the greenhouses in Doima, Colombia, and the plants grown were largely designated for commercial operations, to be used for the ultimate sale of medical cannabis products. As a result, the Company recorded a fair value gain on harvested and growing cannabis (the Company's biological assets), in the second quarter of 2020 of $0.7 million. Costs related to cultivation, harvesting, the fair value gain on the plants, drying and extracting are capitalized to inventory and will be expensed as a cost of sale when the finished goods inventory is sold. Cultivation costs associated with research and development activities (non-commercial) will continue to be expensed as incurred, however, cultivation related to research and development activities is expected to continue at significantly lower levels.
- In June 2020, the Company completed the installation of a state-of-the-art 2,600 panel solar park that will generate electricity to power the Company's production facility in Doima, Colombia. Developed with ReFeel, a leading Italian renewable energy Company, Khiron's solar park is expected to generate up to 700 kilowatts through a photovoltaic (PV) system that comprises 2,618 installed solar panels. With the construction of the PV system, Khiron can self-generate up to 40% of the energy it needs for day-to-day facility operations and is expected to reduce CO_2 emissions by 570 tons a year.

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. All necessary licenses and authorizations allowing full spectrum, high-CBD medical cannabis products to be exported from Colombia for import and commercialization in Peru are in place with first prescriptions anticipated in Q3 2020. The Company anticipates fulfilling all necessary requirements to commercialize high-THC medical cannabis products in Peru during Q4 2020.

Brazil

- 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.

Europe and UK

- In July 2020, Khiron Life Sciences UK Limited (Khiron UK) received and filled its first medical cannabis prescriptions for patients participating in Project Twenty21 in the UK. Khiron branded EU GMP medical cannabis is now available for prescription from doctors and clinics participating in Project Twenty21, Europe's largest study of the effectiveness and tolerability of medical cannabis. Khiron is the exclusive Latin American supplier to Project Twenty21. The company anticipates an increase in the number of prescriptions for medical cannabis in the UK during Q3.
- In June 2020, Khiron Life Sciences Spain SL entered into an agreement with Nimbus Health, a leading German distributor of medical cannabis products, to distribute Khiron branded EU GMP medical cannabis in Germany to be prescribed by doctors and dispensed in pharmacies. First import and sales are anticipated in Q3 2020.

Health services

- The Company's health centres were designated as essential services and remained open during the COVID-19 pandemic, but certain invasive procedures were suspended (e.g. neurosurgeries) until May 26, 2020, and precautions were implemented to ensure adequate spacing of appointments and patients in clinic waiting areas.
- In March and April 2020, the health centres experienced a decline in patient visits due to the Colombian government's strict quarantine regulations. Since then, the health centres have significantly increased the number of patient services near the level they were at the beginning of the year, including complex services such as surgeries, which were suspended at the beginning of the pandemic.
- 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. Telehealth services were introduced on April 1, 2020, with teleconsultations growing to represent more than 14% of total June 2020 consults. Since its introduction, the telehealth platform accounted for 55% of prescriptions through the end of July, including 25% from outside of Bogota, expanding geographic presence of its Colombian clinics. In addition, Khiron Colombia launched "Doctor Zerenia" in Colombia, a state-of-the-art, fully integrated telehealth portal offering patients and doctors a seamless online clinic experience.

Wellbeing products

- COVID-19 negatively impacted the sales of the Company's Kuida products. Around the globe, countries imposed tight restrictions on movement to reduce the spread of the virus - closing borders, introducing social distancing and quarantine measures, and prohibiting specific activities.
- Sales focus in Q2 2020 was directed to on-line retail and the Company's own retail website in Colombia while still focusing on international expansion of its Kuida line.
- In July 2020, Khiron UK signed a distribution deal for its Kuida cosmetics with Red Yellow Red, a leading European Union distributor of cosmetic products. Kuida skin and body care products for women will be distributed by Red Yellow Red through four major multinational drug store health and beauty distribution groups in Spain. The Company anticipates receiving its first order in Q3 2020.
- In August 2020, Khiron UK signed a distribution deal for its Kuida products with DNO Group, a leading distributor for the Asia Pacific market. Kuida skin and body care products will be distributed by DNO Group through their network of retail and online channels in Hong Kong, with first orders anticipated in Q4 2020. Distribution is conditional on TSXV approval.

Corporate

- On June 12, 2020, Chris Naprawa transitioned from President of Khiron to Director and Chairman of the Board of Khiron. At the same time, Michael Beck resigned from the Board.
- Effective July 10, 2020, MNP LLP have, at the request of the Company, resigned as auditors of the Company, and effective the same date, the Board of Directors of Khiron appointed BDO Canada LLP as auditors of the Company.

Q2 financial summary

The Company recorded a net loss of $5.7 million in the second quarter of 2020. This compares to a net loss of $9.5 million in the prior year second quarter. On an adjusted EBITDA basis Q2 2020 was a $3.9 million loss compared to the adjusted loss of $7.1 million in Q2 2019 (see *Adjusted EBITDA* for calculation).

Q2 and the impact of COVID-19 – starting in March 2020, the Company's health centres experienced a decline in patient visits due to the Colombian government's strict quarantine regulations limiting the number of patients that could visit, including the suspension of surgeries. By June, however, the health centres have significantly increased the number of patient services approaching the levels experienced at the beginning of the year, including complex services such as surgeries. The Company experienced a 27% decline in service revenues in Q2 2020 compared to Q2 2019. The Company reacted quickly to the potential impacts from the pandemic and initiated several cost cutting measures. In comparing Q2 2020 general and administrative costs to Q1 2020, the Company saved approximately $1 million dollars.

Despite the challenges faced with COVID-19, the Company progressed its strategy and sold both low- and high-THC medical cannabis through its health centres in Colombia. Revenue contributions were not significant in the quarter, but prescriptions and sales are accelerating on a weekly basis. Cultivation is focused on growing for ultimate sales purposes and less spending on research and development. In Q2 2020, the Company capitalized $0.5 million in operating costs to inventory and recorded its initial fair value gain on biological assets of $0.7 million.

Outlook and Impact of COVID-19

From the onset of the coronavirus disease (COVID-19) pandemic, Khiron shifted its strategic approach to limit global expansion, alter marketing methods and conserve cash, while still maintaining its overall strategic direction to improve the quality of life of patients and consumers. During this global crisis, and specifically in Q2 2020, the Company did and plans to continue to do the following:

- prioritized the physical and mental health of its employees and health professionals;

- focused on: i) increasing prescribing physicians at its health centres and third party clinics across Colombia to drive daily prescriptions per physician; ii) generating patient awareness across the country to encourage patients to visit its health centres, primarily through its new web or app-based telehealth application (Doctorzerenia.com); and iii) improving systems and processes to improve service quality for new, potential and existing patients;

- prudently managed cash – cash used in Q2 2020 was $4 million compared to $12 million in Q1 2020 and $10 million in Q4 2019, due to lower general and administration, and marketing spending, as well as lower capital expenditures. In Colombia, Khiron received the essential service exemption for its cultivation site, laboratory facilities and health centres. As a result, the Company continued to employ almost all its employees and doctors but implemented reduced pay and benefits measures. Additionally, the board of directors also received reduced retainer fees. Marketing efforts were focused on the already established markets of the Company and capital projects were deferred where possible;

- ensured continuity of health services and treatment of patients, following appropriate safety guidelines. Certain invasive procedures were suspended (e.g. neurosurgeries) until May 26, 2020 and measures were in place to ensure adequate spacing of appointments and patients in clinic waiting areas. The Company also introduced a teleconsultation service, leveraging its medical team and existing patient network to meet essential patient needs during the COVID-19 pandemic;

- maintained continuity of cultivation, extraction and manufacturing operations in Colombia and the ensuing supply chain; and

- continued to build a strong strategic position in the medical cannabis space to ensure sales growth in Colombia and sales entry into new markets in the UK, Peru, Brazil and Germany.

The Company's core focus is on its higher-margin, medical businesses where revenue growth has the greatest potential and immediate impact. Prescription and sales of medical cannabis in Colombia started in March 2020 and the Company saw increases in sales averaging over 80% per month. The Company's health centres were the only locations in Colombia where medical cannabis was dispensed in Q2 2020. The Company's focus is on training more doctors in the areas of medical cannabis to increase prescriptions through the Company's health centres, telemedicine platforms and through pharmacy networks once appropriate authorizations are received to dispense high-THC products.

The Company continued 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. The Company expects sales to commence in the UK, Peru and Germany in the third quarter of 2020.

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 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 a few specific markets – Spain, UK, USA and Hong Kong. The Company will continue to focus on direct sales through its on-line store and work with its new distribution networks to launch the wellness product lines on retailer on-line platforms and with stores as they re-open.

The Company managed its cash cautiously during Q2 2020 and ended the quarter with a balance of $20.2 million (at June 30, 2020). The COVID-19 pandemic is still on-going at the time of writing this MD&A and with continued uncertainty of incoming cash flows, the Company must continue its prudent management of spending to maintain its liquidity. The Company's core income focus will be on its medical businesses using both a clinic and 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, 2020, has restored the revenues from the Company's health centres to pre-COVID levels, allowing the focus to shift towards offering new higher margin services. The Company has made significant forward strides in its medical businesses as well as its wellness product business in the midst of the pandemic. With continued diligent spending and additional incoming global medical cannabis sales, the Company should be able to maintain a positive cash balance through 2020 and into 2021. 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 and Six Months Ended June 30, 2020 and 2019

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

	For the three months ended June 30		For the six months ended June 30	
(Canadian dollars)	**2020**	2019	**2020**	2019
	$	$	**$**	$
Health services:				
Revenues	**1,590,801**	2,190,997	**3,408,671**	4,212,141
Cost of sales	**1,333,960**	1,820,138	**2,770,540**	3,477,226
Gross profit health services	**256,841**	370,859	**638,131**	734,915
Medical cannabis products:				
Revenues	**25,373**	-	**25,853**	-
Cost of sales	**5,835**	-	**5,946**	-
Gross profit medical cannabis products	**19,538**	-	**19,907**	-
Wellness products:				
Revenues	**54,102**	16,683	**136,401**	86,516
Cost of sales	**11,230**	5,823	**38,276**	26,954
Gross profit wellness products	**42,872**	10,860	**98,125**	59,562
Gross profit before fair value adjustment	**319,251**	381,719	**756,163**	794,477
Unrealized gain on changes in fair value of biological assets	**689,385**	-	**689,385**	-
Gross profit	**1,008,636**	381,719	**1,445,548**	794,477
Expenses				
General and administrative costs	**(4,530,842)**	(5,462,792)	**(10,378,138)**	(9,933,961)
Share-based compensation	**(1,342,802)**	(1,723,791)	**(3,491,417)**	(2,426,327)
Selling, marketing and promotion	**(692,772)**	(986,857)	**(1,451,991)**	(1,703,162)
Research and development	**(104,501)**	(1,073,603)	**(1,048,020)**	(2,171,887)
Transaction fees	**-**	(500,000)	**-**	(1,882,188)
	(6,670,917)	(9,747,043)	**(16,369,566)**	(18,117,525)
Other loss, net	**(50,423)**	(152,343)	**(25,873)**	(198,358)
Net loss	**(5,712,704)**	(9,517,667)	**(14,949,891)**	(17,521,406)

Gross profit – health services

Health services include the revenues and costs from the ILANS and Zerenia health centres. Zerenia is the newly opened integrative medical care clinic designed to treat "body, mind and spirit" with medical cannabis and other services. These services are supported by rehabilitation, complementary medicine and diagnostic technology, involving programs for managing multiple symptoms in different pathologies.

The national quarantine announced in Colombia on March 22, 2020 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 and April reduced to just below $400,000 due to the reduced surgeries in the month. Revenues in the month of June showed a resurgence to $700,000 due to the resumption of surgical procedures in June and the launch of telehealth services.

Surgical procedures are down approximately 40% year to June 2020 compared to the same period in 2019. The clinics are working towards servicing the back log of patient surgeries and catching 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, and in May 2020, the Company also commenced selling of high-THC medical cannabis through its health centres. Four SKUs are currently offered for sale with prescriptions rising on an accelerated basis. Khiron Colombia will continue to work with distribution networks in Colombia to offer the same SKUs in pharmacies across the country and initiate mass media programs to increase the number of prescriptions.

The Company is also preparing for first medical cannabis sales in Peru and the UK in the third quarter of 2020.

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, sales in Q2 2020 are below Q1 2020 sales with most of Q2 2020 sales being achieved through on-line shop and other digital platforms in Colombia. Marketing efforts for the Kuida line of products will continue to focus on digital platforms and its own on-line shop with the on-going pandemic. Opportunities, however, are surfacing internationally for the Kuida products and the Company entered into new distribution arrangements in Spain and Hong Kong to expand its outreach. Additionally, in the last quarter of 2020 the Company will focus on re-activating key markets in the UK and the USA through both strategic partnerships and on-line platforms.

The table below shows the revenue for the Kuida products:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	**2020**	2019
Wellness products revenues ($)	**54,102**	16,683	**136,401**	86,516
Units sold (#)	**3,064**	1,312	**9,553**	5,810

Unrealized gain on changes in fair value of biological assets

The Company recorded a fair value gain on harvested and growing plants in the second quarter of 2020 of $0.7 million. This is the Company's initial recognition for the fair value of the biological assets and as a result, the gain in the second quarter includes both the fair value estimate of plants in the growth cycle during the second quarter as well as the fair value estimate of plants that were harvested during the second quarter which were valued at cost as at March 31, 2020. Significant estimates and assumptions on the value of the biological asset are disclosed in note 6 to the *Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2020 and 2019*.

Expenses

General and administrative costs

General and administrative costs include the following:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	**2020**	2019
	$	$	**$**	$
Salaries	**1,957,609**	1,548,719	**4,328,443**	2,569,554
Amortization of signing bonus	**838,695**	-	**1,653,389**	-
Professional, consulting and advisory fees	**646,517**	1,792,610	**1,484,688**	3,163,455
Investor relations	**198,783**	601,746	**488,043**	1,328,379
Travel and development	**7,205**	451,355	**178,472**	908,254
Public company costs	**188,092**	348,609	**484,070**	706,078
Donations	**-**	76,133	**-**	149,779
Office and general	**548,122**	482,031	**1,435,603**	918,298
Depreciation and amortization	**145,819**	161,589	**325,430**	190,164
	4,530,842	5,462,792	**10,378,138**	9,933,961

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.
- A signing bonus was paid in two parts to key management personnel in Europe. It is being amortized over the contractual term. A prepaid asset of $2.5 million remains outstanding at June 30, 2020, to be amortized on a straight-line basis through March 2021.
- Professional, consulting and advisory fees - include financial advisory, accounting, and legal fees, all of which have decreased. In 2019, the Company was actively seeking acquisition and financing related transactions which required the services of outside legal counsel and financial advisors.
- 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. In the second quarter of 2020 investor relation expenses were restrained in response to COVID-19 and measures to reduce corporate spending.
- Public company costs - includes directors' fees, directors' and officers' insurance, external audit, filing and listing fees. The decrease from 2019 is mostly due to additional fees incurred with the 2019 share issuances. In addition, the second quarter of 2020 reflects a 15% reduction in director fees as a cost savings measure in response to COVID-19.
- Office and general – the increase from 2019 for the six months is correlated to the increased presence in further countries, including additional office space that was required in the Bogota corporate office. The second quarter of 2020 reflects reductions in office spending because of work-from-home measures implemented in response to the pandemic.

In response to COVID-19, the Company implemented a number of cost reducing mechanisms, including a reduction of almost all employees' compensation and all directors fees. This resulted in savings of approximately $200,000 in the second quarter of 2020. In addition, reduced head count, a reduction in travel and office costs as well as reduced investor relation spending also helped in reducing general and administration costs.

This is best demonstrated by comparing Q1 2020 to Q2 2020, as follows:

	Q1 2020	**Q2 2020**
	$	**$**
Salaries	2,370,834	**1,957,609**
Amortization of signing bonus	814,694	**838,695**
Professional, consulting and advisory fees	838,171	**646,517**
Investor relations	289,260	**198,783**
Travel and development	171,267	**7,205**
Public company costs	295,978	**188,092**
Office and general	887,481	**548,122**
Depreciation and amortization	179,611	**145,819**
	5,847,296	**4,530,842**

Share-based compensation

Share-based compensation includes expenses related to both stock options and restricted share units. For the six months ending June 30, 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 majority of RSUs are amortized over a two-year vesting period and as each tranche vests the share-based compensation expense reduces, which is the reason Q2 2020 expense is less than Q1 2020.

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 2020 includes marketing efforts for the launch of Kuida in the UK. In March 2020, following the restrictions caused by COVID-19, the Company curtailed most of its marketing efforts. Conferences and exhibitions were cancelled. The Company is now focused on on-line strategies for the promotion of Kuida and medical cannabis education, 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 and up until April 1, 2020, the Company expensed most of these operating costs. The Company successfully harvested licensed strains of cannabis and processed the dried flower into a cannabis extract in the second 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. In the second quarter of 2020, the majority of costs related to cultivation and extraction were for commercial purposes and accordingly capitalized to inventory. 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 2020, these costs amounted to $302,336 (Q2 2020 - $83,155) compared to $752,034 in 2019 (Q2 2019 - $439,527) as less funds were paid towards cultivation related studies.

Transaction fees

In the first quarter of 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. A further $500,000 in compensation bonuses was also paid in the second quarter of 2019 in relation to the second financing the Company completed in 2019.

Liquidity and Financial Condition

Cash flows

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

	For the three months ended June 30		For the six months ended June 30	
(Canadian dollars)	**2020**	2019	**2020**	2019
	$	$	**$**	$
Cash used in operating activities:				
Before working capital changes	**(4,722,479)**	(7,704,965)	**(11,641,655)**	(14,154,715)
Working capital changes	**688,439**	(420,185)	**(2,279,968)**	525,995
	(4,034,040)	(8,125,150)	**(13,921,623)**	(13,628,720)
Cash used in investing activities:				
Purchase of property, plant and equipment	**(254,774)**	(1,161,409)	**(1,639,301)**	(3,418,076)
Acquisition of ILANS	**-**	(937,873)	**-**	(2,670,873)
Acquisition of NettaGrowth, net of cash		(13,960)	**-**	(13,960)
	(254,774)	(2,113,242)	**(1,639,301)**	(6,102,909)
Cash provided from financing activities:				
Proceeds from share issuances	**-**	26,545,640	**-**	53,139,228
Proceeds from exercise of options and warrants	**-**	1,131,060	**-**	4,175,035
Shares purchased and cancelled	**-**	-	**(212,389)**	-
Repayment of long-term debt	**(4,543)**	(517,208)	**(254,537)**	(709,482)
	(4,543)	27,159,492	**(466,926)**	56,604,781
Change in cash and short-term investments	**(4,293,357)**	16,921,100	**(16,027,850)**	36,873,152
Opening cash and short-term investments	**24,474,481**	38,387,860	**36,904,781**	18,963,272
Foreign exchange on cash and other	**(5,184)**	477,593	**(700,991)**	(49,871)
Closing cash and short-term investments	**20,175,940**	55,786,553	**20,175,940**	55,786,553

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 consistent to the net loss incurred, as explained above in ***Review of Operations***. In 2020, working capital changes reflect additional cash used related to signing bonuses paid in Q1 but not fully expensed and the capitalization of inventory from the Company's cultivation and extraction activities (previously expensed).

Cash used in investing activities

In 2020, the Company continued the construction at its new Zerenia health centre and purchased some medical equipment. In 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 June 19, 2019, the Company acquired NettaGrowth through the issuance of 8,498,821 common shares of the Company valued at $13,683,102 and incurred transaction costs of $1,205,565, of which $1,045,800 was paid through the issuance of common shares and $159,765 paid as cash.

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, 2020 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.

In Q2 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. 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 $2.90 issue price to acquire one common share expiring May 28, 2021. Share issuance costs totaled $2,206,395 and 594,849 compensation options were issued valued at $918,000.

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	62,907	377,443	251,629	576,649	1,268,628
Financial lease – corporate and medical offices	389,230	1,320,212	360,271	15,011	2,084,725
Loans	166,477	175,519	-	-	341,996
	618,614	**1,873,175**	**611,899**	**591,660**	**3,695,349**

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 June 30, 2020, the Company has not yet achieved profitable operations and had a loss of $14.9 million for the first half of 2020 and a deficit of $74.6 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 $20.2 million and a working capital balance of $23.2 million at June 30, 2020. The net cash used in Q2 2020 was $4 million. 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

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
	$	$	$	$	$	$	$	$
Revenues	1,670,276	1,900,649	2,510,470	2,773,239	2,207,680	2,090,977	891,677	-
Net loss	5,712,704	9,237,187	8,367,460	10,488,913	9,517,667	8,003,739	6,504,379	5,180,411
Basic and diluted loss per share	0.05	0.08	0.07	0.09	0.10	0.11	0.09	0.10
Weighted average shares outstanding	116,545,818	116,606,697	115,399,465	113,996,724	95,973,144	75,894,884	70,187,318	49,851,687

The Company has applied consistent accounting principles and has maintained consistent presentation and functional currency principles between periods, except for the accounting for the acquisition of NettaGrowth. The Company early adopted IFRS 3 *Business combinations* in the fourth quarter of 2019 and accounted for NettaGrowth as an acquisition of an asset, rather than as previously accounted for as a business combination. The Company's fourth quarter 2019 statement of loss and comprehensive loss included a recovery in the amount of $1,260,247 relating to the transaction fees expensed from the acquisition of NettaGrowth ($1,128,059 was expensed in the second quarter of 2019 and $118,481 was expensed in the third quarter of 2019). Accordingly, in presenting the summary of quarterly results for 2019, the Company reduced transaction fees (losses) by $1,128,059 and $118,481 in Q2 and Q3 2019, respectively, and increased transaction fees (losses) by $1,260,247 in the fourth quarter of 2019.

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 2019 includes a gain realized on the amendment to the acquisition agreement for ILANS.
- Revenues in Q1 and Q2 2020 reflect lower revenues from the health centres because of the deferral of surgery revenues due to COVID-19.
- Q2 2020 reflects the initial unrealized gain on changes in fair value of biological assets and reduced general and administrative costs in response to cost cutting initiatives with 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 June 30		For the six months ended June 30	
(Canadian dollars)	**2020**	2019	**2020**	2019
	$	$	**$**	$
Net loss before tax	**(5,720,235)**	(9,517,667)	**(14,959,125)**	(17,521,406)
Add back (deduct):				
Interest expense	**146,864**	148,715	**267,972**	298,715
Depreciation and amortization	**225,858**	88,911	**515,438**	190,364
Unrealized gain on changes in fair value of biological assets	**(689,385)**	-	**(689,385)**	-
Share-based compensation	**1,342,802**	1,723,791	**3,491,417**	2,426,327
Amortization of signing bonus	**838,695**	-	**1,653,389**	-
Transaction fees	**-**	500,000	**-**	1,882,188
Adjusted EBITDA	**(3,855,401)**	(7,056,250)	**(9,720,294)**	(12,723,812**)**

Transactions with Related Parties

Related parties and related party transactions impacting the 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 June 30		For the six months ended June 30	
	2020	2019	**2020**	2019
	$	$	**$**	$
Management fees and salaries	**1,461,415**	1,017,992	**2,952,840**	1,997,577
Share-based compensation	**553,552**	1,721,147	**2,066,712**	1,745,303
Donations to Centro Fox, a non-for-profit organization, controlled by Vicente Fox, a Khiron board member	**-**	76,133	**-**	149,779

As at June 30, 2020, prepaid expenses and other current assets includes $2.5 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. In addition to normal course incentive compensation, certain key management personnel are entitled to bonus consideration equal to an aggregated total of €1 million in relation to European market milestones being achieved prior to October 1, 2020.

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 June 30, 2020 is $57.6 million.

Financial Instruments

Fair values

At June 30, 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.

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 June 30, 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 $205,000.

Off-Balance-Sheet Arrangements

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

Share Capital

As at the date of this MD&A, August 23, 2020, the Company had 117,547,068 common shares issued and outstanding, 1,568,511 warrants outstanding, 5,159,167 stock options outstanding and 4,980,000 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 six months ending June 30, 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 Information Form, available under the Company profile on SEDAR, at www.sedar.com.