



Khiron Life Sciences Corp.

Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2018 and for the period from incorporation
(February 17, 2017) to September 30, 2017

(Unaudited, expressed in Canadian Dollars, unless otherwise noted)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed an audit or review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants.

Khiron Life Sciences Corp.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents (Note 6)	\$14,698,431	\$1,809,645
Accounts receivable and advances	1,246,798	286,923
Other current assets	434,004	558,409
	16,379,233	2,654,977
Property and equipment and intangible assets (Note 7)	2,396,446	242,563
	18,775,679	2,897,540
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Notes 8)	1,880,375	704,263
Total liabilities	1,880,375	704,263
Shareholders' equity		
Share capital (Note 9)	24,806,925	4,291,289
Warrants (Note 10)	6,905,275	1,085,422
Share based compensation (Note 11)	2,865,174	626,111
Accumulated other comprehensive loss	(600,500)	(30,133)
Retained deficit	(17,081,570)	(3,779,412)
Total shareholders' equity	16,895,304	2,193,277
	18,775,679	\$2,897,540

Note 17 – commitments and contingencies

Note 18 – subsequent events

Approved on behalf of the Board:

“Sidney Himmel”
Signed: Director

“Peter Simeon”
Signed: Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Khiron Life Sciences Corp.

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss (Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	Period from incorporation (February 17, 2017) to September 30, 2017
	2018	2017	2018	
Operating Expenses				
General and administrative	\$2,044,902	372,748	\$6,623,464	743,910
Selling, marketing and promotion	305,647	10,099	946,267	12,148
Travel and development	30,623	40,256	110,416	42,850
Professional fees	401,049	121,974	1,165,402	138,314
Consulting services	1,025,037	244,015	1,618,507	350,760
RTO listing expense (Note 4)	-	-	521,157	-
Share-based compensation (Notes 11 and 13)	1,437,256	366,576	2,239,063	771,576
Other	23,873	-	48,597	-
	5,268,387	1,155,668	13,272,873	2,059,558
Other Income	(17,312)	(22)	(18,812)	(2,176)
Other expenses	26,769	7,615	48,097	9,564
	9,457	7,593	29,285	7,388
Net loss	\$(5,277,844)	\$(1,163,261)	\$(13,302,158)	\$(2,066,946)
Other comprehensive income/(loss)	(552,069)	20,752	(570,367)	(16,894)
Net loss and comprehensive loss	(5,829,913)	(1,142,509)	(13,872,525)	(2,083,840)
Net loss per common share – basic and diluted	\$(0.12)	\$(0.04)	\$(0.34)	\$(0.08)
Weighted average number of common shares – basic and diluted (Note 14)	49,851,687	29,017,396	41,212,034	25,823,557

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Khiron Life Sciences Corp.
Condensed Interim Consolidated Statement of Cash Flows
(Unaudited)

	For the nine months ended September 30,	For the period from incorporation (February 17, 2017) to September 30,
	2018	2017
Cash used in operating activities		
Net loss for the period	\$(13,302,158)	\$(2,066,946)
Adjustments for:		
Share-based compensation	2,239,063	771,576
Depreciation and amortization	23,173	-
Changed in non-cash working capital items		
Accounts receivables	(959,875)	(109,164)
Other current assets	124,405	(623,124)
Accounts payable and accrued liabilities and due from related parties	1,176,112	201,305
Net cash used in operating activities	(10,699,280)	(1,826,353)
Cash from (used in) investing activities		
Purchase of property and equipment	(2,177,056)	(16,943)
Cash acquired via asset acquisition	-	1,000
Net cash from (used in) investing activities	(2,177,056)	(15,943)
Cash used in financing activities		
Proceeds from issuance of private placements	905,000	5,054,933
Proceeds from subscription receipts	10,865,581	-
Proceeds from financing	11,851,440	-
Proceeds from warrant exercise	2,614,749	-
Net cash provided by financing activities	26,236,770	5,054,933
Cash and cash equivalent, beginning of period	1,809,645	-
Net change in cash and cash equivalents	13,360,434	3,212,637
Effect of movements in exchange rates on cash held	(471,648)	(17,893)
Cash and cash equivalents, end of period	\$14,698,431	\$3,194,744

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Khiron Life Sciences Corp.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

	Number of common shares	Share capital	Share-based compensation	Warrants reserve	Acc. other comprehensive Income	Retained deficit	Total
Balance, February 17, 2017	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Founders shares	5,000,000	25,000	-	-	-	-	25,000
Shares issued for acquisition	14,300,000	1,000	-	-	-	-	1,000
Shares issued on private placement	8,000,000	2,000,000	-	-	-	-	2,000,000
Share issuance cost	-	(15,000)	-	-	-	-	(15,000)
Shares issued on private placement	4,270,281	2,989,196	-	-	-	-	2,989,196
Fair value of share-based payments	-	-	449,799	-	-	-	449,799
Unit issuance cost	-	(572,143)	-	139,981	-	-	432,162
Unit issuance cost	-	(677,764)	-	677,764	-	-	-
Shares to be issued to TheraCann	-	541,000	-	267,677	-	-	808,677
Net loss for the period	-	-	-	-	-	(2,066,946)	(2,066,946)
Other comprehensive loss	-	-	-	-	(16,894)	-	(16,894)
Balance, September 30, 2018	31,570,281	\$ 4,291,289	\$ 449,799	\$ 1,085,422	\$ (16,894)	\$ (2,066,946)	\$ 3,742,870

	Number of common shares	Share capital	Share-based compensation	Warrants/ compensation option reserve	Acc. other comprehensive Income	Retained deficit	Total
Balance, January 1, 2018	32,570,281	\$ 4,291,289	\$ 626,111	\$ 1,085,422	\$ (30,133)	\$ (3,779,412)	\$ 2,193,277
Shares issued on private placement	905,000	805,450	-	99,550	-	-	905,000
Shares issued on rights offering	1,440,542	-	-	-	-	-	-
Shares issued on warrants exercised	2,190,071	2,614,749	-	-	-	-	2,614,749
Subscription receipt shares	11,230,000	6,536,000	-	3,800,000	-	-	10,336,000
Subscription receipt costs	-	(411,143)	-	411,143	-	-	-
Shares retained by Adent shareholders	706,249	628,300	-	-	-	-	628,300
Shares issued on September financing	14,375,000	11,411,440	-	440,000	-	-	11,851,440
Financing receipt costs	-	(1,069,160)	-	1,069,160	-	-	-
Fair value of share-based payments	-	-	2,239,063	-	-	-	2,239,063
Net loss for the period	-	-	-	-	-	(13,302,158)	(13,302,158)
Other comprehensive loss	-	-	-	-	(570,367)	-	(570,367)
Balance, September 30, 2018	63,417,143	\$ 24,806,925	\$ 2,865,174	\$ 6,905,275	\$ (600,500)	\$ (17,081,570)	\$ 16,895,304

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Khiron Life Sciences Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2018 and
for the period from incorporation (February 17, 2017) to September 30, 2017
(Unaudited)

1. Nature of operations

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 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 SAS, 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 at Carrera 15 #88-64 of.812, 4. Bogota, Colombia. The Company's common shares are listed under the symbol "KHRN" on the TTSXV.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on November 29, 2018.

2. Significant accounting policies

Statement of compliance

These condensed interim consolidated financial statements for the nine months ended September 30, 2018 of the Company were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the annual consolidated financial statements for the year ended December 31, 2017 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Accordingly, these interim condensed consolidated financial statements for the six months ended September 30, 2018 should be read together with the annual consolidated financial statements for the year ended December 31, 2017, which are available on SEDAR at www.sedar.com.

The preparation of interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2017.

Basis of presentation

These condensed interim consolidated financial statements have been prepared on the going concern basis, under historical cost convention except for financial instruments which are measured at fair value and biological assets that are measured at fair value less cost to sell, as explained in the Company's accounting policies.

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2. Significant accounting policies – continued

Basis of consolidation

The condensed interim consolidated financial statements as at September 30, 2018, reflect the assets, liabilities, and results of operations of Khiron Life Science Corp. and its wholly owned subsidiary Khiron Colombia SAS. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

These condensed interim consolidated financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

Functional and presentation currency

The functional currency of the Company is the Canadian dollar. The functional currency of the subsidiary Khiron Colombia SAS is the Colombian Peso. For the purpose of the consolidated financial statements, the results and financial position are expressed in Canadian Dollars.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At each financial reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the consolidated statement of loss and comprehensive loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the spot rate at the date of the initial transaction. Nonmonetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

The financial statements of foreign subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the end of the reporting period for assets and liabilities and the average exchange rates for the period for revenue, expenses and cash flows. Foreign exchange differences arising on translation are recognized in other comprehensive income (loss) and in the cumulative transaction adjustment in shareholders' equity.

Estimates and critical judgments by management

The preparation of these condensed 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.

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2. Significant accounting policies – continued

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.

Cash and cash equivalents

Cash and cash equivalents includes cash on deposit at banking institutions and amounts held in trust on behalf of the Company.

Property and equipment ("PPE")

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the interim condensed consolidated statement of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial period end, and adjusted if appropriate. Assets under construction are no subject to depreciation as they are not ready for use.

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2. Significant accounting policies – continued

Intangible assets

Intangible assets are recorded at cost less accumulated amortization. They are amortized over their estimated useful lives using the following methods and rates:

	Estimated useful life/ asset depreciation method
Software	Straight-line over 5 years

An asset's residual value, useful life and amortization method are reviewed at each reporting date and adjusted if appropriate.

Impairment of non-financial assets

Long-lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit, or "CGU"). An impairment loss is recognized for the amount, if any, by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use (being the present value of expected future cash flows of the asset or CGU). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. The amount of a provision is the best estimate of the consideration at the end of the reporting period. Provisions measured using estimated cash flows required to settle the obligation are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions as at September 30, 2018.

Share capital and warrants

Common shares and warrants are classified as equity. The share capital represents the amount received upon issuance of shares. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period in which the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes option pricing model to determine the fair value of warrants issued.

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2. Significant accounting policies – continued

Share-based compensation transactions

The Company has a share-based payment plan that grants stock options to employees and non-employees. This plan is an equity-settled plan. For equity-settled share-based payment transactions, the Company measures the goods and services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, using an option pricing model.

The expense is recognized over the vesting period of the options granted and is recognized as an expense in earnings with a corresponding credit to reserve for share-based payments. At the end of each reporting period the Company re-assesses its estimate of the number of stock options expected to vest and recognizes the impact of the revisions in the consolidated statement of loss and comprehensive loss. Any consideration paid by employees and directors on exercise of stock options is credited to share capital combined with any related share-based compensation expense originally recorded in reserve for share-based payments.

Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares to the extent that that are not antidilutive.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

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2. Significant accounting policies – continued

Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit and loss as incurred. To date, no development costs have been capitalized.

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.

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2. Significant accounting policies – continued

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.

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2. Significant accounting policies – continued

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 15 - Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Effective January 1, 2018, the Company adopted IFRS 15 and it did not have a material impact on the Company's consolidated financial statements.

IFRS 16 - In January 2016, the IASB issued IFRS 16, replacing IAS 17, "Leases". IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Company has not yet assessed the impact of this standard on its consolidated financial statements and will not early adopt.

3. Capital risk management

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 September 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 period. The Company considers its shareholders equity as capital which as at September 30, 2018 is \$16,895,304.

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4. Reverse takeover transaction

On May 16, 2018, the Company completed its Qualifying Transaction, pursuant to the terms of the business combination agreement dated December 22, 2017. Prior to the completion of the Qualifying Transaction Adent consolidated its issued and outstanding common shares on an 8:1 basis and received a total of 706,249 shares or 1.59% of the post consolidated common shares of the Company.

The listing fee expense in the amount of \$531,157 is comprised of net working capital, the fair value of common shares of the Company retained by the former shareholders as well as other direct expenses of the Transaction.

The following represents management's estimate of fair value of share-based consideration and net assets acquired as a result of the Qualifying Transaction:

Fair value consideration (706,249 shares at \$0.89 per share)	\$ 628,300
Net Assets Acquired	(62,821)
Excess of purchase price	565,479
Legal, professional, and other fees	44,322
RTO listing expense	\$ 521,157
Net assets acquired	
Cash	\$ 130,354
Accounts Payable and accrued liabilities	67,533
Net assets acquired	\$ 62,821

5. Financial instruments

Fair values

At September 30, 2018, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and due to related parties. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the period, there were no transfer of amounts between levels.

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5. Financial Instruments – continued

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

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk; and
- Liquidity risk

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 September 30, 2018, the Company's financial liabilities consisted of accounts payable and accrued liabilities, which have contractual maturity dates within one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the period.

Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar but is exposed to foreign currency risk with respect to the expenditures incurred by its Colombian subsidiary, Khiron Colombia SAS. The Company does not anticipate a material impact on its interim condensed consolidated financial statements as a result of a 5% change in the exchange rate between the two currencies.

6. Cash and cash equivalents

	September 30, 2018	December 31, 2017
Cash	\$ 14,695,300	\$ 65,052
Cash in trust	3,131	1,744,593
Total	\$ 14,698,431	\$ 1,809,645

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7. Property and equipment and intangible assets

Cost	Asset under construction	Computer equipment	Software	Total
At December 31, 2017	\$ 214,833	\$ 26,826	\$ 1,293	\$ 242,952
Additions	2,006,064	162,867	8,125	2,177,056
Transfers	-	-	-	-
Disposals	-	-	-	-
At September 30, 2018	\$ 2,220,897	\$ 189,693	\$ 9,418	\$ 2,420,008

Accumulated amortization	Asset under construction	Computer equipment	Software	Total
At December 31, 2017	\$ -	\$ 66	\$ 323	\$ 389
Amortization	-	17,301	5,872	23,173
Transfers	-	-	-	-
Disposals	-	-	-	-
At September 30, 2018	\$ -	\$ 17,367	\$ 6,195	\$ 23,562

Net book value				
At December 31, 2017	\$ 214,833	\$ 26,760	\$ 970	\$ 242,563
At September 30, 2018	\$ 2,220,897	\$ 172,326	\$ 3,223	\$ 2,396,446

8. Accounts payable and accrued liabilities

	September 30, 2018	December 31, 2017
Accounts payable	\$ 1,679,155	\$ 447,968
Payroll liabilities	149,742	45,588
Accruals	51,478	210,707
Total	\$ 1,880,375	\$ 704,263

9. Share capital

Authorized share capital

The authorized share capital consists of unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

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9. Share capital – continued

Common shares issued

	Number of common shares	Amount
Balance, December 31, 2017	32,570,281	\$4,291,289
Fair value of units attributed to common shares ⁽ⁱ⁾	905,000	805,450
Shares issued on rights offerings ⁽ⁱⁱ⁾	1,440,542	-
Deemed issuance of shares on Qualifying Transaction (note 6)	706,249	628,300
Shares issued related to Qualifying Transaction concurrent financing ⁽ⁱⁱⁱ⁾	11,230,000	6,536,000
Subscription receipt costs	-	(411,143)
Shares issued related to September Financing ^(iv)	14,375,000	11,411,440
September financing costs	-	(1,069,160)
Shares issued upon exercise of warrants	2,190,071	2,614,749
Balance, September 30, 2018	63,417,143	\$ 24,806,925

⁽ⁱ⁾ 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 consistent of one common share and one common share purchase warrant of Khiron. Each warrant shall entitle the holder thereof to acquire one common share of Khiron at a price of \$1.20 for a period of 24 months following the listing of Khiron, subject to adjustment and acceleration. No commissions were paid in connection with the offering. The Company assigned a value of \$99,550 using the Black-Scholes valuation model. The underlying assumptions used in the estimation of fair value in the Black-Scholes valuation model using the following assumptions: exercise price of \$1.20, volatility of 90%, risk free rate of 1.5% on the date of grant, expected life of 2 years, and dividend yield of 0%.

⁽ⁱⁱ⁾ In March 2018, an additional 1,325,542 common shares were issued to subscribers pursuant to rights issued under the Company's March 2017 and August 2017 financings, respectively. Pursuant to a provision in the March 2017 financing, the Company was required to issue common shares equal to 10% of the subscribers' initial subscription in the event the Company's common shares were not listed by March 28, 2018. With respect to the August 2017 financing, a provision in the financing required the Company to issue common shares equal to 15% of the subscribers' initial subscription in the event the Company's common shares were not listed by March 24, 2018.

On April 2018, an additional 115,000 common shares were issued to subscribers under the Company's April 2017 financing pursuant to a provision in the financing that required the Company to issue common shares equal to 10% of the subscribers' initial subscription in the event the Company's common shares were not listed by April 12, 2018.

⁽ⁱⁱⁱ⁾ On January 12, 2018, Khiron issued 11,230,000 subscription receipts at a price of \$1.00 per subscription receipt for total proceeds of \$11,230,000. Each subscription receipt will automatically converted, for no additional consideration, into 11,230,000 units upon closing of the Qualifying Transaction. Each unit consisted of one common share and one common share purchase warrant. Each full warrant entitles the holder to purchase one common share of Khiron at a price of \$1.20 per share for a period of two years from date of listing, subject to acceleration provision.

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10. Share capital – continued

The Company assigned a value of \$3,800,000 using the Black-Scholes valuation model. The underlying assumptions used in the estimation of fair value in the Black-Scholes valuation model using the following assumptions: exercise price of \$1.20, volatility of 90%, risk free rate of 1.5% on the date of grant, expected life of 2 years, and dividend yield of 0%.

(iv) On September 11, 2018, Khiron issued 14,375,000 common shares at a price of \$0.90 per share for total gross proceeds of \$12,937,500 (“September 2018 Financing”). The Company assigned a value \$440,000 related to the 1,006,250 compensation options issued using the Black-Scholes valuation model. The underlying assumptions used in the estimation of fair value in the Black-Scholes valuation model using the following assumptions: exercise price of \$0.90, volatility of 90%, risk free rate of 1.5% on the date of grant, expected life of 2 years, and dividend yield of 0%. Each compensation option is exercisable into one common share of the Company at a price of \$0.90 for a period of two years.

11. Warrants and compensation options

The following table reflects the continuity of warrants for the nine months ended September 30, 2018:

	Number of warrants	Weighted Average price
Balance, December 31, 2017	3,422,448	\$1.02
Granted	13,927,350	1.17
Expired	-	-
Exercised	(2,190,071)	1.19
Balance, September 30, 2018	15,159,727	\$1.02

In connection with the Qualifying Transaction concurrent financing the Company issued 786,100 broker warrants. Each broker warrant is exercisable into one common share of the Company at a price of \$1.20 for a period of two years. The Company used the Black-Scholes option pricing model to determine the fair value of broker warrants granted using the following assumptions: risk-free rate of 1.5% on the date of grant, expected life of 2 years, volatility of 90%, forfeiture rate of 0%, dividend yield of 0%.

12. Stock options

The Company has adopted a stock option plan (the “Plan”), to be administered by the Directors of the Company. Under the Plan, the Company may grant options to directors, officers, employees and consultants to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the Plan will be for a term not to exceed five years. The plan provides that it is solely within the discretion of the Board to determine who should receive stock options, in what amounts, and determine vesting terms. The exercise price for any stock option shall not be lower than the market price of the underlying common shares at the time of grant.

	Number of stock options	Weighted average exercise price
Balance, December 31, 2017	3,012,500	\$1.00

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Granted	1,305,000	\$1.40
Balance, September 30, 2018	4,317,500	\$1.12

As at September 30, 2018, 3,475,315 options are exercisable (December 31, 2017 – 2,000,000).

In May 2018, the Company issued 1,105,000 stock options at an exercise price of \$1.40 per share, exercisable for 5 years to employees, officers, and certain consultants of the company, vesting quarterly over 2 years.

In June 2018, the Company issued 200,000 stock options at an exercise price of \$1.40 per share, exercisable for 5 years to an officer of the company, vesting quarterly over 2 years.

The Company used the Black-Scholes option pricing model to determine the fair value of options granted using the following assumptions: risk-free rate of 2% on the date of grant, expected life of 3 years, volatility of 90%, forfeiture rate of 0%, dividend yield of 0%, exercise price of the respective option.

13. Restricted share units

The Company issued 5,135,000 restricted share units (“RSUs”) to aid in attracting, retaining, and motivating officers, employees, and other participants of the Company. Providing RSUs will further allow participants to align their interests with long-term shareholder value. 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 \$1,194,508 and \$1,687,892 for the three and nine months ended September 30, 2018 (December 31, 2017 – \$nil) to the consolidated statement of loss and comprehensive loss.

14. Loss per share

For the period ended September 30, 2018, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$13,302,158 and the weighted average number of common shares outstanding of 41,212,034. Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

15. Related party transactions and balances

The Company transacts with related parties in the normal course of business. These transactions are measured at their exchange amounts. During the three and nine months ended September 30, 2018, the Company paid or accrued \$1,810,085 and \$2,469,666 (September 30, 2017 – \$164,137 and \$404,695) in consulting fees and bonuses to directors and board members of the firm.

Key management personnel compensation was comprised of:

	For the nine months ended	
	September 30, 2018	2017
Salaries	\$ 2,469,666	\$ 404,695
Option based awards	148,915	555,600
Restricted Share Units	1,780,000	-

16. Segmented Information

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The Company conducts its business as a single operating segment being Colombia. The Company maintains a head office in Vancouver, British Columbia, Canada.

The following table summarizes the total assets and liabilities by geographic segment as at:

September 30, 2018	Canada	Colombia	Total
Cash and cash equivalents	\$9,706,116	\$4,992,315	\$14,698,431
Other current assets	748,044	932,758	1,680,802
Property and equipment and intangible assets	7,186	2,389,260	2,396,446
Total assets	\$10,461,346	\$8,314,333	\$18,775,679
Accounts payable and accrued liabilities	\$ 468,574	1,411,801	\$1,880,375
Related party payables	-	-	-
Total liabilities	\$468,574	\$1,411,801	\$1,880,375

December 31, 2017	Canada	Colombia	Total
Cash and cash equivalents	\$1,744,593	\$ 65,052	\$1,809,645
Other current assets	631,285	214,047	845,332
Capital assets	-	242,563	242,563
Total assets	\$2,375,878	\$521,662	\$2,897,540
Accounts payable and accrued liabilities	\$497,162	\$207,101	\$704,263
Total liabilities	\$497,162	\$207,101	\$704,263

The following table summarizes the loss by geographic segment:

September 30, 2018	Canada	Colombia	Total
Operating expense	\$9,208,687	\$4,064,186	\$13,272,873
Net other expenses/(income)	13,108	16,177	\$29,285
	\$9,221,795	\$4,080,363	\$13,302,158
September 30, 2017	Canada	Colombia	Total
Operating expense	\$1,436,872	\$622,687	\$2,059,558
Net other expenses/(income)	4,926	2,462	\$7,388
	\$1,441,798	\$625,149	\$2,066,946

17. Commitments and contingencies

	September 30, 2018
Due in one year	\$ 230,206
Due between one and five years	978,887
Greater than five years	617,129

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\$ 1,826,222

18. Subsequent events

- On October 18, 2018, the Company announced the signing of a definitive agreement to acquire the Latin American Institute of Neurology and the Nervous System ("ILANS"). ILANS has approximately 60 clinicians and physicians and represents approximately 100,000 patients. ILANS generates approximately \$10,000,000 in revenues and \$1,800,000 in earnings before interest tax depreciation and amortization, as set forth in audited financial statements for financial year ended December 31, 2017.

The terms of the transaction are as follows:

- Issuance of 1,400,000 common shares, at C\$1.50 per share, upon closing of the transaction
- Cash payment of C\$4,730,000 over a period of two years. The future cash payments will be secured by a promissory note
- Cash payment of C\$5.0 million for the attainment of milestones pertaining to patient acquisition up to a period of two years after closing of the transaction

The closing of this acquisition is subject to approval from the TSX Venture Exchange

- On November 15, 2018, the Company completed a warrant acceleration for gross proceeds of \$14,007,000, which resulted in the issuance of 11,672,250 common shares. Each warrant had an exercise price of \$1.20.