Khiron Life Sciences Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE Three and nine months ended September 30, 2020 and 2019

November 30, 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 nine months ended September 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 nine months ended September 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 November 30, 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 is a vertically-integrated medical and consumer packaged goods cannabis company with core operations in Latin America and operating activities in Europe and North America. The Company's strategy focuses on achieving a first mover advantage in the Latin American market and is evolving its strategy towards global expansion. The Company's wholly owned subsidiary, Khiron Colombia S.A.S., is licensed in Colombia for the cultivation, production, domestic distribution and international export of both tetrahydrocannabinol (THC) and cannabidiol (CBD) medical cannabis. The Company is authorized to manufacture and fill prescriptions for high-THC in Colombia and low-THC medical cannabis in Colombia and Peru, and retails an approved line of CBD cosmetic products in Colombia 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.

Overview

Key developments during Q3 2020 and up to November 30, 2020

Medical cannabis products

Colombia

- Since becoming the first licensed producer in Colombia authorized to sell medical cannabis, the Company commenced commercial sales of low- and high-THC medical cannabis under authorization for the National Narcotics Fund (NNF), through its own health centres and ILANS clinics in March and May 2020, respectively.
- In September 2020, the Company was declared a National Strategic Project (PINES) by the Government of Colombia. This certification was established by the Government of Colombia to prioritize the development of specific projects or companies that are deemed by the Government to be able to significantly increase the national economy.
- In September 2020, the Company signed partnerships with 15 clinics and health centres in Colombia, extending education and sales reach further across the country. Distribution continues to expand as Khiron increases the number of Colombian pharmacy partners and they receive dispensing authorization from the NNF.
- The Company has now surpassed 5,600 patient prescriptions for Khiron medical cannabis products in Colombia and Peru. Prescriptions filled increased over 450% in Q3 2020 over Q2 2020.
- During Q3 2020, cultivation operated at 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. The Company recorded a fair value gain on harvested and growing cannabis (the Company's biological assets), in Q3 2020 of $0.6 million, and a fair value gain of $1.3 million year-to-date. Costs related to cultivation, harvesting, the fair value gain on the plants, drying and extracting are capitalized to inventory and are 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.

Mexico

- In March 2020, the Company signed an agreement with Tecnologico de Monterrey, a leading Latin American university (Ranked No.1 in Mexico and 3rd in Latin America, Source: QS University Rankings) in Mexico, to bring Khiron's online education program to physicians and healthcare practitioners in Mexico and Latin America. The cloud-based education and certification platform was launched in Q3 2020.
- The medical cannabis program begins with online based courses, introducing healthcare providers across Latin America to specific regulatory frameworks, clinical evidence and research, safety considerations, clinical cases and practical recommendations to best meet current patient needs.
- To date, more than 263 physicians in Mexico, Colombia, Brazil and Peru have completed the courses and received their respective certifications from Tecnologico de Monterrey.

Peru

- Khiron Peru S.A. imports 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.
- In September 2020, the Company became the first company to sell medical cannabis in Peru, introducing its new CBD brand Alixen™, sold under its agreement with Farmacia Universal.

- In September 2020, quotas for the Company's high-THC medical cannabis product in Peru were approved by DIGEMID, Peru's drug regulatory authority, with first patient prescriptions anticipated to be filled in Q1 2021.

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 the first half of 2020, the Company entered into several white-label supply agreements with EU GMP certified manufacturers of medical cannabis to supply the European market.
- 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 Q4 2020, with the recent launch by Project Twenty21 of online consultations and home delivery services.
- 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. Due to regulatory delays, COVID-19, and enhanced product safety testing in our supply chain, the first shipment for Germany is now expected in Q4 2020 with sales commencing in Q1 2021.
- In Q3 2020, the Company's medical cannabis e-learning platform was introduced in the UK in partnership with the Medical Cannabis Clinicians Society, an independent, clinician-led organization sharing guidance to lead the medical cannabis conversation in the UK. Khiron's e-learning program accelerates medical cannabis knowledge for doctors participating in Project Twenty21, which now includes over 9,000 registrants.

Health services

- In March and April 2020, the health centres experienced a decline in patient visits due to the Colombian government's strict quarantine regulations in response to the COVID-19 pandemic. While the Company's health centres were designated as essential services and remained open, certain invasive procedures were temporarily suspended (e.g. neurosurgeries), and precautions were implemented to ensure adequate spacing of appointments and patients in clinic waiting areas.
- The Company responded by implementing a series of actions to ensure faster access to potential patients and doctor outreach at its health centres in Colombia.
- Since the launch of telehealth services and the resumption of surgeries on May 26, 2020, the Company's health centres have significantly increased the number of patient services, and in September 2020 surpassed the level they were at the beginning of the year. Since the introduction of telehealth services by the Company on April 1, 2020, teleconsultations currently represent more than 15% of consults. 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. As a result of the telehealth platforms implemented, more than 25% of the Company's medical cannabis prescriptions have been for patients outside of Bogota.

Wellbeing products

- COVID-19 negatively impacted the sales of the Company's Kuida™ cosmeceutical 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 or restricting specific activities, including access to certain retail stores.
- Due to these restrictions and the uncertainties surrounding successful product launches during 2020, the Company has significantly limited its marketing and sales efforts across all regions, rather focusing on establishing strong distribution agreements in Latin America, USA, Europe and Hong Kong, and building its online and digital sales strategy, preparing to enter these markets in 2021.
- In September 2020, the Company entered into an exclusive distribution agreement with Rappi SAS, the leading Latin American, last-mile delivery platform. This partnership introduced the Company's Kuida products to Rappi users across Latin America.
- 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 will be distributed by Red Yellow Red through four major multinational drug store health and beauty distribution groups in Spain. The Company received 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. The Company expects to receive its first order in Q4 2020.

Corporate

- 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.
- On September 10, 2020, the Company's 2020 Amended and Restated Stock Option Plan and 2020 Amended and Restated RSU Plan were approved by shareholders at the annual general and special meeting of shareholders.
- In September 2020, the Company received the status of National Interest Strategic Project ("PINES") by the Government of Colombia, through its Intersectoral Commission for Infrastructure and Strategic Projects ("CIIPE"). The government agency review, and subsequent certification, enables the Company to simplify authorization processes, reduce costs and accelerate time to market for its services and products for the Colombian market and for export purposes.
- On November 26, 2020, the Company completed a "bought deal" short form prospectus offering of units ("Units"), including the exercise in full of the over-allotment option (the "Offering"). A total of 32,200,000 Units were sold at a price of $0.45 per Unit for aggregate gross proceeds of $14,490,000 (including the exercise in full of the over-allotment option). The Offering was completed by a syndicate of underwriters led by Canaccord Genuity Corp., including ATB Capital Markets Inc. and Leede Jones Gable Inc. Each Unit is comprised of one common share of the Company and one warrant to purchase one common share at an exercise price of $0.75, for a period ending five years from the date of closing.

Q3 financial summary

The Company recorded a net loss of $6.7 million in the third quarter of 2020. This compares to a net loss of $10.6 million in the prior year third quarter. On an adjusted EBITDA basis Q3 2020 was a $4.7 million loss compared to the adjusted loss of $5.4 million in Q3 2019 (see *Adjusted EBITDA* for calculation).

Q3 2020 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 which required the Company to limit the number of patient visits and suspend surgeries. During Q3 2020, following the launch of teleconsultation services in April 2020 and the resumption of surgeries in May 2020, the number of patient services increased and have now surpassed levels observed at the beginning of the year, including complex services such as surgeries. The Company experienced a 12% increase in service revenues from Q2 2020. The Company experienced a 34% decline in service revenues in Q3 2020 compared to Q3 2019. The Company has maintained the cost cutting measures implemented during the second quarter.

Throughout Q3 2020, the Company sold increasing levels of both low- and high-THC medical cannabis through its health centres in Colombia and pharmacy partners. Revenue contributions were $0.1 million in the quarter, a 514% increase from Q2 2020 as prescriptions and sales accelerated on a weekly basis. Cultivation is increasingly focused on growing for commercial sales purposes and less on research and development. In Q3 2020, the Company capitalized $0.3 million in operating costs to inventory and recorded its fair value gain on biological assets of $0.6 million.

Outlook and Impact of COVID-19

The outbreak of the novel coronavirus, commonly referred to as "COVID-19", has spread throughout South America, Europe and North America, causing companies and various international jurisdictions to impose restrictions such as quarantines, business closures and travel restrictions. While these effects are expected to be temporary, the duration of the business disruptions internationally and their impacts on the Company cannot be reasonably estimated at this time.

The impact of COVID-19 on the Company's business and operations was most prominent at the start of the pandemic (~Q2, 2020) where the Company's clinics in Colombia (while deemed essential services) were challenged by operational safety measures that, in part, contributed to a reduction of patient consultations and services available on offer. The pandemic also had the effect early on of slowing the Company's expansion and business operations in certain international jurisdictions due to the implementation of various restrictive measures and other resource allocation by government bodies to slow the spread of COVID-19. To date, the Company has seen gradual improvement as various business activities and government measures normalize.

From the onset of the novel 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 Q3 2020, the Company did and plans to continue to do the following:

- the Company prioritized the physical and mental health of its employees and health professionals by implementing air travel restrictions and allowing remote and flexible working arrangements for office staff;

- 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 Doctor Zerenia™ 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 Q3 2020 was $5 million, compared with $4 million in Q2 2020, $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's cultivation site, laboratory facilities and health centres were designated by the government as "essential services" and continued to operate despite COVID-19 restrictions;

- continued to employ almost all its employees and doctors but implemented reduced pay and benefits measures, and reduced retainer fees for members of the board of directors;

- focused marketing efforts on the already established markets of the Company;
- deferred capital projects, where possible;
- prioritized the continuity of health services and the treatment of patients, following appropriate safety guidelines. Certain invasive procedures were suspended (e.g. neurosurgeries) until May 26, 2020, and implemented measures to ensure adequate spacing of appointments and patients in clinic waiting areas;
- 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, initial sales in the UK and Peru, and sales entry into new markets in the Brazil and Germany.

The implementation of these measures had the effect of ensuring the continuity of the business operations of the Company with a healthy workforce, including employees at the cultivation site, medical clinics, office staff and members of the management team and board of directors. Cost savings from reduced travel, salaries and retainers helped to offset the reduced revenues from the Company's clinics and decreased retail sales of its wellness products, while the postponement of capital expenditures and marketing programs helped to conserve the Company's cash and ensure continuation of core business operations.

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 continuous monthly increases in sales. 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.

The Company commenced sales of medical cannabis in the UK and Peru in the third quarter of 2020, leveraging its Colombian expertise to prescribe, sell and distribute medical cannabis.

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

The Company managed its cash cautiously during Q3 2020 and ended the quarter with a balance of $14.7 million (at September 30, 2020). The COVID-19 pandemic is still on-going 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, the funds raised from the November 2020 bought deal and additional incoming global medical cannabis sales, the Company should be able to maintain a positive cash balance through 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 nine months ended September 30, 2020 and 2019

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

	For the three months ended September 30		For the nine months ended September 30	
(Canadian dollars)	**2020**	2019	**2020**	2019
	$	$	**$**	$
Health services:				
Revenues	**1,785,334**	2,684,739	**5,194,005**	6,896,880
Cost of sales	**1,576,525**	2,159,608	**4,347,065**	5,636,834
Gross profit health services	**208,809**	525,131	**846,940**	1,260,046
Medical cannabis products:				
Revenues	**110,152**	-	**136,005**	-
Cost of sales	**10,375**	-	**16,320**	-
Gross profit medical cannabis products	**99,777**	-	**119,685**	-
Wellness products:				
Revenues	**32,604**	88,500	**169,005**	175,016
Cost of sales	**18,470**	20,175	**56,747**	47,129
Gross profit wellness products	**14,134**	68,325	**112,258**	127,887
Gross profit before fair value adjustment	**322,720**	593,456	**1,078,883**	1,387,933
Fair value adjustments, net	**606,412**	-	**1,295,797**	-
Gross profit	**929,132**	593,456	**2,374,680**	1,387,933
Expenses				
General and administrative costs	**(5,341,329)**	(4,330,399)	**(15,719,467)**	(14,264,360)
Share-based compensation	**(1,539,643)**	(4,670,023)	**(5,031,060)**	(7,096,350)
Selling, marketing and promotion	**(340,222)**	(1,822,734)	**(1,792,213)**	(3,525,896)
Research and development	**(266,763)**	(655,599)	**(1,314,783)**	(2,827,486)
Transaction fees	**-**	-	**-**	(1,882,188)
	(6,558,825)	(10,885,299)	**(21,482,843)**	(28,208,347)
Other (loss) income, net	**(156,169)**	264,198	**(182,042)**	65,840
Net loss	**(6,714,994)**	(10,621,101)	**(21,664,885)**	(28,142,507)

Gross profit – health services

Health services include the revenues and costs from the ILANS and Zerenia™ health centres. Zerenia is the 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 recovered from their lows in the second quarter and through the third quarter or 2020. Since the second quarter of 2020, health services revenues have been supported by the launch of telehealth services.

Surgical procedures are down approximately 45% year to September 2020 compared to the same period in 2019. The clinics are working towards servicing the backlog 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 programs to increase the number of prescriptions.

The Company also delivered its 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 Q4 2018. First sales of Kuida began in the UK in the Q1 2020.

The COVID-19 pandemic caused the closure of retail stores and a general economic recession. As a result, similar to Q2 2020, sales in Q3 2020 are below Q1 2020 sales with most of Q3 2020 sales being achieved through online 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 online shop with the ongoing 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 online platforms.

The table below shows the revenue for the Kuida products:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	**2020**	2019
Wellness products revenues ($)	**32,604**	88,500	**169,005**	175,016
Units sold (#)	**3,688**	4,508	**13,241**	10,318

Unrealized gain on changes in fair value of biological assets

The Company recorded a fair value gain on harvested and growing plants in Q3 2020 of $0.6 million and a year-to-date fair value gain of $1.3 million. 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 nine months ended September 30, 2020 and 2019*.

Expenses

General and administrative costs

General and administrative costs include the following:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	**2020**	2019
	$	$	**$**	$
Salaries	**2,070,937**	2,251,929	**6,399,380**	4,821,483
Amortization of signing bonus	**856,117**	-	**2,509,506**	-
Professional, consulting and advisory fees	**727,801**	556,465	**2,212,489**	3,719,920
Investor relations	**326,206**	54,563	**814,249**	1,382,942
Travel and development	**40,105**	362,111	**218,577**	1,270,365
Public company costs	**640,920**	246,794	**1,124,990**	952,872
Donations	**-**	-	**-**	149,779
Office and general	**511,392**	793,838	**1,946,995**	1,712,136
Depreciation and amortization	**167,851**	64,699	**493,281**	254,863
	5,341,329	4,330,399	**15,719,467**	14,264,360

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 executive management in Europe, which is being amortized over the contractual term. A prepaid asset of $1.7 million remains outstanding at September 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 consulting and acquisition related activity plus restrictions on all Company travel since March 2020 due to COVID-19.
- 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 third quarter of 2020 investor relation expenses increased compared to the prior year quarter due to the difference in timing of investor relations activities compared to the same period in 2019.
- Public company costs - includes directors' fees, directors' and officers' insurance, external audit, filing and listing fees. The increase from 2019 is mostly due to the growing scale of the Company. In addition, the third quarter of 2020 reflects annual filings and activities such as the annual general meeting which were delayed due to COVID-19.
- Office and general – the increase from 2019 for the nine months is correlated to the Company's increased global footprint and additional office space that was required in the Bogota corporate office. The third quarter of 2020 reflects continued reductions in office spending because of work-from-home measures implemented in response to COVID-19.

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 $400,000 in the third quarter of 2020. In addition, reduced head count, a reduction in travel and office costs as well as reduced investor relations spending also helped in reducing general and administration costs.

Share-based compensation

Share-based compensation includes expenses related to both stock options and restricted share units. For the three- and nine months ending September 30, the decrease from the prior year is due to the completion of vesting of higher value units, partially offset by the expense from lower valued units issued in the current year.

Selling, marketing and promotion

These costs are related to corporate communications, educational conferences, costs associated with marketing and selling Kuida™wellness products 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 has since been focused on online 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 third 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 $358,732 (Q3 2020 - $56,396) compared to $861,707 in 2019 (Q3 2019 - $109,673) 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 third 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 September 30		For the nine months ended September 30	
(Canadian dollars)	**2020**	2019	**2020**	2019
	$	$	**$**	$
Cash used in operating activities:				
Before working capital changes	**(5,685,595)**	(5,516,787)	**(17,327,250)**	(19,671,502)
Working capital changes	**822,180-**	(2,423,077)	**(1,457,788)**	(1,897,082)
	(4,863,415)	(7,939,864)	**(18,785,038)**	(21,568,584)
Cash used in investing activities:				
Purchase of property, plant and equipment	**(286,913)**	(470,376)	**(1,926,214)**	(3,888,452)
Acquisition of ILANS	**-**	(82,259)	**-**	(2,753,132)
Acquisition of NettaGrowth, net of cash	**-**	13,960	**-**	-
	(286,913)	(538,675)	**(1,926,214)**	(6,641,584)
Cash provided from financing activities:				
Proceeds from share issuances	**-**	-	**-**	53,139,228
Proceeds from exercise of options and warrants	**-**	953,478	-	5,128,513
Shares purchased and cancelled	**-**	-	**(212,389)**	-
Repayment of long-term debt	**(87,548)**	(308,185)	**(342,085)**	(1,017,667)
	(87,548)	645,293	**(554,474)**	57,250,074
Change in cash and short-term investments	**(5,237,876)**	(7,833,246)	**(21,265,726)**	29,039,906
Opening cash and short-term investments	**20,175,940**	55,786,553	**36,904,781**	18,963,272
Foreign exchange on cash and other	**(193,399)**	(95,723)	**(894,390)**	(145,594)
Closing cash and short-term investments	**14,744,665**	47,857,584	**14,744,665**	47,857,584

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, purchased additional medical equipment and completed the build of a solar power generation facility at its cultivation site. In 2019, the Company completed the construction of its cultivation, extraction, and analysis facilities in Ibagué, Colombia and incurred 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.

Subsequent to Q3 2020, in November 2020, the Company completed a bought deal financing, selling 32,200,000 units at a price of $0.45 per unit for aggregate gross proceeds of $14,490,000. Each Unit is comprised of one common share in the capital of the Company, and one warrant. Each warrant entitles the holder thereof to purchase one Common Share at an exercise price of $0.75, for a period ending five years from November 26, 2020. In consideration for their services, the Underwriters received a cash commission equal to 6.0% of the gross proceeds and non-transferable compensation options equal to 6.0% of the units sold. Each compensation option is exercisable at the issue price of $0.45 to acquire one unit expiring November 26, 2022.

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 totalled $2,247,412 and 786,600 compensation options were issued valued at $1,770,000.

In Q3 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 totalled $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 growth is tempered, particularly with the wellness products, but the Company will continue to focus on executing its medical cannabis strategy both in Colombia and internationally with available cash resources. The building of the cultivation and processing facility in Juan Lacaze, Uruguay has 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 ended. 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 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 $13 million of 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	29,939	359,264	239,509	548,876	1,177,588
Financial lease – corporate and medical offices	191,479	1,244,993	342,919	14,288	1,793,679
Loans	120,896	382,723	-	-	503,619
	342,314	**1,986,980**	**582,428**	**563,164**	**3,474,886**

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 September 30, 2020, the Company has not yet achieved profitable operations and had a loss of $21.7 million for the first nine-months of 2020 and a deficit of $81.3 million. As described earlier in *Outlook and COVID-19*, management believes that with the reduced spending measures already in place, deferral of 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 $14.7 million and a working capital balance of $17.9 million at September 30, 2020. The net cash used in Q3 2020 was $5.4 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

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
	$	$	$	$	$	$	$	$
Revenues	1,928,090	1,670,276	1,900,649	2,510,470	2,773,239	2,207,680	2,090,977	891,677
Net loss	6,714,994	5,712,704	9,237,187	8,367,460	10,488,913	9,517,667	8,003,739	6,504,379
Basic and diluted loss per share	0.06	0.05	0.08	0.07	0.09	0.10	0.11	0.09
Weighted average shares outstanding	117,643,807	116,545,818	116,606,697	115,399,465	113,996,724	95,973,144	75,894,884	70,187,318

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 third 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 launch of its Kuida™ product line 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 third 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 third 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 surgeries and associated 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.
- Revenues in Q3 2020 reflect the decreased activity as a result of COVID-19 experienced in Q2 2020

Adjusted EBITDA

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

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

	For the three months ended September 30		For the nine months ended September 30	
(Canadian dollars)	**2020**	2019	**2020**	2019
	$	$	**$**	$
Net loss before tax	**(6,721,933)**	(10,621,101)	**(21,681,058)**	(28,142,507)
Add back (deduct):				
Interest expense	**123,416**	78,710	**391,388**	377,425
Depreciation and amortization	**103,107**	434,291	**618,545**	624,655
Unrealized gain on changes in fair value of biological assets	**(606,412)**	-	**(1,295,797)**	-
Share-based compensation	**1,539,643**	4,670,023	**5,031,060**	7,096,350
Amortization of signing bonus	**856,117**	-	**2,509,506**	-
Transaction fees	**-**	-	**-**	1,882,188
Adjusted EBITDA	**(4,706,062)**	(5,438,077)	**(14,426,356)**	(18,161,889)

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 September 30		For the nine months ended September 30	
	2020	2019	**2020**	2019
	$	$	**$**	$
Management fees and salaries	**1,453,337**	673,227	**4,406,177**	2,670,804
Share-based compensation	**1,561,133**	2,289,582	**3,627,845**	4,034,885
Donations to Centro Fox, a non-for-profit organization, controlled by Vicente Fox, a Khiron board member	**-**	-	**-**	149,779

As at September 30, 2020, prepaid expenses and other current assets includes $1.7 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 market milestones.

Management of Capital

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the year. The Company considers its shareholders' equity as capital which as at September 30, 2020 is $51.2 million.

Financial Instruments

Fair values

At September 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 September 30, 2020, the Company's financial liabilities consist of accounts payable and accrued liabilities, and loans, 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 approximately $200,000.

Off-Balance-Sheet Arrangements

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

Share Capital

As at the date of this MD&A, November 30, 2020, the Company had 150,167,068 common shares issued and outstanding, 35,513,449 warrants outstanding (including compensation options), 5,159,167 stock options outstanding and 6,940,000 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. Compensation options are exercisable for one common share of the Company and one warrant, with the warrant being exercisable for on common share.

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 nine months ending September 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.

Implications of the COVID-19 Pandemic

The global outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to protect against the spread of the virus. These measures, which include, among other things, limitations on travel, self-imposed quarantine periods and social distancing measures, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any government and/or central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

The Company cautions that it is impossible to fully anticipate or quantify the effect and ultimate impact of the COVID-19 pandemic as the situation is rapidly evolving. The extent to which COVID-19 impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 and the actions taken by governments to contain it or treat its impact, including shelter in place directives, which, if extended, may impact the economies in which the Company now operates, or may in the future operate, and key markets into which the Company sells or intends to sell its products.

The risks associated with global COVID-19 measures, and the Company's own protocols, may have a material impact on the Company's ability to grow its business and generate revenue, which in turn could materially impact the Company's financial condition and results from operations. As of the date of this Prospectus, the Company has continued modified operations under COVID-19 protocols. The Company is actively addressing risks to its business from COVID-19 through a broad range of measures throughout its structure and is re-assessing its response to the COVID-19 pandemic on an ongoing basis, see *"Description of the Business – Overview – Key developments during Q3 2020 and up to November 30, 2020– Outlook and Impact of COVID-19"* for additional information.

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.