Khiron Life Sciences Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND FOR THE PERIOD FROM INCORPORATION (FEBRUARY 17, 2017) TO JUNE 30, 2017

Khiron Life Sciences Corp.
Management's Discussion & Analysis

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Khiron Life Science Corp. (the "Company" or "Khiron") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six months ended June 30, 2018. This discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2018, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's 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"). Information contained herein is presented as of August 29, 2018, unless otherwise indicated

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (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 MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators. Additional information regarding Khiron Life Sciences Corp. is available on our website at www.khiron.ca or through the SEDAR website at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A contains 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. 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. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements	Assumptions	Risk factors
The Company will be able to continue its business activities.	The Company has anticipated all material costs and the operating activities of the Company, and such costs and activities will be consistent with the Company's current expectations; the Company will be able to obtain equity funding when required.	Unforeseen costs to the Company will arise; any particular operating cost increase or decrease from the date of the estimation; and capital markets not being favourable for funding resulting in the Company not being able to obtain financing when required or on acceptable terms.
The Company will be able to carry out anticipated business plans.	The operating activities of the Company for the three and six month period ending June 30, 2018, will be consistent with the Company's current expectations; debt and equity markets, interest rates and other applicable economic conditions are favourable to the Company.	Sufficient funds not being available; increases in costs, the Company may be unable to retain key personnel to develop or enhance its business, take advantage of future opportunity or respond to competitive pressures.
Management's outlook regarding future trends	Financing will be available for the Company's future business, continuing development, maintenance and operation of its information technology systems.	General economic conditions could adversely impact technology spending by the Company's clients, put downward pressure on prices which could adversely impact the business, financial condition or results of operations and the Company may be unable to retain key personnel

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, 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.

Market and Industry Data

This MD&A contains market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this MD&A, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

Overview

Key developments

- On February 17, 2017, the Company acquired all of the issued and outstanding shares of Chiron Inversiones S.A.S. ("Chiron") a company incorporated under the laws of Colombia. Consideration for the acquisition included the issuance of 14,300,000 Khiron shares. As of the acquisition date, the Company owns 100% of the outstanding shares of Chiron.
- On April 26, 2017, Chiron changed its name to "Khiron Colombia S.A.S. ("Khiron Colombia").
- On September 22, 2017, the Ministry of Justice and Law in Colombia issued Resolution 000069 of 2017 granting a licence to Khiron Colombia for the cultivation of medicinal cannabis – one of the first such licence ever issued in Colombia under Law 1787 of 2016; Decree 1427 of 2017; Decree 613 of 2017, in accordance with the provisions of Resolutions 577 and 578, 2017 (the "Low Tetrahydrocannabinol Cultivation Licence" or "Low THC Cultivation Licence"). The granting of this Low THC Licence allows Khiron to produce low tetrahydrocannabinol ("THC") (less than 1%) medicinal cannabis for domestic and international consumption.
- On October 4, 2017, the Ministry of Health and Social Protection issued Resolution 003735 of 2017 granting a licence to Khiron Colombia under Law 1787 of 2016, article 2.8.11.1.1 of Decree 780 of 2016 and Resolutions 2891 and 2892 of 2017 (the "High Tetrahydrocannabinol Production Licence" or "High THC Production Licence") authorizing the use of the High THC Cultivation Licence issued by the Ministry of Justice (as defined below) and the domestic and international distribution of high THC extracts. Further, the Colombian government approved 7 hectares of land on which Khiron Colombia can commence cultivation of medicinal cannabis at its grow location outside of Ibagué, Colombia.
- On October 19, 2017, Khiron received an additional licence from the Ministry of Justice in Colombia pursuant to Resolution 0841 of 2017 to cultivate high THC (more than 1%) medicinal cannabis under Law 1787 of 2016; Decree 1427 of 2017; Decree 613 of 2017, in accordance with the provisions of Resolutions 577, 578 and 579, 2017 (the "High Tetrahydrocannabinol Cultivation Licence" or "High THC Cultivation Licence", and collectively with the Low THC Cultivation Licence and the High THC Production Licence, the "Licences"), one of the first companies to receive both licences in Colombia. With these Licences and authorizations, Khiron Colombia is fully approved to cultivate, produce, distribute domestically and export internationally both tetrahydrocannabinol and cannabidiol medicinal cannabis.
- On October 25, 2017, Khiron (formerly Adent Capital Corp.) entered into a letter of intent with Khiron Life Sciences Corp. pursuant to which the parties agreed to complete the proposed Qualifying Transaction (defined herein).
- On December 15, 2017, Khiron received its medical cannabis quota allocation provided by the Government of Colombia. This allocation of quota enables Khiron to commence cultivation of medical cannabis mother plants on its approved lands.
- On December 22, 2017, the Company (formerly Adent) entered into the Definitive Agreement with Khiron Life Sciences Corp. with respect to the Qualifying Transaction that would result in a reverse takeover of the Company.
- On December 26th of 2017 the National Narcotics Funds in Colombia issued resolution 766 of 2017 registering Khiron Colombia for the national use, commercialization, distribution and possession of cannabis and its derivates for medical purposes.
- On December 28, 2017, Khiron received its medical cannabis quota allocation provided by the Government of Colombia. This allocation of quota enables Khiron to commence cultivation of medical cannabis mother plants on its approved lands.
- On January 12, 2018, in connection with the proposed Qualifying Transaction, Khiron completed the brokered private placement financing issuing 11,230,000 subscription receipts ("Subscription Receipt") at a price of $1.00 per Subscription Receipt for aggregate gross proceeds of $11,230,000. The gross proceeds, less 50% of the costs and expenses of the agents, were held in escrow pending completion of the Qualifying Transaction.

- During January 2018, the Company completed perimeter enclosures and security milestones in compliance with the National Narcotics Fund.
- On February 15, 2018, Khiron co-hosted the inaugural International Medical Cannabis Symposium. The symposium, which is the first such event to be held in the country, was co-hosted with the Colombian Association of Neurologists. The symposium featured leading international medical cannabis researchers from Canada, Israel, and Latin America, who provided a detailed introduction to medicinal cannabis applications in clinical practice.
- On March 28, 2018, Khiron completed a non-brokered private placement offering of 905,000 units at a price of $1.00 per unit for aggregate gross proceeds of $905,000. Each unit consists of one common share and one common share purchase warrant of Khiron. Each warrant entitles the holder thereof to acquire one common share of Khiron at a price of $1.20 for a period of 24 months following the completion of the Qualifying Transaction, subject to adjustment and acceleration.
- During March 2018, Khiron's initial greenhouse structures were completed.
- During April 2018, the Agricultural Colombian Authority (ICA) granted the Company the authorization to become an official seed producer after an audit of the cultivation infrastructure.
- On May 16, 2018, the Completed Qualifying Transaction. Pursuant to the Qualifying Transaction, a subsidiary of the Company amalgamated with Khiron Life Sciences Corp. which constituted the Company's "Qualifying Transaction" of pursuant the policies of the TSX Venture Exchange Inc. (the "Exchange" or "TSXV"). Concurrent with the completion of the Qualifying Transaction, each Subscription Receipt was converted, for no additional consideration, into once common share of the Company, and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $1.20 for a period of 24 months.
- On May 24, 2018, the Company's common shares resumed trading on the TSXV becoming the first fully-licensed grower of medical cannabis with operations in Colombia to be listed on the TSXV.
- On May 28, 2018, Khiron was registered by the Colombian Agricultural Institute ("ICA") as an agronomical unit. ICA completed a site inspection of Khiron's facility and verified the site as ready for commercial production. This inspection included an audit of greenhouse and propagation area conditions, cultivation procedures and protocols, storage area conditions, and the methodologies applied to analyze and test strains.
- On May 29, 2018, Khiron acted as a key sponsor of the CannaMexico World Summit and strategically positioned to enter the Mexican market.
- During May 2018, Khiron received INVIMA approval to commercialize CBD products for Colombian domestic sale and export. This approval positions Khiron as the first fully licensed medical cannabis company to receive an approval from INVIMA for cannabinoid-based products.
- On June 11, 2018, Khiron secured medical cannabis endorsements from two of the largest medical associations in Colombia: The Colombian Association of Internal Medicine (ACMI) and the Colombian Association of Neurology (ACN). As a result, the Company was the first medical cannabis company in Colombia to be endorsed by two medical associations.

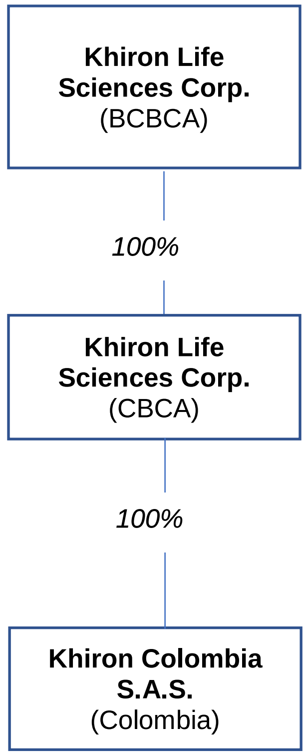
Description of Business

Khiron Life Sciences Corp. ("Khiron" or the "Company") was incorporated on May 16, 2012 under the *Business Corporations Act* (British Columbia) under the name "Adent Capital Corp." ("Adent"). On May 16, 2018 the Adent's wholly-owned subsidiary 10546534 Canada Inc. amalgamated with Khiron Life Sciences Corp., which transaction constituted the Company's 'Qualifying Transaction' ("Qualifying Transaction") pursuant to the policies of the TSX Venture Exchange Inc. ("TSXV").

Through the Company's wholly-owned subsidiary, Khiron Colombia, the Company is licensed by the Ministry of Health and Ministry of Justice in Colombia to cultivate, produce, and distribute (domestically and internationally) both THC (tetrahydrocannabinol) and CBD (cannabidiol) medicinal cannabis extracts.

The principal and registered head office of the Company is located at 2300-550 Burrard Street, Vancouver British Columbia, V6C 2B5 and its main office in Colombia is Carrera 11 No. 84-09 Office 402, Bogotá, Colombia. The Company's common shares are listed under the symbol "KHRN" on the TSXV, and "KHRNF" on the OTCQB.

Intercorporate Relationships



Khiron two subsidiaries, Khiron Life Sciences Corp. (CBCA), and Khiron Colombia S.A.S. ("Khiron Colombia"), a company incorporated under the laws of Colombia initially as "Chiron Inversiones S.A.S." on February 6, 2016, amending minute no. 2 of its book of minutes of the general shareholder's assembly on April 26, 2017 to change its name to "Khiron Colombia S.A.S.". Khiron Colombia has its registered office address at Bogota, Colombia. Khiron Colombia is the operating entity holding all licences and assets in Colombia.

Industry Information

Medicinal cannabis refers to the use of cannabis and its constituent cannabinoids to treat disease or improve symptoms such as pain, muscle spasticity, nausea and other indications. Cannabinoids is a blanket term covering a family of complex chemicals, both natural and man-made, that bind with cannabinoid receptors (protein molecules on the surface of cells) and effect a wide number of responses. Cannabinoid receptors in the human body are part of a system called the endocannabinoid system. This system produces chemicals called endocannabinoids, which also bind with cannabinoid receptors. Cannabinoid receptors are found in the brain and throughout the body. Scientists have found that cannabinoid receptors in the endocannabinoid system are involved in a vast array of functions in our bodies, including helping to modulate brain and nerve activity (including memory and pain), energy metabolism, heart function, the immune system and even reproduction.

While there are a large number of active cannabinoids found in cannabis, the two most common currently used for medical purposes are tetrahydrocannabinol and cannabidiol. Although no clinical trials have been completed in Canada to validate the effectiveness of tetrahydrocannabinol or cannabidiol in managing disease and improving symptoms, scientific studies have identified that they, alone and/or in combination, have potential to provide treatment benefits for a large number of medical conditions. For example, tetrahydrocannabinol, a psychotropic cannabinoid, has been shown to activate pathways in the central nervous system which work to block pain signals and has shown potential to assist patients with Post-Traumatic Stress Disorder (PTSD) and stimulate appetite in patients following chemotherapy. cannabidiol, on the other hand, is non-psychotropic and has shown potential to relieve convulsion and inflammation.

Various third-party studies suggest that medicinal cannabis (with varying dosages of tetrahydrocannabinol and cannabidiol) has shown, or has the potential to show, efficacy for the treatment of Alzheimer's disease, anxiety, arthritis, brain injuries, cancer (chemotherapy), chronic nausea, chronic pain, eating disorders, epilepsy, fibromyalgia, glaucoma, Hepatitis C, HIV/AIDS, migraines, Multiple Sclerosis, muscle spasms, Parkinson's disease and PTSD.

Product Information and Distribution

Cannabidiol is one of the non-psychoactive components in cannabis that is believed to reduce and regulate the effects of tetrahydrocannabinol. Cannabigerol is an active compound in cannabis that is known for its antibacterial effects and cannabichromene is thought to have anti-inflammatory and analgesic effects.

Some of the potential uses for medicinal cannabis are disease treatment, pain relief and disease prevention, including: treatment of epilepsy; slow cell damage in diabetes glaucoma, lower intraocular pressure; treatment of Tourette syndrome; inhibit cancer and tumor cell growth; treatment of Parkinson and Huntington diseases; treatment of amyotrophic and multiple sclerosis; treatment of bipolar disorder; treatment of primary anorexia nervosa; treatment of digestive diseases; treatment of brain diseases; treatment of HIV/AIDS; relieve pain, convulsion, inflammation, nausea and congestion ;treatment of anxiety, depression and psychosis; treatment of dementia.

The variety, extraction method and final product of medicinal cannabis to be produced by Khiron shall be determined by the ailments or diseases Khiron intends to focus on.

Operations

Khiron Colombia has leased approximately 4.5 hectares of agricultural land in Ibagué, Colombia, for the production and sale of medicinal cannabis and has commenced preparing the property for outdoor planting of medicinal cannabis. Khiron Colombia has an option to lease an additional 15.5 hectares of which it is a holder of a valid interest to acquire. Khiron's grow location is operated by an experienced management team. Khiron plans to continue improving returns of its business through efficient and profitable operations, leveraging important economies of scale.

The construction and development plans for Khiron´s greenhouse facility is divided in three phases. In Phase 1 (the "Phase 1 Development"), Khiron will design and implement the main operational requirements for cultivation; in Phase 2 (the "Phase 2 Development") Khiron will commence construction of its first productive area consisting of one hectare.

During the Phase 2 Development, the Company intends complete the construction of its 7,500m^2 production greenhouse; complete its onsite drying, extraction, formulation, and testing facilities; and complete agronomical evaluation process with Ministry of Agriculture and Rural Development ("Ministry of Agriculture") and the Colombian Agricultural Institute (ICA) for first commercial harvest.

Finally, during the Phase 3 Development, Khiron will explore the potential of expanding its cultivation site based on the market needs.

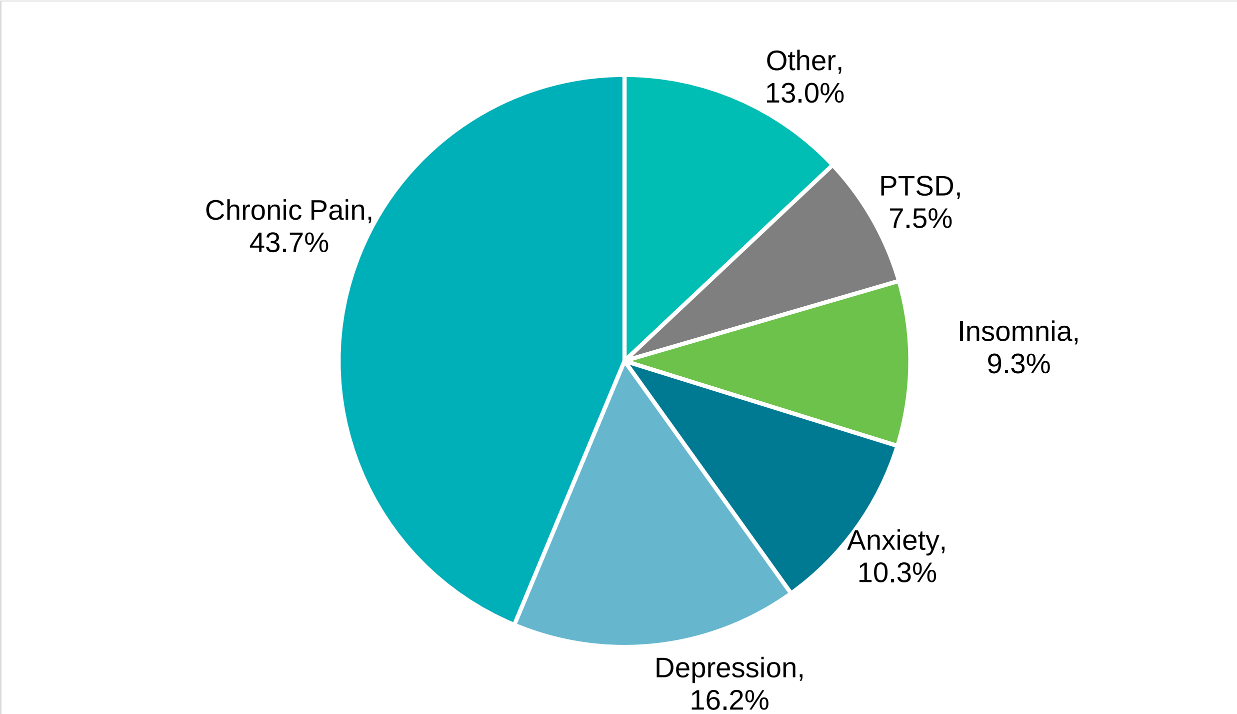
Trends

Market Information

Khiron's primary focus is to sell medical cannabis products in form of extracts to the domestic market in Colombia. Colombia is a country with a population of 48.6 Million people. The country had a Gross Domestic Product (GDP) of US$282.5 billion and a GDP per capita of US$5.8 thousand in 2016. The country has a life expectancy of 74.1 years and has seen a dramatic reduction in poverty. Despite the overall improvement in economic and social indicators in Colombia, the country still has challenges in maintaining and improving the quality of its health system. The objective of Khiron is to ensure accessibility, quality, efficiency and sustainability within the health system, by providing affordable medical cannabis-based products to patients.

Colombia is a recently legalized market for the commercial production and distribution of medical cannabis products. Therefore, Khiron is one of the leaders in developing the market for its products. Khiron is focused on addressing the unmet medical needs of Colombia with conditions including: 1) Epilepsy, 2) Chronic pain, 3) Chemotherapy-related nausea, 4) Post-traumatic Stress Disorder (PTSD), 5) Anxiety, 6) Insomnia, 7) Multiple Sclerosis (MS), 8) Parkinson's disease, 9) Depression, 10) Tourette syndrome, 11) Anorexia. For market qualification and quantification, Khiron engaged QuantilesIMS, one of the world's leading pharmaceutical statistics companies, to provide Khiron with data for market sizing and characteristics assessment. QuantilesIMS used several sources such as epidemiologic quantification (adult population, prevalence information from secondary sources, and diagnosed and treated patient information estimates), pharmacological sizing (pharma sales extrapolation), and secondary public information, based on the qualifying conditions where medical cannabis can be an alternative treatment.

Based on the attractiveness assessment and epidemiological quantification, Khiron estimates the total potential market for patients with qualifying conditions in Colombia to be 5.6 million people. The following table highlights the composition of the market by medical condition:



Currently, of the chronic pain population of 2.2 million people, QuantilesIMS[1] estimates approximately 500,000 patients use opioid-based medication for treatment. These medicals are often expensive and can lead to adverse health efforts. Khiron specific looks to displace this portion of the market.

Competitive Conditions

The market for medicinal cannabis is characterized by unsatisfied patient demand, with few authorized producers. Although competition in the market is growing and Colombia offers an open process to apply for the licenses, Khiron is competitively positioned to satisfy the demand for medicinal cannabis given the management team's expertise in medical product branding, marketing, quality control and domestic market relationships. The Company's competitors are primarily focused on generating low cost products for international export as base extractors, as opposed to Khiron's approach of creating branded product formulations for the domestic market. Cultivation in Colombia has natural cost advantages. However, Khiron's management believes the more sustainable competitive advantage is to create patient loyalty and brand preference, as opposed to the distribution of more homogeneous products. Other licensed companies in Colombia include PharmaCielo, Cannavida, and MedCan.

Selected Financial Information

[1] *QuantilesIMS contracted by Khiron to develop study*

Description	**Three months ended June 30, 2018 $**
Total revenues	Nil
Total (loss)	(6,207,151)
Net income (loss) per common share – basic and diluted	(0.15)
Total assets	8,601,765
Total liabilities	1,865,658
Total long-term financial liabilities	Nil
Equity	6,736,107

Discussion of Operations for three and six months ended June 30, 2018 and for the period from incorporation (February 17, 2017) to June 30, 2017

The Company's net loss for the three and six months ended June 30, 2018 $6,207,151 and $8,121,747 (2017 – $857,388 and $903,685) with basic and diluted loss per share of $0.15 and $0.22 (2017 – $0.03 and $0.04).

Operating expenses
Operating expenses was $6,197,866 and $ 8,121,438 (2017 – $857,593 and $903,685) consisting of:

- Share-based compensation of $640,149 and $745,332 (2017 – $405,000 and $405,000) related to the issuance of stock options, to officers, directors, and consultants as well as the issuance of restricted share units during the year. The fair value of the options was estimated by using the Black-Scholes option pricing model.

- Management and consulting fee was $1,182,230 and $1,543,470 (2017 – $95,245 and $106,745), remuneration of directors and key management personnel was $495,330 and $659,580 (2017 – $168,195 and $240,558). Increase in compensation for management is a result of increased business activities and payment of bonuses in relation to the Qualifying Transaction.

- Professional fees was $700,764 and $740,801 (2017 – $10,505 and $10,505), and includes audit and accounting fees of $86,500 and $95,650 (2017 – $nil) and legal fees of $594,945 and $614,528 (2017 – $10,505 and $10,505). Increases in audit fees and legal fees are directly related to the Qualifying Transaction.

- Salaries and benefits expensed of $766,264 and $1,172,681 (2017 – $301,452 and $331,789) which includes mandatory contributions to the social security system, and service bonuses as per Colombian labour law.

Liquidity and Capital Resources

The principal activities of the Company are the cultivation, production and distribution of medical cannabis. These activities are financed through the completion of equity transactions such as equity offerings. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. See "Risk Factors" below

The Company has no operating revenues and therefore must utilize its current cash reserves, funds obtained from the issuance of share capital to maintain its capacity to meet ongoing operating activities.

At June 30, 2018, the Company had working capital of $5,469,227 (2017 – $1,950,714) as the Company had cash of $6,498,047 (2017 – $1,809,645). The increase in cash and working capital is a result of cash received from the Qualifying Transaction offset with investment in the company through personnel, business development, and payment of vendors.

Net cash used in operating activities for the period ended June 30, 2018 was $6,181,564 (2017 – $406,064). Operating activities were affected by a net change in non-cash working capital balances of $954,443 (2017 – $92,621) because of a increase in other current assets of $ 90,726 (2017 – decrease of $1,450), decrease in accounts receivables of $82,232 (2017 – $10,157), and was offset by an increase in accounts payable and accrued liabilities of $1,161,395 (2017 – $104,228). The Company also recorded non-cash expense totaling $826,769 (2017 – $405,000).

Net cash used in investing activities for the period ended June 30, 2018 was $1,024,317 with net cash provided from investing activities of $1,000 for the same period ended 2017 as a result of investment in property and equipment and intangible assets during June 30, 2018 of $1,024,317 and cash acquired via asset acquisition of $1,000 during the three months ended June 30, 2017.

Net cash provided in financing activities for the three and six months ended June 30, 2018 was $11,866,933 (2017 – $2,025,000) as a result of:

- During the period ended June 30, 2018, $905,000 was raised through a private placement (2017 – $2,000,000)
- During the period ended June 30, 2017, $25,000 was raised connected to founders' shares
- During the period ended June 30, 2018, $10,865,581 was raised as part of the Qualifying Transaction
- During the period ended June 30, 2018, 82,478 warrants were exercised resulting in $96,352 of proceeds received.

The Company's liquidity risk from financial instruments is minimal as excess cash is held in current bank accounts.

While the Company has no source of revenue, it believes it has sufficient cash resources to meet its administrative overhead costs. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company. See "Risk Factors" below and "Caution Regarding Forward-Looking Statements" above.

Commitments

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

	Payments due by period			
Contractual obligations	**Less than 1 year $**	**1 – 5 years $**	**After 5 years $**	**Total $**
Operating lease - land	46,841	222,529	167,039	436,409
Computer Equipment	27,757	41,635	-	69,392
Operating lease – office	152,594	707,595	515,524	1,375,713
	$ 227,192	**$ 971,759**	**$ 682,563**	**$ 1,881,514**

Transactions with Related Parties

The Company transacts with related parties in the normal course of business. These transactions are measured at their exchange amounts. During the three and six months ended June 30, 2018, the Company paid or accrued $1,182,230 and $1,543,470 (2017 – $168,195 and $240,558) in consulting fees and bonuses to directors and board members of the firm.

Amounts owed to related parties of $875,000 during the three months ended June 30, 2018 (2017 – $nil) relate to bonuses granted in relation to the Qualifying Transaction.

Key management personnel compensation was comprised of:

	For the six months ended June 30,			
	2018		2017	
Salaries	**$**	**659,580**	$	240,558
Option based awards		**148,915**		1,200,000
Restricted Share Units		**1,780,000**		-

Change in Accounting Policy

None.

Recent Accounting Pronouncements

IFRS 9 - Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also amends the requirements around hedge accounting, and introduces a single, forward-looking expected loss impairment model.

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Summary of the Company's classification and measurements of financial assets and liabilities

	IFRS 9		IAS 39	
	Classification	**Measurement**	**Classification**	**Measurement**
Cash and cash equivalents	FVTPL	Fair value	Loans and receivables	Fair Value
Accounts receivable and advances	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Due to related parties	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	Other liabilities	Amortized cost

Financial assets, other than those classified at fair value through profit and loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value through profit or loss (FVTPL); ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Financial assets at fair value through comprehensive income
Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

IFRS 16 - Leases ("IFRS 16") was issued in January 2016 and replaces the previous guidance on leases. This standard provides a single recognition and measurement model to be applied to leases, with required recognition of assets and liabilities for most leases. This standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if the Company is also applying IFRS 15, Revenue from Contracts with Customers. The Company will adopt this new standard as of its effective date. The Company is currently evaluating the impact of the adoption of IFRS 16 on its consolidated financial statements.

IAS 7 - Statement of Cash Flows ("IAS 7") amendments include additional disclosures to enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments become effective for annual periods beginning on or after January 1, 2017. The Company will adopt the amendments as of the effective date. The Company is currently analyzing the possible impact of the amendments to IAS 7 on its consolidated financial statements.

IAS 12 - Income Taxes ("IAS 12") amendments include: (a) unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; (b) the carrying amount of an asset does not limit the estimation of probable future taxable profits; (c) estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences; and (d) an entity assesses a deferred tax asset for recoverability in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset for recoverability in combination with other deferred tax assets of the same type. These amendments become effective for annual periods beginning on or after January 1, 2017. The Company will adopt these amendments to IAS 12 as of its effective date. The Company is currently analyzing the possible impact of the amendments on its consolidated financial statements.

Management of Capital

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages the capital structure and 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 Company may issue new shares, issue new debt, or acquire or dispose of assets. As at June 30, 2018, the Company has not entered into any debt financing. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the year. The Company considers its shareholders equity as capital which as at June 30, 2018 is $6,951,553 (2017 – $ 1,519,595).

Financial Instruments

Fair values

At June 30, 2018, the Company's financial instruments consist of cash and cash equivalents, 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 year, there were no transfer of amounts between levels.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

- Level 1 – cash and cash equivalents
- Level 2 – none
- Level 3 – none

Financial risks

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 or fund 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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with out of cash. As at June 30, 2018, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturity dates within one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the year.

Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar but is exposed to foreign currency risk with respect to the expenditures incurred by its Colombian subsidiary, Khiron Colombia.

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Share Capital

As at the date of this MD&A, the Company had 46,934,550 issued and outstanding common shares.

Stock options outstanding for the Company as at the date of this MD&A were as follows:

Stock options	Expiry Date	Exercise Price
2,000,000	April 19, 2022	$1.00
712,500	September 19, 2022	1.00
200,000	October 5, 2022	1.00
100,000	October 18, 2018	1.00
1,305,000	May 23, 2023	1.40
3,012,500		**$1.12**

As at the date of this MD&A the Company had the following warrants outstanding:

	Number of warrants	Exercise Price
Balance, December 31, 2017	3,422,448	$1.02
Issued in March private placement	905,000	1.20
Issued in broker warrants	786,100	1.00
Issued in qualifying transaction	11,230,000	1.20
Exercised during period	(82,478)	(1.17)
	16,261,070	**$1.16**

The Company issued 5,135,000 restricted share units ("RSUs") to officers, employees, and other participants of the Company. The RSUs vest quarterly and will vest in full on May 23, 2023 and settled in shares. The Company recorded share-based compensation expense related to the RSUs of $493,384 for the three and six months ended June 30, 2018 (2017 – $nil) to the consolidated statement of loss and comprehensive loss.

Significant accounting estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are made as appropriate in the period they become known. Items for which actual results may differ significantly from these estimates are described in the following section.

Share-based compensation
The fair value of stock options and warrants is based on the application of the Black-Scholes option pricing model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the share price, volatility of the share price, expected dividend yield and expected risk-free interest rate.

Useful lives of property and equipment and intangible assets
Depreciation and amortization of property, equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of the assets.

Income taxes
Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Purchase price allocation
On the acquisition of subsidiaries, the Company is required to allocate the purchase price based on the fair value of identifiable assets and liabilities acquired. There is significant estimation required in this allocation, and there could be a difference between the estimated and actual fair values.

Risk Factors

Where used in this "Risk Factors" section, "Khiron" or the "Company" refers to Khiron Life Sciences Corp. 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. The risks presented below should not be considered to be exhaustive and may not be all of the risks that Khiron may face. Additional risks and uncertainties not presently known to Khiron or that Khiron currently considers immaterial may also impair the business and operations. If any of the following or other risks occur, the Company's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of Khiron shares could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

For further discussion of the risks faced by the Company, refer to the Company's Annual Information Form for the year ended December 31, 2017, filed with the Canadian securities regulatory authorities, under the profile of the Company on SEDAR, at www.sedar.com

Business Risks

Limited Operating History

Khiron is an early stage company and, as a result, it has a limited operating history upon which its business and future prospects may be evaluated. Khiron will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for Khiron to meet future operating and debt service requirements, Khiron will need to be successful in its growing, marketing and sales efforts. Additionally, where Khiron experiences increased sales, Khiron's current operational infrastructure may require changes to scale Khiron's business efficiently and effectively to keep pace with demand, and achieve long-term profitability. If Khiron's products and services are not accepted by new customers, Khiron's operating results may be materially and adversely affected.

Managing Growth

In order to manage growth and change in strategy effectively, Khiron must (i) maintain adequate systems to meet customer demand; (ii) expand sales and marketing, distribution capabilities and administrative functions; (iii) expand the skills and capabilities of its current management team; and (iv) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, Khiron expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

Retention and Acquisition of Skilled Personnel

The loss of any member of the Khiron's management team, could have a material adverse effect on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on the Company's business and operating results. At present and for the near future, Khiron will depend upon a relatively small number of employees to develop, market, sell and support its products. The expansion of marketing and sales of its products will require Khiron to find, hire and retain additional capable employees who can understand, explain, market and sell its products. There is intense competition for capable personnel in all of these areas and Khiron may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, the Company may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as Khiron moves into new jurisdictions, it will need to attract and recruit skilled employees in those areas.

Legal Proceedings

From time to time, Khiron may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. Khiron will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on Khiron's financial results.

Regulatory Compliance Risks

Achievement of Khiron's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. Khiron may not be able to obtain or maintain the necessary licences, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its business. Khiron cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by local governmental authorities. To date, Khiron has received the Licences to cultivate Low THC Medicinal Cannabis and licences to cultivate and produce High THC Medicinal Cannabis from the Colombian government. The impact of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of Khiron.

The officers and directors of Khiron must rely, to a significant extent, on Khiron's Colombian legal counsel and local consultants retained by Khiron in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect Khiron's business operations, and to assist Khiron with its governmental relations. Khiron must rely, to some extent, on those members of management and the board who have previous experience working and conducting business in Colombia in order to enhance its understanding of and appreciation for the local business culture and practices in Colombia. Khiron also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of banking, financing and tax matters in Colombia. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in Colombia are beyond the control of Khiron and may adversely affect its business.

Khiron will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Khiron may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Khiron's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Khiron.

Canadian Regulatory and Civil Proceedings

Khiron operates in Colombia pursuant to licences and authorizations granted by Ministry of Justice and the Ministry of Health. Consequently, certain activities conducted by Khiron are permissible under one regulatory regime while not under another. In the past, Canadian courts and regulatory authorities have taken the view that it is not contrary to Canadian federal or provincial law for a person to be engaged in, or for an entity to hold interests in affiliates that are engaged in certain regulated activities where such activities may be regulated differently than in the home jurisdictions and have enforced extra-territorial laws even where such laws (or regulatory regimes applicable to certain activities or industries) differs from those in the Canadian jurisdiction. There is a risk however that the Canadian courts or applicable Canadian or other governmental authorities may take a contrary view with respect to the business of Khiron, despite Khiron having obtained all applicable Colombian licences or authorizations and despite that Khiron does not carry on business in Canada. Therefore, there is a risk that civil and criminal proceedings, including class actions, could be initiated against Khiron. Such potential proceedings could involve substantial litigation expense, penalties, fines, seizure of assets, injunctions or other restrictions being imposed upon Khiron or its business partners, while diverting the attention of key executives. Such proceedings could have a material adverse effect on Khiron's business, revenues, operating results and financial condition as well as impact upon Khiron's reputation.

Change of Cannabis Laws, Regulations and Guidelines

Cannabis laws and regulations are dynamic and subject to evolving interpretations which could require Khiron to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of Khiron's businesses. Khiron cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on Khiron's business. Management expects that the legislative and regulatory environment in the cannabis industry in Colombia and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry for the foreseeable future. Compliance with any such legislation may have a material adverse effect on Khiron's business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public's perception of the cannabis industry could affect future legislation or regulation in different jurisdictions.

Reliance on Licences and Authorizations

Khiron's ability to grow, store and sell cannabis in Colombia is dependent on Khiron's ability to sustain and/or obtain the necessary licences and authorizations by certain authorities in Colombia.

The licences and authorizations are subject to ongoing compliance and reporting requirements and the ability of Khiron to obtain, sustain or renew any such licences and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Failure to comply with the requirements of the licences or authorizations or any failure to maintain the licences or authorizations would have a material adverse impact on the business, financial condition and operating results of Khiron.

Although Khiron believes that it will meet the requirements to obtain, sustain or renew the necessary licences and authorizations, there can be no guarantee that the applicable authorities will issue these licences or authorizations. Should the authorities fail to issue the necessary licences or authorizations, Khiron may be curtailed or prohibited from the production and/or distribution of cannabis or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of Khiron may be materially adversely affected.

Reliance on One Facility

Khiron's cultivation facility is currently Khiron's only licensed production facility, which is specifically licensed under the licences issued to Khiron by the Colombian Ministry of Health and Ministry of Justice. Adverse changes or developments affecting the Cultivation Facility, including but not limited to a breach of security, could have a material and adverse effect on Khiron's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Colombian regulatory authorities, could have an impact on Khiron's ability to continue operating under the Licenses or the prospect of renewing the Licenses.

Certain contemplated capital expenditures of Khiron may require approval of Colombian regulatory authorities. There is no guarantee that Colombian regulatory authorities will approve any contemplated expansion and/or renovation, which could adversely affect the business, financial condition and results of Khiron's operations.

Unexpected disruptions affecting operations, whether due to labor disruptions, supply disruptions, power disruptions, damage to equipment or otherwise

Khiron's operations may be disrupted by a variety of risks and hazards that are beyond its control, including, but not limited to, fires, power outages, labour disruptions, supply disruptions, flooding, and the inability to obtain suitable or adequate machinery, equipment or labour as well as other risks involved in the cultivation and production of medicinal cannabis.

Demand for Cannabis and Derivative Products

The legal cannabis industry in Colombia is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of medicinal cannabis are mixed and evolving and can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medicinal cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medicinal cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for medicinal cannabis and on the business, results of operations, financial condition and cash flows of Khiron. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of medicinal cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medicinal cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medicinal cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization. Khiron's ability to gain and increase market acceptance of its business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on Khiron.

Product Liability

As a distributor of products designed to be ingested by humans, Khiron faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused damages, loss or injury. In addition, the sale of Khiron's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of Khiron's products alone or in combination with other medications or substances could occur. Khiron may be subject to various product liability claims, including, among others, that Khiron's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. A product liability claim or regulatory action against Khiron could result in increased costs, could adversely affect Khiron's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of Khiron. There can be no assurances that Khiron will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Khiron's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of Khiron's products are recalled due to an alleged product defect or for any other reason, Khiron could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Khiron may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although Khiron has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if Khiron is subject to recall, the image of Khiron could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for Khiron's products and could have a material adverse effect on the results of operations and financial condition of Khiron. Additionally, product recalls may lead to increased scrutiny of Khiron's operations by regulatory agencies, requiring further management attention, potential loss of applicable licences and potential legal fees and other expenses.

Insurance Coverage

Khiron's production is, in general, subject to different risks and hazards, including adverse weather conditions, fires, plant diseases and pest infestations, other natural phenomena, industrial accidents, labour disputes, changes in the legal and regulatory framework applicable to Khiron and environmental contingencies.

Khiron has obtained insurance coverage over Khiron's production and facilities. Khiron is insured against a variety of risks, including losses and damages relating to its plants, equipment and buildings. Khiron's insurance currently covers only part of the losses it may incur and does not cover losses on crops due to drought or floods. Furthermore, certain types of risks may not be covered by the policies that Khiron holds. Additionally, any claims to be paid by an insurer due to the occurrence of a casualty covered by Khiron's policies may not be sufficient to compensate Khiron for all of the damages suffered. Khiron may not be able to maintain or obtain insurance of the type and amount desired at a reasonable cost. If Khiron were to incur significant liability for which it were not fully insured, it could have a materially adverse effect on Khiron's business, financial condition and results of operations.

Ability to Establish and Maintain Bank Accounts

While Khiron does not anticipate dealing with banking restrictions, there is a risk that banking institutions in countries where Khiron operates will not accept payments related to the cannabis industry. Such risks could increase costs for Khiron. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that Khiron may be required to seek alternative payment solutions, including but not limited to cryptocurrencies such as Bitcoin. There are risks inherent in cryptocurrencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in cryptocurrency Khiron would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. Khiron's inability to manage such risks may adversely affect Khiron's operations and financial performance.

Risks Inherent in an Agricultural Business

Khiron's business involves the growing of cannabis, which is an agricultural product. Medicinal cannabis will be grown outdoors. The occurrence of severe adverse weather conditions, especially droughts, hail, floods or frost, is unpredictable and may have a potentially devastating impact on agricultural production, and may otherwise adversely affect the supply of cannabis. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce Khiron's yields or require Khiron to increase its level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts could reduce the yield and quality of Khiron's cannabis production, which could materially and adversely affect Khiron's business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agricultural, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Even when only a portion of the production is damaged, Khiron's results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect Khiron's operating results and financial condition. Furthermore, if Khiron fails to control a given plant disease and the production is threatened, Khiron may be unable to supply its customers, which could adversely affect its business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on any such production.

Energy Prices and Supply

Khiron requires substantial amounts of diesel and electric energy and other resources for its harvest activities and transport of cannabis. Khiron relies upon third parties for its supply of energy resources used in its operations. The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, imposition of restrictions on energy supply by government, worldwide price levels and market conditions. If energy supply is cut for an extended period of time and Khiron is unable to find replacement sources at comparable prices, or at all, Khiron's business, financial condition and results of operations would be materially and adversely affected.

Supply of Cannabis Seeds

If for any reason the supply of cannabis seeds is ceased or delayed, Khiron would have to seek alternate suppliers and obtain all necessary authorization for the new seeds. If replacement seeds cannot be obtained at comparable prices, or at all, or if the necessary authorizations are not obtained, Khiron's business, financial condition and results of operations would be materially and adversely affected.

Emerging Market Risks

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

All of Khiron's operations are in Colombia. Colombia has a history of economic instability or crises (such as inflation or recession). While there is no current political instability, and historically there has been no change in laws and regulations, this is subject to change in the future and could adversely affect Khiron's business, financial condition and results of operations.

In particular, fluctuations in the Colombian economy and actions adopted by the Government of Colombia have had and may continue to have a significant impact on companies operating in Colombia, including Khiron. Specifically, Khiron may be affected by inflation, foreign currency fluctuations, regulatory policies, business and tax regulations and in general, by the political, social and economic scenarios in Colombia and in other countries that may affect Colombia.

Global economic crises could negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Colombia. Such events could materially and adversely affect Khiron's business, financial condition and results of operations.

Global Economy

Financial and securities markets in Colombia are influenced by the economic and market conditions in other countries, including other South American and emerging market countries and other global markets. Although economic conditions in these countries may differ significantly from economic conditions in Colombia, investors' reactions to developments in these other countries, such as the recent developments in the global financial markets, may substantially affect the capital flows into, and the market value of securities of issuers with operations in Colombia.

An economic downturn or volatility could have a material adverse effect on Khiron's business, financial condition and results of operations. The economy of the Colombia, where Khiron's operations are located, has experienced significant economic uncertainty and volatility during recent years. A weakening of economic conditions could lead to reductions in demand for Khiron's products. For example, its revenues can be adversely affected by high unemployment and other economic factors. Further, weakened economic conditions or a recession could reduce the amount of income customers are able to spend on Khiron's products. In addition, as a result of volatile or uncertain economic conditions, Khiron may experience the negative effects of increased financial pressures on its clients. For instance, Khiron's business, financial condition and results of operations could be negatively impacted by increased competitive pricing pressure, which could result in Khiron incurring increased bad debt expense. If Khiron is not able to timely and appropriately adapt to changes resulting from a weak economic environment, its business, results of operations and financial condition may be materially and adversely affected.

A crisis in other emerging market countries could dampen investor enthusiasm for securities of issuers with South American operations. Financial conditions in Argentina, Brazil or other emerging market countries could negatively impact Colombia's economy in the future. If such fluctuations were to occur, Khiron's business, financial condition and results of operations could be materially and adversely affected.

TSXV Restrictions on Business

As a condition to initially listing on the TSXV, the TSXV required that Khiron deliver an undertaking (the "**Undertaking**") confirming that, while listed on TSXV, Khiron will only conduct the business of the production, sale and distribution of medicinal marijuana in Colombia pursuant to the Licences and in accordance with applicable law, unless prior approval is obtained from TSXV. The Undertaking could have an adverse effect on Khiron's ability to do business or operate outside of Colombia and on its ability to expand its business into other areas, including the provision of non-medical marijuana in the event that the laws were to change to permit such sales, if Khiron is still listed on the TSXV and remains subject to the Undertaking at such time. The Undertaking may prevent Khiron from expanding into new areas of business when Khiron's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition and results of Khiron's operations.

Risks Related to Investment in a Colombian Company

Operational Risks

Operations in Colombia are subject to risk due to the potential for social, political, economic, legal and fiscal instability. The government in Colombia faces ongoing problems including but not limited to inflation, unemployment and inequitable income distribution. Colombia is also home to South America's largest and longest running insurgency and large swaths of the countryside are under guerrilla influence. In addition, Colombia experiences narcotics-related violence, a prevalence of kidnapping and extortionist activities and civil unrest in certain areas of the country. Such instability may require Khiron to suspend operations on its properties. Although Khiron is not presently aware of any circumstances or facts which may cause the following to occur, other risks may involve matters arising out of the evolving laws and policies in Colombia, any future imposition of special taxes or similar charges, as well as foreign exchange fluctuations and currency convertibility and controls, the unenforceability of contractual rights or the taking or nationalization of property without fair compensation, restrictions on the use of expatriates in Khiron's operations, or other matters. Khiron also bears the risk that changes can occur in the government of Colombia and a new government may void or change the laws and regulations that Khiron is relying upon.

Currently there are no restrictions on the repatriation from Colombia of earnings to foreign entities and Colombia has never imposed such restrictions. However, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future. Exchange control regulations require that any proceeds in foreign currency originated on exports of goods from Colombia (including minerals) be repatriated to Colombia. However, purchase of foreign currency is allowed through any Colombian authorized financial entities for purposes of payments to foreign suppliers, repayment of foreign debt, payment of dividends to foreign stockholders and other foreign expenses.

Risks Inherent in Rural Real Estate

The Colombian Constitution protects the right to own private property and related rights acquired in compliance with civil regulations. According to Colombian Constitution, legally acquired private property ownership rights cannot be affected if the owner is in compliance with applicable laws.

Except in the case of public necessity or social interest, subject to due process and the payment of an indemnification, expropriations without just cause or on a discriminatory basis are restricted.

In August 2011, Colombia and Canada entered into a Free Trade Agreement, which outlines the issue of expropriations in Article 811 as well as dispute settlements in Chapter 21. The Free Trade Agreement provides that Canadian investments in Colombia will be granted fair and equitable treatment with full protection and security and will be accorded no less favourable treatment than Colombia grants to its own investors or investors of any other country. It also provides that an investment will not be expropriated except in a non-discriminatory manner in accordance with due process of law with prompt and adequate compensation. The expropriation provisions cover both traditional “direct” takings and so-called “indirect” or “creeping” expropriation, which results from a measure or a series of measures by a government that have an effect equivalent to direct expropriation without a formal transfer of title or outright seizure of the investment. An investor-State dispute resolution process is provided for in the event that the investment is not provided the protections set out in the CCOFTA. Through this process, a Canadian investor can challenge a Colombian measure through binding international arbitration instead of relying on the Colombian local courts.

Protected Areas Established by the National System of Protected Areas

Cannabis licences may not be granted to individuals or legal persons who intend to conduct the licensed activities on lands that are in national parks or in protected areas established by the National System of Protected Areas. The government has the right to establish new protected areas in areas with certain environmental relevance that might result in the prohibition to conduct any type of activities on those areas or the need to obtain environmental authorizations.

Khiron does not operate in a protected area and is not at risk of expropriation pursuant to the National System of Protected Areas.

Changes in Corporate Structure

Colombian cannabis licences are granted on a non-transferable, non-exchangeable and non-assignable basis. Any breach of this restriction may give rise to unilateral termination of the license by the governmental authority.

Notwithstanding the above, Colombian laws do not provide for specific regulations or restrictions regarding the effects of a change in control, modification of the corporate structure, issuance of shares, or any changes in holders or final beneficiaries of cannabis licences.

Colombian legislation gives special attention to the identification and background of the legal representatives of licensees. Licensees must file a declaration of the legality of the proceeds of the legal representatives. Furthermore, Decree 613 of 2017 provides a set of resolutory conditions, which enable the Ministry of Health or the Ministry of Justice, as applicable, to terminate a license if the licensee fails to request the amendment of the licence within 30 calendar days following any changes in (i) the legal representation of the licensee; or (ii) the declaration that a legal representative is criminally liable for drug trafficking or related crimes, after having issued the respective license.

Inflation in Colombia

Colombia has in the past experienced double digit rates of inflation. If Colombia experiences substantial inflation in the future, Khiron's costs in Colombian peso terms will increase significantly, subject to movements in applicable exchange rates. Inflationary pressures may also curtail Khiron's ability to access global financial markets in the longer term and its ability to fund planned capital expenditures, and could materially adversely affect Khiron's business, financial condition and results of operations. The Colombian government's response to inflation or other significant macro-economic pressures may include the introduction of policies or other measures that could increase Khiron's costs, reduce operating margins and materially adversely affect its business, financial condition and results of operations.

Operations in Spanish

As a result of Khiron conducting its operations in Colombia, the books and records of Khiron, including key documents such as material contracts and financial documentation are principally negotiated and entered into in the Spanish language and English translations may not exist or be readily available.

Enforcement of Judgments

Khiron is incorporated under the laws of Canada, however all of its assets are located outside Canada. Furthermore, many of Khiron's directors and officers reside outside Canada. As a result, investors may not be able to effect service of process within Canada upon Khiron's directors or officers or enforce against them in Canadian courts judgments predicated on Canadian securities laws. Likewise, it may also be difficult for an investor to enforce in Canadian courts judgments obtained against these persons in courts located in jurisdictions outside Canada.

As a result of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board or controlling shareholders than they would as public shareholders of a Canadian company.

Financial and Accounting Risks

Access to Capital

In executing its business plan, Khiron makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Since its incorporation, Khiron has financed these expenditures through offerings of its equity securities. Khiron will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. Khiron may incur major unanticipated liabilities or expenses. Khiron can provide no assurance that it will be able to obtain financing to meet the growth needs of Khiron.

Foreign Sales

Khiron's functional currency is denominated in Canadian dollars. Khiron currently expects that sales will be denominated in Colombian pesos and may, in the future, have sales denominated in the currencies of additional countries in which it establishes sales offices. In addition, Khiron incurs the majority of its operating expenses in Colombia Pesos. In the future, the proportion of Khiron's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Resulting Issuer's business, financial condition and results of operations. Khiron has not previously engaged in foreign currency hedging. If Khiron decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide Khiron from foreign currency fluctuations and can themselves result in losses.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with International Financial Reporting Standards, or IFRS, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Khiron bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Khiron's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause Khiron's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Resulting Issuer. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

Tax Risks

The Company will operate and will be subject to income tax and other forms of taxation (which are not based upon income) in multiple tax jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, the Company's earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. Khiron may have exposure to greater than anticipated tax liabilities or expenses. Khiron will be subject to income taxes and non-income taxes in a variety of jurisdictions and its tax structure is subject to review by both domestic and foreign taxation authorities and the determination of the Resulting Issuer's provision for income taxes and other tax liabilities will require significant judgment.

Khiron will be subject to different taxes imposed by the Colombian government and any changes within such tax legal and regulatory framework may have an adverse effect on our financial results. All current tax legislation is a matter of public record and the Company will be unable to predict which additional legislation or amendments may be enacted.

Subsequent Events

On August 8, 2018, Khiron entered into a non-binding Letter of Intent ("LOI") with the Latin American Institute of Neurology and the Nervous System ("ILANS"). Through the proposed acquisition of the Bogota clinic platform, the ILANS network represents an estimated 100,000 patients. Pursuant to the terms of the LOI, it is proposed that Khiron Colombia will acquire all of the issued and outstanding securities of ILANS for gross aggregate consideration of up to $12,000,000 consisting of $4,900,000 in cash, $2,100,000 worth of Khiron common shares, and up earn-outs payable in case subject to the completion of certain milestones payable over a period ending 2 years from the closing of the transaction.

On August 20, 2018 the Company filed a preliminary short form prospectus, followed by an amended and restated preliminary short form prospectus on August 22, 2018 in respect of a best-efforts marketed offering of up to 12,500,000 common shares at a price of $0.90 per common share for gross proceeds of up to $11,250,000. The Company has granted the agents an over-allotment option, exercisable, in whole or in part, at the sole discretion of the agents, for a period of 30 days from and including the closing of the offering, to purchase up to an additional 1,875,000 common shares of the Company.