



KHIRON LIFE SCIENCES CORP.

MANAGEMENT DISCUSSION & ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED September 30, 2022, and 2021
November 30, 2022

Introduction

The following interim management’s discussion and analysis (Interim MD&A) of Khiron Life Sciences Corp. (the “Corporation” or “Khiron”) for the three and nine months ended September 30, 2022, has been prepared to provide material updates to the business operations, liquidity and capital resources of the Corporation since its last management’s discussion and analysis, being the management’s discussion and analysis for the three months ended June 30, 2022. 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 Corporation (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 Corporation’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 Corporation’s Annual MD&A, audited annual consolidated financial statements for the years ended December 31, 2021, and 2020, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022 and 2021, together with the notes thereto.

The Corporation’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, 2022, unless otherwise indicated.

Unless otherwise identified, the MD&A is presented in Canadian dollars, which is the Corporation’s functional currency. All financial information presented in dollars has been rounded to the nearest thousand where appropriate, except for share and per share amounts.

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 (khiron.ca) and all previous public filings, are available through SEDAR (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 Corporation’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 Corporation'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 Corporation'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 Corporation 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 Corporation 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 Corporation's shares are listed on the TSX Venture Exchange (TSXV) under the symbol "KHRN", the OTCQX Best Market under the symbol "KHRNF" and on the Frankfurt Stock Exchange under the symbol "A2JMXC".

Khiron aims to innovate the category of medical cannabis through improving the state of healthcare worldwide. Khiron is a leading medical cannabis company with core operations in Latin America and Europe. Leveraging medical health clinics and proprietary telemedicine platforms. Khiron combines a patient-oriented approach, physician education program, scientific expertise, real-world evidence, product innovation, and cannabis operations expertise to drive prescriptions and brand loyalty with patients worldwide.

The Corporation has a sales presence in Colombia, Germany, the UK, Peru, and Brazil. The Corporation'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 Corporation is authorized to manufacture and fill prescriptions for high-THC and low-THC medical cannabis in Colombia, Peru, Brazil and dried flower products in Germany and the UK.

The Corporation has three product lines:

1. Medical Cannabis Products - in which the Corporation sells branded medical cannabis products to patients with medical conditions where cannabis can be an acceptable and proven option.
2. Health Services - where the Corporation operates its own network of medium complexity health centres (operating under the ILANS and Zerenia™ brands) and Zerenia satellite clinics offering a suite of health, medical and surgical services in alignment with both insurance company partners and private practice.
3. Wellbeing Products - focused on delivering the benefits of CBD across an array of various branded consumer packaged goods, such as its Kuida™ cosmetics line. As of December 2021, the Corporation is no longer actively pursuing sales and marketing opportunities for wellbeing products.

NON-GAAP MEASURES AND ADDITIONAL GAAP MEASURES

Throughout this document, reference is made to “gross profit”, “working capital”, and “Adjusted EBITDA”, which are all non-IFRS measures. Management use these measures as they provide additional information that is relevant to the business:

- *Gross profit* is a useful supplemental measure of operations
- *Working capital* is a useful indicator of the Corporation’s liquidity and its ability to meet its current obligations
- EBITDA, which is earnings before finance costs including unrealized gains and losses on financial instruments, tax, and depreciation and amortization
- Whilst EBITDA is a useful measure, management believes that *Adjusted EBITDA* is a more appropriate measure for comparing results from one period to another. Adjusted EBITDA normalizes earnings to exclude certain non-operating, non-cash, and extraordinary amounts.

All these terms are defined below. Readers are cautioned that these non-IFRS measures may not be comparable to similar measures used by other companies. Readers are also cautioned not to view these non-IFRS financial measures as an alternative to financial measures calculated in accordance with International Financial Reporting Standards (“IFRS”).

NON-GAAP MEASURES DEFINITIONS

“**Adjusted EBITDA**” is a measure of the Corporation’s operating profitability. Adjusted EBITDA provides an indication of the results generated by the Corporation’s principal business activities, excluding the impact of how these activities and assets are financed (including mark-to-market movements of the warrant value), depreciated and amortized and how the results are taxed in various jurisdictions. It also excludes various non-cash accounting charges/credits such as impairment of property, plant, and equipment, impairment of intangible assets, changes in fair value of inventory, unrealized changes in fair value of biological assets, prior to the effect of foreign exchange, and share-based payment expense. Adjusted EBITDA is not intended to represent net earnings as calculated in accordance with IFRS. A reconciliation of net loss to adjusted EBITDA is provided in page 16.

“**Working capital**” is used by management and the investment community to analyze the operating liquidity available to the Corporation. Working capital is calculated as current assets less current liabilities.

ADDITIONAL GAAP MEASURES DEFINITIONS

Working capital is derived from the statements of financial position and is calculated as follows:

As at (\$ Cdn thousands)	September 30, 2022	December 31, 2021	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	1,938	8,923	(6,985)
Accounts receivable	4,538	2,880	1,658
Inventory and biological assets	9,814	9,454	360
Prepaid expenses and other current assets	2,037	2,517	(480)
Total current assets	18,327	23,774	(5,447)



Current liabilities			
Accounts payable and accrued liabilities	6,757	4,308	2,449
Current portion of deferred consideration	1,079	104	975
Current portion of long-term debt and lease liabilities	1,226	1,522	(296)
Warrant liability	549	1,783	(1,234)
Total current liabilities	9,611	7,717	1,894
Working capital	8,716	16,057	(7,343)

“Gross profit” is used by management to analyze overall and segmented operating performance. Gross profit is not intended to represent an alternative to net earnings or other measures of financial performance calculated in accordance with IFRS. Gross profit is calculated from the statements of operations and comprehensive income (loss) and from the segmented information contained in the notes to the financial statements. Gross profit is defined as revenue less cost of sales, changes in fair value of inventory sold, and unrealized gain (loss) on changes in fair value of biological assets.

OVERVIEW

Key developments during Q3 2022 and up to November 30, 2022

The Corporation announced the appointment of Helen Bellwood as Interim CFO in July 2022, following the resignation of former interim CFO, Swapan Kakumanu.

In August 2022, Khiron announced the completion of the acquisition of Pharmadrug Production GmbH, an EU-GMP certified German pharmaceutical manufacturer and wholesaler, from its parent PharmaDrug Inc. Pharmadrug Production GmbH is an experienced player in the European pharmaceutical market. The acquisition provides Khiron with direct access to German pharmacies, a broader product portfolio with strong market presence and increase in gross margins for the Corporation’s products.

Khiron opened its first clinic in Brazil in August 2022, in the district of Ipanema in Rio de Janeiro, a city of more than 12 million people. In the initial phase of the 7,000 sq. ft. clinic, Brazil’s first Zerenia™ Clinic has a total capacity of approximately 23,000 patient consultations per year. Under the leadership of Dr. Eduardo Faveret as Medical Director, the clinic will open with more than 13 doctors for both in-person and telehealth models.

In October 2022, Khiron successfully imported its first-ever high-THC product into Brazil from Colombia, expanding its product portfolio in the country.

In November 2022, Khiron entered the Swiss medical cannabis market with the first sales of two of its new flower products, namely the KHIRON Gelato 19/1 and the first THC:CBD balanced flower product KHIRON Caramel 5/7.

For the three months ended September 30,		2022	2021
Key Operating Metrics			
Medical Cannabis Products			
Revenue generating countries	#	5	4
Latin America	Bottles	28,239	11,058
Europe	Grams	116,705	42,890
Health Services			



Patient interactions	#	44,816	32,984
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Medical Cannabis Products

The Corporation currently sells a diverse portfolio of medical cannabis products, primarily sublingual tinctures in Latin America and dried flower in Europe. The Corporation is actively pursuing to expand its portfolio offerings across all its operating markets

In Q3 2022 the Corporation reported revenues in medical cannabis of over \$1.6 million, down from \$2.6 million in Q2 2022. This was primarily driven by a momentary reduction in sales in Colombia, as the newly elected Government needs to review the insurance coverage requirements of medical cannabis magistral preparations. During this time, the Company has experienced a pause in insurance covered prescriptions, but expects this to resume, once the Ministry of Health has finished reviewing and approving mandatory insurance coverage protocols. In Germany there were delays in the launch of new product ranges combined with a strategic decision to delay sales until the acquisition of Pharmadrug was completed. Gross margin of 67%, a decrease of 9% quarter on quarter, driven primarily by a higher reduction in sales in Colombia which typically attract a higher margin.

Colombia

- During Q3 2022, the Corporation sold **13,127** bottles in Colombia, down **12%** from Q3 2021, and down **52%** from the previous quarter.
- Over **84%** of the bottles sold during Q3 2022 were sold through insurance coverage, compared to **62%** in Q3 2021.
- Over **87%** of the bottles sold during Q3 2022 were sold to returning patients, compared to **70%** in Q3 2021.
- In Q3 2022, the Corporation dispensed medical cannabis to **9,600** individual patients, up **85%** from Q3 2021.
- In Q3 2022, the average monthly purchase per patient was **1.8** bottles per month, compared to **1.5** bottles per month in Q3 2021, due to higher patient volumes, greater positive patient response to medical cannabis, and insurance coverage expansion.

United Kingdom

- In Q3 2022, Khiron generated \$0.8 million in medical cannabis revenues in the United Kingdom (“UK”)
- With over 90 Kg of dried flower sold during the quarter, the Corporation has sold the same volume in Q3 2022 as in the entire 12 months of 2021
- Khiron's growing portfolio in the UK includes **KHIRON 20/1**, one of the best-selling THC-predominant cannabis flowers in the UK market.
- With a population of almost 67 million, the UK has a potential of at least 1 million medical cannabis patients (as per management estimates based on industry benchmarks). Khiron addresses the great potential in the UK with its medical cannabis products and clinical services, which are increasingly used by patients and medical practitioners.

Germany

The total potential for cannabis patients in Europe's largest country, with 83 million inhabitants and only about 100,000 existing medical cannabis patients, is at least 1% of the total population (830,000 patients).

In Germany, the re-start of Khiron medical cannabis product sales was delayed as a result of the Corporation's acquisition of Pharmadrug Production GmbH (“Pharmadrug”), an acquisition that enables Khiron to sell directly to pharmacies in Germany without the need for a third-party distribution partner. The acquisition formally closed in August after the clearance certificate required under German Foreign Trade Regulation was obtained. The Corporation was legally obliged to not start commercial activities until this acquisition was complete. For this reason, sales of Khiron products via Pharmadrug commenced only in late September 2022 with the launch of several new Khiron SKUs which now include all three



chemotypes from THC-dominant, THC:CBD balanced to CBD-dominant. All European medical cannabis product sales will be now run through Pharmadrug .

Peru

- In Q3 2022 Khiron Peru sold 2,334 bottles. 954 bottles in the Peruvian Market, and 1,380 bottles off shelf ready Alixen 30 and Alixen 100, to Khiron Uruguay for distribution in the Brazilian market.
- In Q3-2022 Khiron Peru achieved a 26% volume growth compared with Q3-2021
- Shelf ready Khiriox 12:14 and Khiriox 20 was produced in September, exported in October and will start sales in November 2022. These products will become the first registered high THC formulas to be commercialized in the Peruvian market.

Health services

The Corporation operates a portfolio of low to medium complexity health centers and clinics, that are focused on conditions for which medical cannabis can be a viable option, such as: chronic pain, neurological conditions, mental health, and sleep disorders, among others. The Corporation currently operates on its own, or through partnerships, clinic, health centers and telehealth services in Colombia, Peru, and the United Kingdom, and in August 2022, the first clinic in Brazil was opened.

In Q3 2022, the Corporation reported revenues in health services of **\$1.78 million**, mostly from its Colombia and the UK operations. This represents a **decrease** of **22%** with respect to Q3 2021, and a decrease of **4%** quarter over quarter. However, gross margins in the Health Services segment came into **17%** in Q3 2022, compared to **13%** in Q2, largely as a result of cost reductions.

Colombia

- Khiron's health services in Colombia offer consultations, therapeutic support, low to medium-complexity procedures and surgeries, diagnosis support and sleep clinic service to patients, working with insurance companies and out of pocket patients to offer integrative services to improve quality of life.
- The Corporation operates health services through its company **ILANS SAS**, and its medical cannabis brand **Zerenia™**
- During Q3 2022, the clinics generated revenue of \$1.7 million, \$1.1m million lower than revenue in Q2 2022. This was due to a reduction in medical cannabis prescriptions as regulatory changes in Colombia which led to the ability to prescribe medical cannabis being halted. The Corporation is hopeful that this will be resolved in Q4 of 2022
- In 2022, the Corporation added 2 more medium-sized health centers located in major shopping malls in the city of Bogota and closed some small-format clinics in other cities, resulting in a total of 5 locations in Colombia (4 in Bogota, 1 in Medellín).

United Kingdom

- The Corporation's first clinic in Europe, Zerenia™ Clinics UK. opened in the UK in November 2021. The clinic operates with an on-line consultation model
- In Q3 2022, patient retention in Zerenia™ Clinics UK continues to grow, with 21% growth in revenue from Q2 to Q3 despite a challenging market where consumers have reduced disposable income as a result of the global economic crisis.

Brazil

- In August 2022, the Corporation opened its first Zerenia™ medical cannabis clinic in Rio de Janeiro, and has already exported its first High THC, Khiron-branded product into the country and achieved revenue of \$28,000 in its first 6 weeks of operation.

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Wellbeing products

In 2021, the Corporation discontinued active sales of its Kuida™ CBD-based cosmetics product line, to continue to focus on its high growth, high margin medical cannabis business, and took the subsequent inventory impairments in 2021. Throughout 2022 the Corporation will continue to recognize smaller revenues of its available inventory. As of December 2021, the Corporation is no longer actively pursuing sales and marketing opportunities for wellbeing products.

Q3 2022 financial summary

The Corporation recorded revenues of **\$3.4** million in Q3 2022, down from \$4.5 million in Q2, a reduction of \$1.1m. This reduction is largely attributable largely to the changes in the regulatory environment in Colombia however movements in foreign exchange rates caused a reduction of **\$0.33** million. Compared with the same period in 2021, revenue was only \$0.8m lower, a **13%** decrease from Q3 2021, again as a result of the changes in the Colombian regulatory environment. In Q3 2022, Medical Cannabis represented **47%** of total revenues, compared to **34%** in Q3 2021, a trend that will continue to increase over time.

	Q322	Q222	Q122	Q421	Q321
Service Revenues	52.6%	41.6%	42.6%	44.4%	64.9%
Medical Cannabis	47.4%	58.3%	57.1%	55.3%	34.3%
Wellness products	0.0%	0.1%	0.3%	0.3%	0.9%

In Q3 2022, medical cannabis revenues from Europe represented **54%** of total medical cannabis revenues, compared to **31%** in Q3 2021.

The Corporation recorded revenues of **\$1.78** million in the Health Services segment in Q3 2022, down 22% from Q3 2021, in part due to adverse fluctuations in foreign exchange rates contributing **£0.27** million. The remaining reduction of revenue was due to reduction of high-value, medium-complexity neurological surgeries in Colombia and continuous strengthening of the Canadian dollar against the Colombian Peso. Appointments of such high-end services are subject to patient and insurance company availability and remaining COVID-19 restrictions and related patient cancellations.

Gross profit before fair value adjustments was **\$1.4** million, down **19%** from Q3 2021, driven primarily by a reduction the medical cannabis business in Colombia which typically attracts a higher gross margin than other territories. In Q3 2022, medical cannabis represented **78%** of the Corporation's total gross profits before fair value adjustments.

In the medical cannabis segment, gross profit before fair value adjustments grew to **\$1** million, remaining steady from Q3 2021 and down **46%** quarter over quarter. Gross profit in this segment is driven primarily by Latin America, which represented **58%** of all medical cannabis gross profits. Gross margin of **84%** in Latin America is driven by Khiron's vertical integration strategy in the region, where the Corporation cultivates low-cost, high-quality medical cannabis in Colombia, produces its own pharmaceutical-grade medications, and sells through its own pharmacy in



Colombia, or 3rd party pharmacies in countries such as Peru. In Europe, gross margin for medical cannabis was **53%**, driven by the higher purchasing power of European patients as compared to Latin America, offset by the higher cost of cannabis production within Europe. With the acquisition of Pharmadrug GmbH, the Corporation expects to increase its gross margins through the addition of distribution margins and to continue increasing its sell-out volumes in Germany throughout 2022 and beyond.

In the health services segment, Q3 2022 gross profit was **\$0.3** million representing a gross margin of **17%**, compared to **\$0.6** million gross profit and **26%** gross margin for the segment in Q3 2021. This decrease in gross margin is attributable mainly to the early-stage implementation of the new Zerenia™ clinic in the UK and Brazil.

Expenses in Q3 2022 decreased by **17%** to **\$5.1** million from Q3 2021. This is driven by a reduction of 15% in General and Administrative costs compared to Q3 2021, largely due to the significant reduction in Corporate Governance, investor relations and share-based compensation. The Corporation expects to see a further reduction in cost of D&O insurance for the rest of 2022. This decrease is offset by an increase in depreciation expenses, due to full year effect of depreciations of offices works ended in 2021. Although in Q3 2022, Salaries expense was increased by 1% compared to Q3 2021, this expense item decreased 1% compared to Q2 2022.

The Corporation recorded an Adjusted EBITDA loss of \$2.8 million in the third quarter of 2022, compared to an Adjusted EBITDA loss of \$3.7 million in Q3 2021, resulting in a reduction of 23% in Adjusted EBITDA loss. This is a result of continuous growth in the high-margin medical cannabis segment and a continuous decrease in general and administrative costs, which will continue throughout 2022.

As of September 30, 2022, the Corporation's Cash used in operating activities was \$9.8 million, compared to -\$15.2 million in the nine months ended September 30, 2021, resulting in net cash of \$1.9 million at the end of Q3 2022. This is a result of actively managing the working capital cycle, improving collection times for the Corporation's Accounts Receivable and extending payment terms on its Accounts Payables, while reducing overall general and administrative costs and increasing its high gross margin medical cannabis business.

At the end of Q3 2022, the Corporation had \$32.3 million in total assets (excluding goodwill), with more than \$11.5 million in land, buildings and equipment, high quality medical cannabis inventory of \$8.8 million, healthy Accounts Receivables with credit-worthy clients in Colombia and Europe of \$4.5 million and only \$0.8 million in financial debt.

The Corporation recorded a net loss of \$3.6 million in the third quarter of 2022 and a comprehensive loss of \$4 million. This compares to a net loss of \$3.3 million in the third quarter of 2021. In Q3 2022, the Corporation recorded lower revenues and lower gross profits before fair value adjustments than Q3 2021, which were offset by a lower operating expense. Also, the Corporation recorded an unrealized gain of \$0.3 million on warrants valuation.

GEOGRAPHIC SEGMENTS

For the three and nine months ended September 30, 2022, the Corporation has the following results in its defined geographic segments:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
LATAM				
Revenues \$	2,481	3,118	9,108	8,418
Gross Margin %	41%	42%	46%	37%



Health Services				
Revenues \$	1,737	2,283	5,516	6,465
Gross Margin %	22%	26%	17%	22%
Medical Cannabis				
Revenues \$	744	836	3,592	1,953
Gross Margin %	84%	84%	89%	85%
EUROPE				
Revenues \$	904	374	3,376	645
Gross Margin %	42%	100%	47%	100%
Health Services				
Revenues \$	43	-	106	-
Gross Margin %	(188%)	N/A	(248%)	N/A
Medical Cannabis				
Revenues \$	861	374	3,269	645
Gross Margin %	53%	100%	57%	100%

OUTLOOK AND GUIDANCE

This Outlook and Guidance contains forward-looking statements that the Corporation does not intend, and does not assume any obligation, to update, except as required by law. The forward-looking information and statements include:

- The current economic climate and its effect on the Corporation's client base business.
- The Corporation's ability to successfully acquire new customers.
- The Corporation's ability to successfully implement its technology; and
- Management's assumptions regarding the sustainability of recurring revenue streams and the Corporation's expected profitability.

The results of Q3 2022 have been adversely impacted by the changes in the regulatory environment in Colombia which have limited sales of medical cannabis in Colombia, impacting on revenue and also gross margin as sales in Colombia typically generate a higher gross margin. However, the Corporation continues to diversify its revenue and patient base across Latin America and Europe and has implemented cost reduction programmes across the Corporation to mitigate the impact of the changes in Colombia.

The Corporation's health services segment remains a main pillar of the Corporation's growth in high-margin medical cannabis revenues, not only in Colombia, but in Peru and UK, Brazil, and eventually in Mexico. In Colombia, the recent new openings of medium-sized health centers have added around an additional capacity of 80,000 consults per year, elevating the maximum physical installed capacity to around 400,000 consults per year (without COVID-19 restrictions limiting patient consults per hour), which can be expanded using the Corporation's telehealth platform. By the end of 2022, the Corporation expects to surpass more than 160,000 annual consults in Colombia and growing KPIs in patient acquisition, patient retention, medication adherence, patient quality of life and average monthly spend per patient. In the UK, Zerenia™ has a patient conversion rate above 95%, and although the clinic operations are in early stages, the Corporation expects patient consults to increase and conversion rates to remain or improve.



Khiron's clinic strategy is a unique approach to patient acquisition and doctor education, one that the Corporation will deploy across target markets in the short and medium term.

In 2022, Khiron will continue to focus on expanding its first-mover advantage in Colombia, where insurance coverage is allowing access for more patients, and where the Corporation is building strong evidence on the benefits of medical cannabis. In May 2020, the Corporation sold more than 10,000 bottles in Colombia alone, and by Q2 2022, it had exceeded the milestone of selling its first 100,000 bottles since beginning sales in March 2020, maintaining its high gross margins and pricing structure. The changes in the regulatory environment in Colombia have adversely impacted this trend during Q3 however the Corporation remain hopeful that the current situation will be resolved and are well-placed to service the medical cannabis market when it is.

In Peru, the Corporation aims to introduce its first-ever THC shelf-ready branded medical cannabis product, to be launched on the 4Q of 2022. Although Peru accounts only for 5% of the Corporation's Latin American sales, the introduction of such shelf-ready products is expected to significantly increase the Corporation's sales in this country, as patients will have more readily accessible products. In addition, the Corporation expects to obtain export permits of both CBD and THC branded products (Alixen and Khiriox respectively) to other Latin American countries reducing operation costs, improving margins, and increasing sales. The Corporation expects to start exporting shelf ready Alixen™ products in Brazil by the end of 2022.

In Brazil, the Corporation recently opened its first Zerenia™ medical cannabis clinic in Rio de Janeiro. Brazil represents a tremendous opportunity for Khiron to leverage its unique business model to become a leader in this 230 million people country, and the Corporation expects Zerenia™ to become a key sales and patient retention channel, mirroring the experience and outcomes of Colombia and Perú.

For Khiron, Mexico represents a great opportunity to leverage its unique knowledge of medical cannabis. The Corporation has announced a partnership with Teletón, one of Mexico's most renowned medical networks and is currently undergoing similar partnerships with other health service institutions to further consolidate its category leader position once the Corporation is allowed to import medical cannabis into Mexico under the current regulations.

Q3 2022 results also highlight the importance of Khiron's European operations in the Corporation's top and bottom line. In the United Kingdom in particular, the Corporation continues to be a key player in the medical cannabis market. During the nine months ended September 30, 2022, the Corporation had sold more than **220 Kg** of Khiron-branded dried flower products in the United Kingdom, far exceeding the amount of product sold in the entire 2021, maintaining its high gross margins and pricing structure. In 2022, the Corporation will continue to introduce new SKUs to its current product portfolio and continue to increase availability of appointments in its Zerenia™ Clinics UK, to surpass 500Kg of product for 2022.

In Germany, the Corporation expects to use its recent Pharmadrug GmbH acquisition to channel its sales strategy through its own distribution network, increasing top line revenues and gross margins, and allowing Khiron to implement other sales strategies to increase its sell-out through pharmacies.

Review of Operations for the three and nine months ended September 30, 2022, and 2021

Health Services

Health services include the revenues and costs from the ILANS and Zerenia™ health centers across the world. Zerenia™ is a portfolio of low to medium complexity health centers and clinics, that are focused on conditions for which medical cannabis can be a viable option, such as: chronic pain, neurological conditions, mental health, and sleep disorders, among others.



Revenues from health services in Q3 2022 decreased 13% from Q3 2021 to \$1.78 million, due to reduction of high-value, medium-complexity neurological surgeries in Colombia. Gross margin in 9 ppts reduction in health services is due to lower high-value, medium-complexity neurological surgeries in Colombia, and the initial cost of the new Zerenia™ clinic in the UK and BRAZIL. For the nine months ended September 30, 2022, the revenues from health services decreased 13% from same period 2021 to \$5.6 million.

The following table shows the quarterly gross margin results of the clinics for the three and nine months ended September 30, 2022 and 2021 respectively.

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues	1,780	2,283	5,622	6,465
Cost of sales	1,480	1,689	4,922	5,019
Gross profit	300	594	700	1,446
Gross margin	17%	26%	12%	22%

Medical Cannabis Products

The Corporation currently sells a diverse portfolio of medical cannabis products, primarily sublingual tinctures in Latin America and dried flower in Europe. Q3 2022 reported revenues in medical cannabis sales with over \$1.6 million, with a gross margin of 67%, an increase of over 33% with respect to Q3 2021, driven primarily by continuous growth in Colombia, UK, and Germany. In Q3 2022, Europe represented 54% of all medical cannabis revenues, compared to 31% in Q3 2021. For the nine months ended September 30, 2022 revenues from medical cannabis increase to \$6.8 million from \$2.6 million reported in the same period of 2021.

In the medical cannabis segment, gross profit before fair value adjustments came into \$1 million, remaining steady from Q3 2021, and \$5 million from the nine months ended September 30, 2021. Gross profit in this segment is driven primarily by Latin America, which represented 58% of all medical cannabis gross profits.

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues	1,604	1,208	6,861	2,596
Cost of sales	523	129	1,814	286
Gross profit	1,081	1,079	5,047	2,310
Gross margin	67%	89%	74%	89%

Wellbeing products

Wellbeing products revenues in Q3 2022 were from direct channel sales to existing customers in Colombia. Throughout 2022 the Corporation will continue to recognize smaller revenues of its available inventory. As of December 2021, the Corporation is no longer actively pursuing sales and marketing opportunities for wellbeing products.

The table below shows the revenue for the Kuida® Wellbeing products:



	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Wellbeing product revenues (\$)	\$ 1	\$ 29	\$ 18	\$ 98
Units sold (#'000)	1	3	7	6

Fair value adjustments on biological assets and cannabis sales

The Corporation recorded a fair value gain on harvested and growing plants of \$0.43 and \$1.4 million along with a fair value loss of \$0.16 and \$1.68 million on the sale of medical cannabis products for the three and nine months ended September 30, 2022 respectively. 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, 2022 and 2021.

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	
	2022	2021	2022	2021
Salaries	1,970	1,958	6,210	6,827
Corporate governance	43	775	650	2,653
Office and general administration	811	1,145	1,541	2,292
Professional fees	701	89	2,137	734
Consulting	161	104	626	739
Investor relations	9	289	381	617
Travel and development	44	85	145	152
Share-based payments	328	535	975	2,568
Depreciation and amortization	336	202	1,087	654
General and Administrative	4,403	5,182	13,750	17,236

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

- Salaries: Increase was less than 1% in Q3 2022 as yearly salary increases were largely offset by a reduction in headcount. For the nine months ended September 30, 2022 salaries decrease 13% from the same period in 2021, again as a result of headcount reductions.
- Corporate Governance: Decrease in Q3 and first nine months of 2022 due to a significant reduction in Directors & Officers insurance expense. The Corporation expects this expense to be reduced further throughout 2022
- Office and general administration Decrease in Q3 and first nine months of 2022 due to reclassification (to Selling Marketing and Promotion) of fees related to the distribution & warehousing margins paid to European distributors for the growing medical cannabis business in Europe
- Professional fees: Mainly increase due to technical services provided for start of clinic operations in Brazil, and financial (accounting) services in Canada
- Consulting: Decrease in Q3 and first nine months of 2022 due to a decision to reduce the use of consulting services in Colombia and Canada

- Share-based compensation includes expenses related to both stock options and restricted share units. For the three- and nine-months ending September 30, 2022, 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 new Zerenia™ facilities in Colombia, the UK and Peru, as well as marketing and educational material for external doctors in the Corporation's target markets.

Research and development

Research and development included non-capital related operating costs at the Corporation's cultivation, extraction and analysis facilities near Ibagué, Colombia, as well as support for research projects such as Project Twenty21 in the UK. Non-commercial cannabis production and extraction activities include operating costs that relate to non-commercial activities and advancing the Corporation's cultivation, extraction, and analysis facilities.

Liquidity and Financial Condition

Cash flows

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

For the nine months ended September 30 (\$ Cdn thousands)	2022	2021
	\$	\$
Cash used in operating activities:		
Before working capital changes	(9,173)	(12,715)
Working capital changes	(673)	(2,519)
	<u>(9,846)</u>	<u>(15,234)</u>
Cash used in investing activities:		
Purchase of property, plant and equipment	(1,447)	(586)
Acquisition of intangible assets	(208)	(28)
	<u>(1,655)</u>	<u>(614)</u>
Cash provided from financing activities:		
Proceeds share issuance	4,606	12,346
Share issuance cost	743	(1,343)
Proceeds from debt	(735)	169
Payment of lease liability	(388)	-
Repayment of long-term debt	69	(748)
	<u>(4,279)</u>	<u>10,424</u>
Change in cash and short-term investments	(7,221)	(5,424)
Opening cash and short-term investments	8,923	21,649
Foreign exchange on cash and other	237	(802)
Closing cash and short-term investments	<u>1,938</u>	<u>15,423</u>

Cash used in operating activities



Cash used in operating activities before working capital changes mainly includes cash provided by profits from health services sales of medical cannabis less general and administrative costs, selling, marketing and promotion, and research and development. Net cash outflows were reduced due a higher collection of accounts receivable, a disciplined management of accounts payables, and a cost reduction programme across the Corporation.

Cash used in investing activities

In Q3 2022, cash used for investing activities was mostly focused on the construction of the new Zerenia™ clinics in Colombia and the beginning of construction activities in the new Zerenia™ Brazil location.

Cash provided by financing activities

In Q3 2022, the Corporation repaid lease liabilities and long-term debt liabilities in Colombia, in addition to an extension of minor loan in Colombia for ILANS SAS. During Q2 2022, the Corporation announced the closing of \$4.6 million overnight brokered offering including full exercise of over-allotment option. A total of 30,705,000 units were sold at a price of \$0.15 per unit for aggregate gross proceeds of \$4,605,750. Each unit is comprised of one common share and one common share purchase warrant of the Corporation. Each unit warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.20 for a period of 24 months following the closing of the Offering. Cost of issuance allocated to this operation totalled \$0.7 million.

Commitments and contingencies

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

	Payments due by period				
	\$ Less than 1 year	\$ 1 to 3 years	\$ 4 to 5 years	\$ After 5 years	\$ Total
Contractual obligations (\$ Cdn thousands)					
Financial lease – land	56	131	162	295	644
Financial lease – corporate and medical offices	704	400	-	-	1,104
Deferred Consideration	1,079	139	-	-	1,218
Loans	466	350	-	-	816
	2,305	1,020	162	295	3,782

In March 2020, a lawsuit was filed in Uruguay against one of the Corporation's subsidiaries and other defendants unrelated to the Corporation, claiming certain finder's fees in connection with the acquisition of NettaGrowth and Dormul by the Corporation in June 2019. The Corporation 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 Corporation's potential liability in the litigation, if any.

On August 2, 2022, the Company completed the acquisition of Pharmadrug Production GMBH (Pharmadrug), a company licensed for manufacturing and distributing in Germany.

As at September 30, 2022, PHARMADRUG INC., the previous owner of Pharmadrug had the following claims:

- On August 20, 2019, THoR Beteiligungen GmbH ("THoR") incorrectly transferred an amount of €6,804 to Pharmadrug's business account and subsequently demanded its repayment. On October 22, 2019, Pharmadrug declared that PHARMADRUG INC. would offset this amount against a counterclaim against THoR, which subsequently issued a notice of assignment, according to which the claim had been assigned to Pharmadrug International GmbH ("Pharmadrug International") on September 27, 2019. Pharmadrug International has since filed a claim for repayment of a mismatch transfer against Pharmadrug for the same amount.



- On February 21, 2020, Thor Investments GmbH (“Thor Investments”) filed a lawsuit with Pharmadrug for a repayment of a loan in the amount of €34,222 plus interest. The loan with Thor Investments dates back to March 2019.

Financial Condition

The application of the going concern concept which assumes that the Corporation will be able to raise the necessary capital on terms acceptable to the Corporation and be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. As at September 30, 2022, the Corporation has not yet achieved profitable operations and had a loss of **\$11.1** million for the first nine-months of 2022 and a deficit of **\$127.9** million.

Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Corporation’s ability to continue as a going concern. The unaudited interim financial statements do not include necessary adjustments to reflect the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Corporation be unable to continue as a going concern. Such adjustments could be material

The Corporation had cash of **\$1.9** million and a working capital balance of **\$8.7** million at September 30, 2022. The net cash used in the nine months ended September 30 2022 was **\$6.9** million, including **(\$0.6)** million in non-cash working capital.

The objective over the remainder of the year is to increase the inflows of cash from medical cannabis sales, particularly those in Europe, while actively managing the Corporation’s working capital and continuing to reduce general and administrative expenses.

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

Summary of Quarterly Results

	2022	2022	2022	2021
(\$ Cdn thousands)	Q3	Q2	Q1	Q4
Health services ⁽¹⁾	1,780	1,862	1,980	1,613
Medical cannabis products ⁽¹⁾				
- LatAm	744	1,596	1,252	1,130
- Europe	860	1,011	1,398	881
Wellbeing products ⁽¹⁾	1	4	13	12
Total revenue	3,385	4,473	4,643	3,636
Net loss	(3,576)	(2,171)	(5,412)	(19,502)
Net loss per share – basic and diluted	(0.02)	(0.01)	(0.03)	(0.11)
Comprehensive loss	(4,043)	(3,841)	(4,121)	(21,431)

	2021	2021	2021	2020
(\$ Cdn thousands)	Q3	Q2	Q1	Q4
Health services ⁽¹⁾	2,282	1,944	2,239	2,236
Medical cannabis products ⁽¹⁾				
- LatAm	834	611	507	192
- Europe	374	215	56	42
Wellbeing products ⁽¹⁾	29	33	35	48
Total revenue	3,519	2,803	2,837	2,518



Net loss	(3,337)	(4,796)	(5,494)	(2,374)
Net loss per share – basic and diluted	(0.02)	(0.03)	(0.04)	(0.01)
Comprehensive loss	(3,317)	(5,456)	(8,905)	(1,583)

Adjusted EBITDA

The Corporation 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 Corporation's operating and financial performance and to assist in business decision-making. The Corporation believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors and other stakeholders use this information to evaluate the Corporation'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 tables provide a reconciliation of net loss to adjusted EBITDA.

For the three months ending September 30, (\$ Cdn thousands)	2022	2021
Net loss	(3,576)	(3,335)
Add back (deduct):		
Interest expense	93	43
Taxes	125	1
Depreciation and amortization	556	341
Net fair value adjustment on biological assets and cannabis product sales	(272)	(120)
Foreign exchange loss	102	-
Impairment on other items	88	-
Share-based compensation	328	535
Unrealized gain on warrants	(275)	(1,235)
Adjusted EBITDA	(2,831)	(3,771)

For the nine months ending June 30, (\$ Cdn thousands)	2022	2021
Net loss	(11,159)	(13,627)
Add back (deduct):		
Interest expense	281	145
Taxes	84	(13)
Depreciation and amortization	1,805	964
Net fair value adjustment on biological assets and cannabis product sales	263	(1,371)
Foreign exchange loss	506	-
Impairment on other items	85	-
Share-based compensation	975	2,568
Amortization of signing bonus	-	840
Unrealized gain on warrants	(1,235)	(1,234)
	(8,395)	(11,728)

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 Corporation as a whole. The Corporation has determined that key management personnel consist of executive and non-executive members of the Corporation’s Board of Directors and corporate officers.

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management fees and salaries	399	1,750	1,219	2,671
Share-based compensation	196	390	638	4,035

Management of Capital

The Corporation’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 Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Corporation may issue new shares, issue new debt, or acquire or dispose of assets. The Corporation 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 Corporation, is reasonable. There have been no changes to the Corporation’s capital management approach in the period. The Corporation considers its shareholders’ equity as capital which as at September 30, 2022 is \$27.1 million.

Financial Instruments

Fair values

At September 30, 2022, the Corporation's financial instruments consist of cash, accounts payable and accrued liabilities, and warrants. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

Khiron is exposed to a number of market risks arising through the use of financial instruments in the ordinary course of business. Specifically, Khiron is subject to credit risk, liquidity risk, currency risk, and interest rate risk.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations.

The Corporation manages credit risk by holding its cash in major financial institutions and in a trust held by our lawyers.

Khiron is exposed to credit risk related to accounts receivable as a result of extending credit to customers for goods and services provided, creating exposure on accounts receivable balances with trade customers. This exposure to credit risk is managed through a corporate credit policy whereby upfront evaluations are performed on all customers and credit is granted based on payment history, financial conditions, and anticipated industry conditions. Customer



payments are continuously monitored to ensure the creditworthiness of all customers with outstanding balances and an expected credit loss provision is established based on lifetime expected credit loss.

The following table represents the aging of the Corporation's ILANS operations (health centers in Colombia), which has extended credit terms.

(\$ Cdn thousands)	September 30	December 31
	2022	2021
0 – 30 days	1,455	508
31 – 90 days	1,240	580
91 – 120 days	247	250
>121 days	810	979
Total	3,752	2,317

Due to the nature of the ILANS operations (health centers in Colombia), the aging of accounts receivables is generally subject to collectability greater than 30 days. The historical average receivable is settled around 90 days after revenue recognition which is typical for the industry in Colombia.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. Khiron actively manages its liquidity through daily, weekly, and longer-term cash outlook and debt management strategies. The Corporation's policy is to ensure that sufficient resources are available either from cash balances or cash flows, to ensure all obligations are met as they fall due.

Management regularly reviews its level of capital resources and actively manages its affairs. This review will consider factors such as the current economic environment, changes in demand for the Corporation's services, capital spending requirements, foreign exchange rates, working capital needs, and profitability of the Corporation's operations, any of which could materially affect the Corporation's ability to meet its obligations.

Additional financing may be necessary in a variety of circumstances, including the requirement of working capital to ramp up operations, the occurrence of adverse circumstances, fluctuations in foreign currency translation, or the decision to expand geographically into new markets or by acquisition. In addition, in order to maintain or adjust its capital structure, the Corporation may issue new shares, new debt, or scale back the size and nature of its operations. It is anticipated that the financing may be raised by bank debt, other forms of debt, or the issue of equity. It is possible that such financing will not be available, or if available, will not be available on favorable terms.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Corporation's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns. The Corporation is subject to market rate risk on the calculation of fair value of the warrants. The warrants fair value of the conversion feature is determined using the exchange trading value of the warrants, which is affected by changes in the Corporation's stock price.

Political risk

After the first 100 days of govern of the new President of Colombia, the country is still experiencing a transition and adjustment period over key matters for the country's economy and development. This may imply regulatory changes that impact health and cannabis industries, as well as delays and/or lack of communication from local authorities regarding matters pending of definition.

Regulatory risk

As per individual interpretations from public officials of the Colombian Health and Social Care Ministry regarding the healthcare social security plan coverage for magistral preparations made from medicinal cannabis derivatives, the patients access to treatments where those medicines are prescribed has been restricted.

The Colombian Health and Social Care Ministry has announced it will establish, through a Circular, an access route for patients whose doctor has prescribed medicinal cannabis magistral preparations. At the time of publication of these results, the date in which such communication will be issued is unknown.

Operational risk

Khiron's cultivation and extraction facilities are located in Colombia, in the municipality of Piedras, near the city of Ibagué. The Corporation leases its facility through a 10-year lease contract that ends in 2027. The Corporation has included in the contract an option to present a purchase offer at market price to the owner of the land, and may start negotiations regarding the execution of the purchase option.

In addition, due to the global geopolitics, economic recession and increase of goods prices, the Corporation operation and supply chain may be negatively affected.

Currency risk

The Corporation has operations and customers in a variety of countries and transacts in several currencies. Future fluctuations in exchange rates will have an effect on the Corporation's operating results, financial position, and cash flows. The Corporation is also exposed to currency risk on working capital and borrowings that are denominated in currencies other than Khiron's functional currency, being the Canadian dollar.

Sensitivity analysis:

A strengthening of the Canadian dollar against the Colombian Peso (COP) and British Pound (GBP) by 10% at during the Q3 of 2022, would have resulted in an decrease in net loss of \$0.1 million (Q22022 decrease of \$0.1 million). The analysis assumes that all other variables, interest rates in particular, remain constant. A weakening of the Canadian dollar by 10% percent at September 30, 2022 and 2021 would have had an equal but opposite effect on net earnings, and equity, on the basis that all other variables remain constant.

Interest rate risk

The Corporation's objective in managing interest rate risk is to monitor expected volatility in interest rates while also minimizing financing expense levels. Interest rate risk mainly arises from fluctuations of interest rates on the renewal of long-term debt, which can vary between 4.73% and 11.3% as a result of the level of cash burn, as compared to the cash balance. On an ongoing basis, management monitors changes in short-term rates and considers long-term forecasts to assess potential cash flow impacts to the Corporation.

Sensitivity analysis:

The Corporation is not subject to interest rates cash flow risk. Interest on the Corporation's loan payable also does not vary as a result in changes in market interest rates or other factors.

Off-Balance-Sheet Arrangements

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

Share Capital



As at the date of this MD&A, November 23, 2022, the Corporation had 216,386,235 common shares issued and outstanding, 94,421,350 warrants outstanding (including compensation options), 5,780,167 stock options outstanding and 8,018,548 restricted share units outstanding. Each warrant, stock option and restricted share unit is exercisable or exchangeable for common shares of the Corporation on a one for one basis. Compensation options are exercisable for one common share of the Corporation and one warrant, with the warrant being exercisable for one common share.

Internal Controls Over Financial Reporting

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that:

- (i) the unaudited interim condensed consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim condensed consolidated financial statements; and
- (ii) the unaudited interim condensed consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Corporation does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of: i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited interim condensed consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Corporation's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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 Corporation'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 licenses 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 Corporation operates; ability to access financing on commercially attractive terms.



For a discussion of the risks faced by the Corporation, please refer to the Corporation's Annual Information Form, filed on April 29, 2022 and available under the Corporation profile on SEDAR, at www.sedar.com.



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Alvaro Torres
Chief Executive Officer

Franziska Katterbach
President, Europe

Helen Bellwood
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