



Khiron Life Sciences Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED December 31, 2020

April 29, 2021

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 Sciences Corp. (the "Company" or "Khiron") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2020. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2020, 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 April 29, 2021, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the board of directors of the Company (the Board), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

This 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., including the Company's Annual Information Form, is available on our website at www.khiron.ca or through the Company's SEDAR profile available at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A contains or incorporates certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance, objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, or estimates or predictions of actions of customers, suppliers, partners, distributors, competitors or regulatory authorities. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also refer to those risk factors set out in **Risk Factors**. Readers are cautioned that the list of risk factors that may affect the forward-looking statements is not exhaustive, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update

Khiron Life Sciences Corp.
Management's Discussion & Analysis

publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of The Business

Khiron was incorporated under the *Business Corporations Act* (British Columbia) on May 16, 2012. The Company's shares are listed on the TSX Venture Exchange (TSXV) under the symbol "KHRN", the OTCQX Best Market under the symbol "KHRNF" and on the Frankfurt Stock Exchange under the symbol "A2JMXC".

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

The Company has three operating segments:

- 1) Medical Cannabis Products - in which the Company grows, produces and sells branded products and services to patients with medical conditions where cannabis can be an acceptable, proven option.

Under the Medical Cannabis Products segment, the Company is focused on growing product sales in existing markets (Colombia, Peru, the UK and Germany) and new markets (Brazil and Mexico):

- By increasing patient access to trained medical professionals through the advancement of the Company's health services segment in applicable markets, including:
 - utilizing its satellite, Zerenia-branded clinics to provide localized patient access to medical cannabis professionals; and
 - continuing to develop and deliver physician education to increase the number of prescribing physicians, drive prescriptions and enhance patient outcomes.
- By establishing and expanding medical cannabis product offerings in new and existing markets; and
- By continuing to obtain and maintain new and existing regulatory permits, licenses and quotas.

- 2) Health Services - where the Company operates its own network of medium complexity health centres (operating under the ILANS and Zerenia™ brands) and Zerenia satellite clinics offering a suite of health, medical and surgical services in alignment with insurance company partners.

Under the Health Services segment, the Company is focused on expanding operating capacity in each market in which it operates by investing in information technology and communications systems to expand e-Health and telehealth service delivery to new and underserved markets.

In Colombia, the Company intends to increase patient consultations and patient access through continued investment in physician education and training and its web or app-based telehealth application (DoctorZerenia.com).

Khiron Life Sciences Corp.
Management's Discussion & Analysis

- 3) *Wellbeing Products* - focused on delivering the benefits of CBD and hemp across an array of various branded consumer packaged goods, such as its Kuida™ cosmetics line.

In Colombia, the Company is leveraging existing brand recognition to support continued e-commerce sales and distribution with local partners.

In all other markets where the Company's Wellbeing Products are available for sale including the UK, Spain and Germany, the Company is pursuing distribution agreements to expand market presence while reducing marketing and distribution costs.

Overview

Key development during 2020 and up to April 29, 2021

Highlights

- Commenced medical cannabis sales in Colombia, Peru, the UK and Germany, including being the first company to sell medical cannabis magistral preparations in Colombia, Peru and medical cannabis flower in Scotland
- Opened its flagship Zerenia™ clinic in Bogota and six satellite format Zerenia™ clinics
- Sold over 13,000 prescriptions in Colombia with more prescriptions issued in the first quarter of 2021 than in all of 2020
- Khiron declared a National Strategic Project by the Government of Colombia, which simplifies and accelerates administration processes for the Company's strategic initiatives
- The first cannabis company in Colombia to export THC products and live cannabis genetics internationally
- Khiron Academy™, the Company's medical cannabis e-learning certification, has been completed by hundreds of physicians across Latin America and Europe, and was accredited for UK Continuing Professional Development.
- Successfully exported its Colombian-registered cannabis strains, in the form of live clones, from Colombia to Europe. This represents the first shipment of medical cannabis live plant material from Colombia to Europe and is expected to accelerate access to European markets as the Company executes on its asset light growth strategy in the United Kingdom and Germany.
- Began sales in Germany with successful delivery of EU-GMP medical cannabis products. Introduced Khiron 1/14 (High CBD flower) in Germany and the UK. In the UK, prescribing specialists will also be able to prescribe smaller quantities of our flower products in 5- gram jars.

Medical cannabis products

Colombia

- Since becoming the first licensed producer in Colombia authorized to sell medical cannabis, the Company commenced commercial sales of low- and high-THC medical cannabis under authorization for the National Narcotics Fund (NNF), through its own health centres and ILANS clinics in March and May 2020, respectively.
- In September 2020, the Company was declared a National Strategic Project (PINES) by the Government of Colombia. This certification was established by the Government of Colombia to prioritize the development of specific projects or companies that are deemed by the Government to be able to significantly increase the national economy.
- In September 2020, the Company signed partnerships with 15 clinics and health centres in Colombia, extending education and sales reach further across the country. Distribution continues to

Khiron Life Sciences Corp.
Management's Discussion & Analysis

expand as Khiron increases the number of Colombian pharmacy partners and they receive dispensing authorization from the NNF.

- In December 2020, the Colombian government extended medical health insurance coverage to THC and CBD medical cannabis products, increasing patient access and resulting in an increase in the number of patient prescriptions issued and an increase in the percentage of prescriptions filled. In Q4 2020, over 45% of issued prescriptions were covered by insurance.
- The Company surpassed 5,600 paid patient prescriptions in Colombia in 2020 and, with more patient prescriptions in Q1 2021 than all of 2020, has now surpassed 17,000 patient prescriptions for Khiron medical cannabis products. Paid patient prescriptions increased over 82% from Q3 2020 to Q4 2020.
- During the second half of 2020, cultivation operated at full capacity levels at the greenhouses in Doima, Colombia, and the plants grown were largely designated for commercial operations, to be used for the ultimate sale of medical cannabis products. The Company recorded a fair value gain on harvested and growing cannabis (the Company's biological assets), of \$1.3 million in 2020. Costs related to cultivation, harvesting, the fair value gain on the plants, drying and extracting are capitalized to inventory and are expensed as a cost of sale when the finished goods inventory is sold. Cultivation costs associated with research and development activities (non-commercial) will continue to be expensed as incurred.
- During Q1 2021, the Company increased paid medical cannabis prescriptions over 120% from Q4 2020.

Mexico

- In March 2020, the Company signed an agreement with Tecnológico de Monterrey, a leading Latin American university (Ranked No.1 in Mexico and 3rd in Latin America, Source: QS University Rankings) in Mexico, to bring Khiron's online education program to physicians and healthcare practitioners in Mexico and Latin America. The cloud-based education and certification platform was launched in Q3 2020.
- The medical cannabis program begins with online based courses, introducing healthcare providers across Latin America to specific regulatory frameworks, clinical evidence and research, safety considerations, clinical cases and practical recommendations to best meet current patient needs.
- To date, over 250 physicians in Mexico, Colombia, Brazil and Peru have completed the courses and received their respective certifications from Tecnológico de Monterrey.

Peru

- In September 2020, the Company became the first company to sell medical cannabis in Peru, introducing its new CBD brand Alixen™, sold under its agreement with Farmacia Universal.
- Khiron Peru S.A. imports the whole cannabis plant extract from Khiron Colombia and has entered into an exclusive 2-year agreement with Farmacia Universal S.A.C. of Peru, a leading pharmacy chain and manufacturing laboratory based in Lima, to manufacture and distribute Khiron-branded medical cannabis products in Peru.
- In September 2020, quotas for the Company's high-THC medical cannabis product in Peru were approved by DIGEMID, Peru's drug regulatory authority, and first patient prescriptions were issued in Q4 2020.

Brazil

- In April 2020, the Company entered into an agreement with Medlive S.A.S. (Medlive), a leading marketer and distributor of pharmaceutical products to clinics, hospitals and pharmacies in southern Brazil. Under the agreement, the Company's medical cannabis products will be marketed through the Medlive network of doctor offices, clinics, hospitals and governmental institutions. Physicians in Medlive's extensive network will receive medical education and training related to Khiron's products.

Khiron Life Sciences Corp.
Management's Discussion & Analysis

Europe and UK

- In the first half of 2020, the Company entered into several white-label supply agreements with EU GMP certified manufacturers of medical cannabis to supply the European market.
- In July 2020, Khiron Life Sciences UK Limited (Khiron UK) received and filled its first medical cannabis prescriptions for patients participating in Project Twenty21 in the UK. Khiron branded EU GMP medical cannabis is available for prescription from doctors and clinics participating in Project Twenty21, Europe's largest study of the effectiveness and tolerability of medical cannabis. Khiron is the exclusive Latin American supplier to Project Twenty21. The Company anticipates an increase in the number of prescriptions for medical cannabis in the UK during 2021, with online consultations and home delivery services through Project Twenty21.
- In June 2020, Khiron Life Sciences Spain SL entered into an agreement with Nimbus Health, a leading German distributor of medical cannabis products, to distribute Khiron branded EU GMP medical cannabis in Germany to be prescribed by doctors and dispensed in pharmacies. In Q1 2021, the following regulatory delays, COVID-19, and enhanced product safety testing in our supply chain, the Company completed its first shipment for Germany and the commencement of medical cannabis product sales.
- In Q3 2020, the Company's medical cannabis e-learning platform, Khiron Academy, was introduced in the UK in partnership with the Medical Cannabis Clinicians Society, an independent, clinician-led organization sharing guidance to lead the medical cannabis conversation in the UK. Khiron's e-learning program accelerates medical cannabis knowledge for doctors participating in Project Twenty21, a 20,000-patient observational study backed by Drug Science. In March 2021, the Company received UK Continuing Professional Development accreditation for Khiron Academy.
- In Q1 2021, the Company entered into a strategic partnership with Cellen Therapeutics, widely recognized for launching the UK's first digital pain clinic, Leva, and a founding member of Project Twenty21, to increase patient access via prescriptions.
- In 2021, the Company has been working to expand and strengthen its supply chain and product offering in Europe and the UK.
- Successfully exported its Colombian-registered cannabis strains, in the form of live clones, from Colombia to Europe. This represents the first shipment of medical cannabis live plant material from Europe to Colombia and is expected to accelerate access to European markets as the Company executes on its asset light growth strategy in the United Kingdom and Germany.
- Began sales in Germany with successful delivery of EU-GMP medical cannabis products. Khiron 1/14 (High CBD flower) will focus on indications such as anxiety, substance use disorder, and migraines.
- Introduced Khiron 1/14 (High CBD flower) in the UK. Prescribing specialists will also be able to prescribe smaller quantities of our flower products in 5- gram jars.

Health services

- In March and April 2020, the health centres experienced a decline in patient visits due to the Colombian government's strict quarantine regulations in response to the COVID-19 pandemic. While the Company's health centres were designated as essential services and remained open, certain invasive procedures were temporarily suspended (e.g. neurosurgeries), and precautions were implemented to ensure adequate spacing of appointments and patients in clinic waiting areas.
- The Company responded by implementing a series of actions to ensure faster access to potential patients and doctor outreach at its health centres in Colombia.
- Since the launch of telehealth services and the resumption of surgeries on May 26, 2020, the Company's health centres have significantly increased the number of patient services, and in September 2020 surpassed the level they were at the beginning of the year. Since the introduction of telehealth services by the Company on April 1, 2020, teleconsultations currently represent approximately 15% of consults. In addition, Khiron Colombia launched Doctor Zerenia™ in Colombia, a state-of-the-art, fully integrated telehealth portal offering patients and doctors a

Khiron Life Sciences Corp. Management's Discussion & Analysis

seamless online clinic experience. As a result of the telehealth platforms implemented, more than 25% of the Company's medical cannabis prescriptions have been for patients outside of Bogota.

- In December 2020, following the success of the Company's full-scale Zerenia clinic in Bogota, the Company opened its first satellite format Zerenia clinic in Medellin, Colombia. The Medellin clinic supports Khiron's goal of expanding regional access to the Company's clinic services and medical cannabis products for patients across the country, with a focus on in-person and telehealth services in Colombia's largest urban centres.

Wellbeing products

- COVID-19 negatively impacted the sales of the Company's Kuida™ cosmeceutical products. Around the globe, countries imposed tight restrictions on movement to reduce the spread of the virus - closing borders, introducing social distancing and quarantine measures, and prohibiting or restricting specific activities, including access to certain retail stores.
- Due to these restrictions and the uncertainties surrounding successful product launches during 2020, the Company significantly limited its marketing and sales efforts across all regions, rather focusing on establishing strong distribution agreements in Latin America, USA, Europe and Hong Kong, and building its online and digital sales strategy, preparing to enter these markets in 2021.
- In July 2020, Khiron UK signed a distribution deal for its Kuida cosmetics with Red Yellow Red, a leading European Union distributor of cosmetic products. Kuida skin and body care products will be distributed by Red Yellow Red through four major multinational drug store health and beauty distribution groups in Spain. The Company received its first order and initial sales in Q3 2020.
- In August 2020, Khiron UK signed a distribution deal for its Kuida products with DNO Group, a leading distributor for the Asia Pacific market. Kuida skin and body care products will be distributed by DNO Group through their network of retail and online channels in Hong Kong. The Company received its first order in Q4 2020, and initial sales under the order are expected to occur in 2021.
- In September 2020, the Company entered into an exclusive distribution agreement with Rappi SAS, the leading Latin American, last-mile delivery platform. This partnership introduced the Company's Kuida products to Rappi users across Latin America.

Corporate

- Effective July 10, 2020, MNP LLP have, at the request of the Company, resigned as auditors of the Company, and effective the same date, the Board of Directors of Khiron appointed BDO Canada LLP as auditors of the Company.
- On September 10, 2020, the Company's 2020 Amended and Restated Stock Option Plan and 2020 Amended and Restated RSU Plan were approved by shareholders at the annual general and special meeting of shareholders.
- In September 2020, the Company received the status of National Interest Strategic Project ("PINES") by the Government of Colombia, through its Intersectoral Commission for Infrastructure and Strategic Projects ("CIPE"). The government agency review, and subsequent certification, enables the Company to simplify authorization processes, reduce costs and accelerate time to market for its services and products for the Colombian market and for export purposes.
- On November 26, 2020, the Company completed a "bought deal" short form prospectus offering of units ("Units"), including the exercise in full of the over-allotment option (the "Offering"). A total of 32,200,000 Units were sold at a price of \$0.45 per Unit for aggregate gross proceeds of \$14,490,000 (including the exercise in full of the over-allotment option). The Offering was completed by a syndicate of underwriters led by Canaccord Genuity Corp., including ATB Capital Markets Inc. and Leede Jones Gable Inc. Each Unit is comprised of one common share of the Company and one warrant to purchase one common share at an exercise price of \$0.75, for a period ending five years from the date of closing.
- Also in November 2020, Mr. Juan Carlos Echeverry, a former Minister of Economic Planning of Colombia and a former CEO of Ecopetrol, Colombia's largest Corporation and the fourth largest Latin American oil and gas producer, was appointed to the Company's board of directors and as an independent member of the Audit Committee.

Khiron Life Sciences Corp.
Management's Discussion & Analysis

- In February 2021, the Company granted 888,298 RSUs to certain directors and an officer of the Company, in accordance with the terms of the respective agreements between the Company and each individual. In April 2021, the Company's Board of Directors approved a recommendation by management to grant 2,996,000 stock options and 2,541,500 RSUs to certain employees and executives of the Company following the end of the Q1 quarterly blackout period currently in effect, estimated to occur on or around May 31, 2021. These grants include 2,800,000 stock options and 1,200,000 RSUs to be granted pursuant to contractual obligations between the Company and certain executives. The exercise price of the stock options will be determined following the end of the blackout period and will be not less than the fair market value, which means the last closing price of the shares on the TSXV before the grant date, pursuant to the terms of the Company's 2020 Amended and Restated Stock Option Plan.

Q4 financial summary

The Company recorded a net loss of \$2.3 million for the fourth quarter of 2020. This compares to a net loss of \$8.2 million in the prior year fourth quarter. On an adjusted EBITDA basis Q4 2020 was a \$4.3 million loss compared to the adjusted loss of \$6.3 million in Q4 2019 (see *Adjusted EBITDA* for calculation).

Q4 2020 and the impact of COVID-19 – starting in March 2020, the Company's health centres experienced a decline in patient visits due to the Colombian government's strict quarantine regulations which required the Company to limit the number of patient visits and suspend surgeries. By the end of Q3 2020, following the launch of teleconsultation services in April 2020 and the resumption of surgeries in May 2020, the number of patient services increased and surpassed levels observed at the beginning of the year, including complex services such as surgeries. These patient services levels were maintained throughout Q4 2020, leading to a 25% increase in service revenues from Q3 2020. The Company experienced a 2% increase in services revenues in Colombian Pesos in Q4 2020 compared to Q4 2019, however, as a result of the devaluation of the Colombian Peso, this translates into a 6% decline in service revenues in Canadian dollars, in Q4 2020 compared to Q4 2019. The Company has maintained the cost cutting measures implemented during the second quarter.

Throughout Q4 2020, the Company sold increasing levels of both low- and high-THC medical cannabis through its health centres in Colombia and pharmacy partners. Revenue contributions were \$0.2 million in the quarter, a 186% increase from Q3 2020 as prescriptions and sales accelerated on a weekly basis. Cultivation is increasingly focused on growing for commercial sales purposes and less on research and development. In Q4 2020, the Company capitalized \$0.4 million in operating costs to inventory and recorded its fair value gain on biological assets of \$4.2 million.

Khiron Life Sciences Corp.
Management's Discussion & Analysis

Selected Annual Consolidated Information

| <i>(Canadian dollars)</i> | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|
| | \$ | \$ | \$ |
| For the year ended December 31: | | | |
| Revenues | | | |
| Service revenues | 7,429,790 | 9,266,690 | 795,716 |
| Medical cannabis | 370,082 | - | - |
| Wellbeing products | 217,127 | 315,676 | 95,961 |
| | 8,016,999 | 9,582,366 | 891,677 |
| Cost of sales | (6,536,274) | (7,146,509) | (594,313) |
| Unrealized gain on fair value of biological assets | 5,527,449 | - | - |
| Expenses | (31,047,063) | (38,813,636) | (20,103,901) |
| Net loss | (24,038,889) | (36,377,779) | (19,806,537) |
| Adjusted EBITDA ⁽¹⁾ | (18,762,145) | (24,504,376) | (13,969,189) |
| <hr/> | | | |
| Loss per share – basic and diluted | (0.20) | (0.36) | (0.41) |
| Weighted average shares outstanding (#) | 120,293,691 | 101,966,057 | 48,518,873 |
| <hr/> | | | |
| As at December 31: | | | |
| Cash and short-term investments | 21,649,041 | 36,904,781 | 18,963,272 |
| Total assets | 73,179,246 | 81,912,191 | 40,348,817 |
| <hr/> | | | |
| Current liabilities | 7,342,306 | 8,440,888 | 6,595,578 |
| Long-term liabilities | 9,950,259 | 3,432,549 | 8,215,830 |
| Shareholders' equity | 63,228,987 | 70,038,754 | 25,537,409 |
| Shares outstanding (#) | 150,717,068 | 116,612,318 | 75,042,988 |

(1) Defined as net loss before interest, taxes, depreciation and amortization adjusted for additional fair value items and other non-cash items, which is a non-GAAP measure discussed in the "Adjusted EBITDA" section.

* There have been no distributions or cash dividends declared by the Company in any year.

**The Company has applied consistent accounting principles and has maintained consistent presentation and functional currency principles between years.

The three-year financial information shows the progression of the Company towards achieving its objective to become a global leader in creating high quality medical and wellbeing cannabis brands to sell around the world. From its start in 2018, Khiron has:

- developed, produced, marketed and sold its own line of wellbeing products (first sales commenced in the fourth quarter of 2018);
- built a cultivation site in Colombia, harvested its first crops in 2019 and started selling its own manufactured medical cannabis in Colombia in the first quarter of 2020;
- acquired the ILANS health centres in November 2018 continuing its services through 2019 with expanded facilities and services commencing in the first quarter of 2020 with the launch of the Company's first Zerenia™ clinic;
- prepared for global growth, added key leadership positions in Latin America, Europe and Canada, and altered the composition of its Board in 2019 and 2020; and
- expanded its global medical cannabis footprint with first sales in the UK and Peru in the third quarter of 2020.

As a result, the Company's expenditures increased from 2018 to 2019 to build a global team, to expand its marketing and investor relations efforts, and develop and explore new growth opportunities both through

Page 9

Khiron Life Sciences Corp.
Management's Discussion & Analysis

acquisition and organically. In 2020, the Company's expenditures were reduced to focus on core operations during the Covid-19 pandemic. At December 31, 2020 the Company held \$21.6 million in cash and short-term investments. The Company has been funded through equity financings.

Outlook and the Impact of COVID-19

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

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

From the onset of the COVID-19 pandemic, Khiron shifted its strategic approach to limit global expansion, alter marketing methods and conserve cash, while still maintaining its overall strategic direction to improve the quality of life of patients and consumers. During this global crisis, and specifically in Q2-Q3 2020, the Company did and plans to continue to do the following:

- the Company prioritized the physical and mental health of its employees and health professionals by implementing air travel restrictions and allowing remote and flexible working arrangements for office staff;
- the Company focused on: i) increasing prescribing physicians at its health centres and third party clinics across Colombia to drive daily prescriptions per physician; ii) generating patient awareness across the country to encourage patients to visit its health centres, primarily through its new web or app-based telehealth application (DoctorZerenia.com); and iii) improving systems and processes to improve service quality for new, potential and existing patients;
- the Company managed its available cash by reducing general and administrative expenses, marketing spending and lower capital expenditures;
- in Colombia, Khiron received an essential service exemption for its cultivation site, laboratory facilities and health centres. As a result, the Company continued to employ almost all of its employees and doctors, but implemented reduced pay and benefits measures. Additionally, the retainer fees payable to the Company's board of directors were reduced; and
- the Company prioritized the continuity of health services and the treatment of patients, following appropriate safety guidelines. Certain invasive procedures were suspended (e.g. neurosurgeries) until May 26, 2020, and measures were implemented to ensure adequate spacing of appointments and patients in clinic waiting areas. The Company also introduced a teleconsultation service, leveraging its medical team and existing patient network to meet essential patient needs during the COVID-19 pandemic.

The implementation of these measures had the effect of ensuring the continuity of the business operations of the Company with a healthy workforce, including employees at the cultivation site, medical clinics, office staff and members of the management team and board of directors. Cost savings from reduced travel,

Khiron Life Sciences Corp. Management's Discussion & Analysis

salaries and retainers helped to offset the reduced revenues from the Company's clinics and decreased retail sales of its Wellbeing products, while the postponement of capital expenditures, including the construction of the Juan Lacaze cultivation site in Uruguay, and marketing programs helped to conserve the Company's cash and ensure continuation of core business operations.

The COVID-19 pandemic affected the Company's financial performance during 2020 by slowing growth in sales of medical cannabis products in all markets. In Colombia, Khiron's most advanced medical cannabis market, the Company achieved initial sales and significant quarter-over-quarter growth rates; however, the restrictions placed on operating activities to manage the pandemic, such as reduced operating capacities in the clinic, resulted in reduced sales that were significantly below pre-pandemic levels. Sales from the Company's Wellbeing Products were also affected as the Company de-prioritized promotional and market expansion activities as a result of the decreased consumer demand and the impact of the pandemic on retail activities which reduced available point of sale opportunities.

Overall, the impact of the COVID-19 pandemic to-date has been slow growth of sales across existing markets and a delay in entering new markets, effectively delaying the Company's pathway to profitability. In November 2020, the Company raised additional funds through the November Offering, an equity financing in order to provide adequate capital to fund the Company's growth in existing and new markets.

The Company has adapted operating activities to the current market conditions including increased reliance on telemedicine to deliver clinic services and prescriptions and has experienced continued month-over-month growth in the sales of medical cannabis products in Colombia and Peru since the easing of COVID-19 restrictions in those countries during the last quarter of 2020. The number of medical cannabis prescriptions issued through the Company's clinics since receipt of regulatory approval has surpassed 15,000 to-date, with over 50% of these occurring in 2021, demonstrating accelerated growth over 2020. The Company is on track for its total number of prescriptions filled during the first quarter of 2021 to exceed the total number of prescriptions filled during all of 2020. The number of prescriptions issued per quarter is expected to increase with the expansion of the Company's clinic footprint across Colombia, including recently completed investments in satellite format Zerenia™ clinics in municipal centres that are expected to generate additional prescribing capacity for high-margin medical cannabis sales.

A return to COVID-19 restrictions, if enacted, could have implications similar to those experienced in 2020 such as tempered growth in sales, specifically in new markets where significant investments are required for start-up costs and promotional activities. However, the Company's investment in and implementation of telemedicine services during 2020 may reduce the overall impact of such events on its sales of medical cannabis. In the event of a major disruption in operating activities, the Company expects to respond in a manner consistent with 2020 to reduce costs and allocate available resources to focus on core revenue generating operations and markets, including, where appropriate, rationalization of product lines and operating capacity.

While the Company starts the year 2021 with a cash balance of \$21.6 million, the Company must prudently manage its cash and maintain its liquidity amidst the uncertainty of incoming cash flows during the COVID-19 pandemic. The Company's core focus will be on its medical businesses using a predominantly digital strategy focus to grow its patient network and sell its medical cannabis products both locally in Colombia and globally. Maintaining high quality growth and extracts at its cultivation site will be critical to the Company's success. Cost reductions in salaries, marketing and other administrative functions have been implemented. Capital expenditure programs have been postponed, where possible. While the Company will avail itself of financial relief measures, management believes that the Company should be able to maintain a positive cash balance through 2021. Maintaining liquidity through the crisis and continuing with its core strategy should place the Company in a very strong competitive position once the crisis ends.

Khiron Life Sciences Corp.
Management's Discussion & Analysis

Review of Operations for the Years Ended December 31, 2020 and 2019

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

| | For the years ended December 31 | |
|--|------------------------------------|--------------|
| <i>(Canadian dollars)</i> | 2020 | 2019 |
| | \$ | \$ |
| Health services: | | |
| Revenues | 7,429,790 | 9,266,690 |
| Cost of sales | 6,419,605 | 7,066,157 |
| Gross profit health services | 1,010,185 | 2,200,533 |
| Medical cannabis products: | | |
| Revenues | 370,082 | - |
| Cost of sales | 36,146 | - |
| Gross profit medical cannabis products | 333,936 | - |
| Wellbeing products: | | |
| Revenues | 217,127 | 315,676 |
| Cost of sales | 80,523 | 80,352 |
| Gross profit Wellbeing products | 136,604 | 235,324 |
| Gross profit before fair value adjustment | 1,480,725 | 2,435,857 |
| Fair value adjustments, net | 5,527,449 | - |
| Gross profit | 7,008,174 | 2,435,857 |
| Expenses | | |
| General and administrative costs | (20,876,543) | (20,524,510) |
| Share-based compensation | (5,716,429) | (9,371,090) |
| Selling, marketing and promotion | (2,494,488) | (4,787,333) |
| Research and development | (1,525,704) | (3,732,557) |
| Transaction fees | - | (1,750,000) |
| | (30,613,164) | (40,165,490) |
| Gain on acquisition amendment | - | 1,037,748 |
| Other income, net of other expenses | (433,899) | 314,106 |
| Net loss | (24,038,889) | (36,377,779) |

Gross profit – health services

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

The national quarantine announced in Colombia on March 22, 2020 from the COVID-19 pandemic resulted in reduced patient visits to the health centres as the Company ensured adequate spacing of appointments and patients in clinic waiting areas. In addition, certain invasive procedures were suspended (e.g. neurosurgeries) that typically garner higher revenues at higher margins. Revenues at the health centres were trending above \$700,000 in both January and February with March and April reduced to just below \$400,000 due to the reduced surgeries in the month. Revenues recovered from their lows in the second quarter and through the third quarter of 2020. Since the second quarter of 2020, health services revenues have been supported by the launch of telehealth services.

Khiron Life Sciences Corp.
Management's Discussion & Analysis

The following table shows the quarterly gross margin results of the clinics for the year ended December 31, 2020 and 2019 respectively.

| <i>(Canadian dollars)</i> | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | Total |
|---------------------------|----------------|----------------|----------------|----------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenues | 1,817,870 | 1,590,801 | 1,785,334 | 2,235,785 | 7,429,790 |
| Cost of sales | 1,436,580 | 1,333,960 | 1,576,525 | 2,072,540 | 6,419,605 |
| Gross profit | 381,290 | 256,841 | 208,809 | 163,245 | 1,010,185 |
| Gross margin | 21% | 16% | 12% | 7% | 14% |

| <i>(Canadian dollars)</i> | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Total |
|---------------------------|----------------|----------------|----------------|----------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenues | 2,021,144 | 2,190,997 | 2,684,739 | 2,369,810 | 9,266,690 |
| Cost of sales | 1,657,088 | 1,820,138 | 2,159,608 | 1,429,323 | 7,066,157 |
| Gross profit | 364,056 | 370,859 | 525,131 | 940,487 | 2,200,533 |
| Gross margin | 18% | 17% | 20% | 40% | 24% |

While revenues have largely recovered to levels consistent with those achieved prior to the pandemic, the impact of modified procedures to maintain a safe environment have negatively impact the gross margin achieved. Day surgery procedures yield the highest margins and the number of these procedures steadily increased quarter over quarter prior to the pandemic lending to the higher gross margins overall in 2019. Additionally, in the fourth quarter of 2019, an adjustment of \$350,000 was recorded reducing cost of sales and increasing the gross margin. The adjustment reversed a provision that was related to costs expensed in the first and second quarters of 2019.

Gross profit – medical cannabis products

Following receipt of all regulatory approvals in Colombia, first sales of low-THC medical cannabis commenced at the end of March 2020, and in May 2020, the Company also commenced selling of high-THC medical cannabis through its health centres. Four SKUs are currently offered for sale with prescriptions rising on an accelerated basis. Khiron Colombia will continue to work with distribution networks in Colombia to offer the same SKUs in pharmacies across the country and initiate programs to increase the number of prescriptions.

The Company also delivered its first medical cannabis sales in Peru and the UK in the third quarter of 2020.

| <i>(Canadian dollars)</i> | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | Total |
|---|----------------|----------------|----------------|----------------|----------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenues | 480 | 25,373 | 110,152 | 234,077 | 370,082 |
| Cost of sales | 110 | 5,835 | 10,375 | 19,826 | 36,146 |
| Gross profit before fair value adjustment | 370 | 19,538 | 99,777 | 214,251 | 333,936 |
| Gross margin | 77% | 77% | 91% | 92% | 90% |

Khiron Life Sciences Corp.
Management's Discussion & Analysis

Gross profit – Wellbeing products

Wellbeing products revenues are largely from sales to distributors of the Company's Kuida™ products in Colombia, which started distribution in the Q4 2018. First sales of Kuida began in the UK in Q1 2020. In all other markets where the Company's Wellbeing Products are available for sale including Spain, Germany and the UK, the Company is pursuing distribution agreements to expand market presence while reducing marketing and distribution costs.

The COVID-19 pandemic caused the closure of retail stores and a general economic recession in Colombia. As a result, sales declined from 2019, with most of Q3 2020 sales being achieved through online shop and other digital platforms in Colombia. Marketing efforts for the Kuida line of products will continue to focus on digital platforms and its own online shop during the ongoing pandemic. Opportunities, however, continue to arise internationally for the Kuida products and the Company entered into new distribution arrangements in Spain and Germany to expand its outreach.

The table below shows the revenue of the Kuida products for the year ended December 31, 2020 and 2019 respectively.

| <i>(Canadian dollars)</i> | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | Total |
|----------------------------|----------------|----------------|----------------|----------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Consumer products revenues | 62,978 | 60,220 | 44,468 | 49,461 | 217,127 |
| Units sold (#) | 5,554 | 4,344 | 3,688 | 4,244 | 17,830 |

| <i>(Canadian dollars)</i> | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Total |
|----------------------------|----------------|----------------|----------------|----------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Consumer products revenues | 69,833 | 16,683 | 88,500 | 140,660 | 315,676 |
| Units sold (#) | 4,498 | 1,865 | 6,065 | 9,243 | 21,671 |

Expenses

General and administrative costs

General and administrative costs include the following:

| <i>(Canadian dollars)</i> | For the years ended December 31 | |
|-------------------------------|--|-------------|
| | 2020 | 2019 |
| | \$ | \$ |
| Salaries | 11,805,904 | 6,680,330 |
| Professional fees | 1,664,039 | 3,778,447 |
| Consulting | 1,385,109 | 2,072,719 |
| Investor relations | 1,153,390 | 1,841,778 |
| Travel and development | 257,859 | 1,608,605 |
| Corporate governance | 1,526,355 | 1,101,272 |
| Donations | - | 149,779 |
| Office and general | 2,406,064 | 2,921,535 |
| Depreciation and amortization | 677,823 | 370,045 |
| | 20,876,543 | 20,524,510 |

Khiron Life Sciences Corp. Management's Discussion & Analysis

General and administrative costs have increased period over period because of the following:

- Salaries – through 2019 Khiron prepared to execute on its growth strategy and established presence in multiple countries – including Germany, Peru, Chile and Uruguay. This resulted in an increase in salaries in those countries as well as increased headcount in the Company's corporate office in Bogota, Colombia.
- A signing bonus was paid in two parts to executive management in Europe, which is being amortized over the contractual term. A prepaid asset of \$0.8 million remains outstanding at December 31, 2020, to be amortized on a straight-line basis through March 2021.
- Professional, consulting and advisory fees - include financial advisory, accounting, and legal fees, all of which have decreased. In 2019, the Company was actively seeking acquisition and financing related transactions which required the services of outside legal counsel and financial advisors.
- Travel and development – a reduction in consulting and acquisition related activity plus restrictions on all Company travel since March 2020 due to COVID-19.
- Investor relations - costs in 2019 were higher with the expansion of the Company's shareholder base, particularly with the commencement of trading on the Frankfurt Stock Exchange.
- Public company costs - includes directors' fees, directors' and officers' insurance, external audit, filing and listing fees.
- Office and general – the decrease from 2019 reflects reductions in office spending because of work-from-home measures implemented in response to COVID-19.

In response to COVID-19, the Company implemented a number of cost reducing mechanisms, including a reduction of almost all employees' compensation and all directors fees. This resulted in savings of approximately \$1.0 million in 2020. In addition, reduced head count, a reduction in travel and office costs as well as reduced investor relations spending also helped in reducing general and administration costs.

Share-based compensation

Share-based compensation includes expenses related to both stock options and restricted share units. For the year ended December 31, 2020, the decrease from the prior year is due to the completion of vesting of higher value units, partially offset by the expense from lower valued units issued in the current year.

Selling, marketing and promotion

These costs are related to corporate communications, educational conferences, costs associated with marketing and selling Kuida™ Wellbeing products and preparing to launch medical cannabis through educational forums. In March 2020, following the restrictions caused by COVID-19, the Company curtailed most of its marketing efforts. Conferences and exhibitions were cancelled. The Company has since been focused on online strategies for the promotion of Kuida and medical cannabis education, which significantly reduces costs during the crisis.

Research and development

Research and development included non-capital related operating costs at the Company's cultivation, extraction, and analysis facilities in Ibagué, Colombia and up until April 1, 2020, the Company expensed most of these operating costs. The Company successfully harvested licensed strains of cannabis and processed the dried flower into a cannabis extract in the second half of 2019, and in March 2020, the Company received its final certification required to manufacture and sell medical cannabis in Colombia. In the second half of 2020, the majority of costs related to cultivation and extraction were for commercial purposes and accordingly capitalized to inventory and biological assets. All other costs related to production through 2019 and 2020 were expensed as research and development.

In addition, the Company incurs costs related to pre-clinical studies, education platforms and cultivation studies. In 2020, these costs amounted to \$330,585 compared to \$894,500 in 2019 as less funds were paid towards cultivation related studies.

Khiron Life Sciences Corp.
Management's Discussion & Analysis

Transaction fees

In the first quarter of 2019, the Company paid a finder's fee of \$750,000 in relation to the joint venture arrangement with Dixie, paid in the form of equity and paid \$500,000 in compensation bonuses related to the financing transactions. A further \$500,000 in compensation bonuses was also paid in the third quarter of 2019 in relation to the second financing the Company completed in 2019.

Liquidity and Financial Condition

Cash flows

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

| <i>(Canadian dollars)</i> | For the years ended December 31 | |
|---|--|--------------|
| | 2020 | 2019 |
| | \$ | \$ |
| Cash used in operating activities: | | |
| Before working capital changes ⁽¹⁾ | (22,593,441) | (26,333,160) |
| Working capital changes | (1,938,907) | (3,182,384) |
| | (24,532,348) | (29,515,544) |
| Cash used in investing activities: | | |
| Purchase of property, plant and equipment and equipment | (2,693,150) | (6,094,749) |
| Acquisition of ILANS | - | (2,670,873) |
| Acquisition of NettaGrowth | - | (159,765) |
| | (2,693,150) | (8,925,387) |
| Cash provided from financing activities: | | |
| Proceeds from share issuances | 12,939,688 | 53,139,228 |
| Proceeds from exercise of options and warrants | - | 5,128,783 |
| Repayment of long-term debt | (555,194) | (1,272,705) |
| Shares purchased and cancelled | (212,389) | - |
| | 12,172,105 | 56,995,306 |
| Change in cash and short-term investments | (15,053,393) | 18,554,375 |
| Opening cash and short-term investments | 36,904,781 | 18,963,272 |
| Foreign exchange on cash and other | (202,347) | (612,866) |
| Closing cash and short-term investments | 21,649,041 | 36,904,781 |

(1) Adjusted for accrued interest paid on maturity attributable to short-term investments.

Cash used in operating activities

Cash used in operating activities before working capital changes mainly includes cash provided by profits from health services and sales of Wellbeing products less general and administrative costs, selling, marketing and promotion, and research and development. For the year ended December 31, 2020 additional cash was spent on general and administrative costs, selling, marketing and promotion, and research and development compared to the previous year, as explained above in **Review of Operations**. In 2020, working capital changes reflect additional cash used, including increased receivables from health services revenues, higher inventories, and lower payables and accrued liabilities, partially offset by net commodity taxes refunds and the drawdown of prepaid assets.

Khiron Life Sciences Corp.
Management's Discussion & Analysis

Cash used in investing activities

In 2020, the Company completed the construction at its new Zerenia™ health centre, purchased additional medical equipment and completed the build of a solar power generation facility at its cultivation site. In 2019, the Company completed the construction of its cultivation, extraction, and analysis facilities in Ibagué, Colombia and incurred leasehold improvement costs at its corporate offices in Bogota, Colombia.

On June 19, 2019, the Company acquired NettaGrowth through the issuance of 8,498,821 common shares of the Company valued at \$13,683,102 and incurred transaction costs of \$1,205,565, of which \$1,045,800 was paid through the issuance of common shares and \$159,765 paid as cash.

On November 30, 2018, the Company acquired ILANS and under the terms of the purchase agreement an instalment payment was made in Q1 2019 for \$1,733,000. Later, on May 31, 2019 the purchase agreement for ILANS was amended and a final cash payment of \$937,873 was made.

Cash provided by financing activities

The Company completed the following financings in 2020 and 2019:

2020

- During 2020, the Company received final approval from the TSXV for a normal course issuer bid to repurchase, for cancellation, up to 5,830,615 common shares of the Company, representing approximately 5% of the Company's presently issued and outstanding common shares (the "NCIB") commencing on or about March 4, 2020. The NCIB will expire on the earlier of: (i) one year from such commencement; or (ii) the date on which the Company has purchased the maximum number of common shares to be acquired under the NCIB. The purchase and payment for the common shares will be made in accordance with TSXV requirements at the market price of the applicable securities at the time of acquisition, plus applicable brokerage fees. The actual number of common shares that may be purchased and the timing of any such purchases will be determined at management's discretion and will be made in accordance with the requirements of the TSXV. As of December 31, 2020, the Company had repurchased 511,500 common shares for a total cost of \$212,389. No further shares have been repurchased subsequent to December 31, 2020 to the date of this MD&A.
- In November 2020, the Company completed a bought deal financing, selling 32,200,000 units at a price of \$0.45 per unit for aggregate gross proceeds of \$14,490,000. Each Unit is comprised of one common share in the capital of the Company, and one warrant. Each warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$0.75, for a period ending five years from November 26, 2020. In consideration for their services, the Underwriters received a cash commission equal to 6.0% of the gross proceeds and non-transferable compensation options equal to 6.0% of the units sold. Each compensation option is exercisable at the issue price of \$0.45 to acquire one unit expiring November 26, 2022.

2019

- During 2019 the company completed a bought deal financing, issuing 13,110,000 common shares at a price of \$2.20 per common share for aggregate gross proceeds of \$28,842,000. In consideration for their services, the Company paid the underwriters a cash commission equal to 6% of the gross proceeds and non-transferable compensation options equal to 6% of the common shares sold. Each compensation option issued will be exercisable at the issue price of \$2.20 to acquire one common share expiring February 28, 2021. Share issuance costs totaled \$2,247,412 and 786,600 compensation options were issued valued at \$1,770,000.

Khiron Life Sciences Corp.
Management's Discussion & Analysis

- During 2019, the Company completed a bought deal financing, issuing 9,914,150 common shares at a price of \$2.90 per common share for aggregate gross proceeds of \$28,751,035. In consideration for their services, the Company paid the underwriters a cash commission equal to 6% of the gross proceeds and non-transferable compensation options equal to 6% of the common shares sold. Each compensation option issued will be exercisable at the \$2.90 issue price to acquire one common share expiring May 28, 2021. Share issuance costs totaled \$2,206,395 and 594,849 compensation options were issued valued at \$918,000.

The proceeds from the Company's financings have been used and or allocated as follows:

| <i>(Canadian dollars)</i> | September 2018 | February 2019 | May 2019 | November 2020 | Total financings | Use of proceeds as at Sept. 2020 | Use of proceeds as at Mar. 2021 | Variance |
|--|-------------------|------------------|-------------|------------------|---------------------|---|--|-------------------------|
| Intended use of proceeds: | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Colombia cultivation facility expansion and equipment | 6,476,040 | 3,500,000 | - | - | 9,976,040 | 5,200,000 | 5,200,000 | - |
| Clinic construction | 520,000 | - | - | - | 520,000 | 520,000 | 520,000 | - |
| Cosmeceutical product launch and marketing | 1,150,000 | 1,550,000 | 5,000,000 | - | 7,700,000 | 2,400,000 | 2,400,000 | - |
| International expansion | - | 8,519,200 | - | - | 8,519,200 | 3,750,000 | 13,500,000 | 9,750,000 ¹ |
| Future acquisitions | - | 4,000,000 | - | - | 4,000,000 | 1,200,000 | 1,200,000 | - |
| Uruguay facility build | - | - | 13,000,000 | - | 13,000,000 | 600,000 | 600,000 | - |
| Operating capacity | - | - | - | 5,000,000 | 5,000,000 | - | 5,000,000 | 5,000,000 ² |
| Working capital, general and administrative and issuance costs | 4,791,460 | 11,272,800 | 10,751,035 | 9,490,000 | 36,305,295 | 26,815,295 | 56,600,535 | 29,785,240 ³ |
| | 12,937,500 | 28,842,000 | 28,751,035 | 14,490,000 | 85,020,535 | 40,485,295 | 85,020,535 | 44,535,240 |

Notes:

1. The Company's international scope has expanded to include Peru, Brazil and Mexico in Latin America, and the UK and Germany in Europe, based on the Company's current expansion strategy.
2. Allocations to expanding operating capacity and operations in Colombia as described in the prospectus for the November Offering.
3. Allocations to working capital as described in the prospectus for the November Offering and re-allocation to general and administrative expenses in response to the impact of COVID-19 on the Company's operations.

The Company still intends to expand the cultivation facility in Colombia and expand internationally to launch medical cannabis and Wellbeing products. With COVID-19 the Company's growth is tempered, particularly with the Wellbeing products, but with available cash resources can still focus on executing its medical cannabis strategy both in Colombia and internationally. The \$13 million of proceeds allocated to the build of the cultivation and processing facility in Juan Lacaze, Uruguay have been put on hold (described further below). The Company intends to build-out additional infrastructure at the cultivation site in Ibague, Colombia once the COVID-19 pandemic is settled. This additional infrastructure is to increase the number of greenhouses and complete the installation of solar panels to reduce energy power consumption. This will allow the Company to not only sell in Colombia but also to achieve its strategy of selling in the Brazilian market while also reducing the risk of crop failure.

The Company has taken the decision to reallocate the \$13 million of proceeds that were to be used for the cultivation and processing facility in Uruguay to build-out the Zerenia™ health centre in Bogota and to sustain the Company's administrative costs while the COVID-19 pandemic continues to impact on the business.

Khiron Life Sciences Corp.
Management's Discussion & Analysis

Commitments and contingencies

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

| Contractual obligations | Payments due by period | | | | Total |
|---|-------------------------------|------------------|------------------|----------------|------------------|
| | 2021 | 2022-2024 | 2025-2026 | 2027+ | |
| | \$ | \$ | \$ | \$ | \$ |
| Financial lease - land | 128,849 | 386,547 | 257,698 | 472,447 | 1,245,541 |
| Financial lease – corporate and medical offices | 751,587 | 788,964 | 211,038 | - | 1,751,589 |
| Research and development | 170,000 | 85,000 | - | - | 255,000 |
| Loans | 414,590 | 85,552 | - | - | 500,142 |
| | 1,465,026 | 1,346,063 | 468,736 | 472,447 | 3,752,272 |

Under the terms of the Dayacann Agreement (and the related agreements), the Company agreed to purchase the Dayacann Product cultivated by Dayacann in Chile, and Dayacann agreed to assist in the development of medicinal cannabis products extracted from Dayacann Product, with a goal to commercialize said products within two years of the date of the agreement. The agreement anticipated receiving the cannabis cultivation permit in February 2019 whereas the permit was received by DayaCann in December 2019, approximately 10 months later than was expected. In 2019, the Company spent US\$120,000 towards the US\$1.2 million commitment as defined in the Dayacann Agreement. In 2020, the Company terminated the Dayacann Agreement.

In March 2020, a lawsuit was filed in Uruguay against one of the Company's subsidiaries and other defendants unrelated to the Company, claiming certain finder's fees in connection with the acquisition of NettaGrowth and Dormul by the Company in June 2019. The Company believes the claims are completely without merit and intends to vigorously defend the claim. Due to the early stage of the proceedings, it is not possible to estimate the Company's potential liability in the litigation, if any.

Financial Condition

The application of the going concern concept assumes that the Company will continue in operation for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at December 31, 2020, the Company has not yet achieved profitable operations and had a loss of \$28,146,422. As described earlier in **Outlook and COVID-19**, management believes that with continued reduced spending, a tempered approach to growth opportunities and capital spending, the Company should have sufficient liquidity to continue operations for at least the next twelve months, satisfy all commitments and repay its liabilities arising from normal business operations as they become due. The Company had cash and short-term investments of \$21.6 million and a working capital balance of \$24.9 million at December 31, 2020.

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

Khiron Life Sciences Corp.
Management's Discussion & Analysis

Fourth Quarter

| | For the three months ended December 31 | |
|--|---|--------------|
| <i>(Canadian dollars)</i> | 2020 | 2019 |
| | \$ | \$ |
| Medical services: | | |
| Revenues | 2,235,785 | 2,369,810 |
| Cost of sales | 2,072,540 | 1,429,323 |
| Gross profit medical services | 163,245 | 940,487 |
| Medical cannabis products: | | |
| Revenues | 234,077 | - |
| Cost of sales | 19,826 | - |
| Gross profit medical cannabis products | 214,251 | - |
| Consumer products: | | |
| Revenues | 48,122 | 140,660 |
| Cost of sales | 23,776 | 33,223 |
| Gross profit consumer products | 24,346 | 107,437 |
| Gross profit before fair value adjustment | 401,842 | 1,047,924 |
| Fair value adjustments, net | 4,231,652 | - |
| Gross profit | 4,633,494 | 1,047,924 |
| Expenses | | |
| General and administrative costs | (5,157,076) | (6,260,150) |
| Share-based compensation | (685,369) | (2,274,740) |
| Selling, marketing and promotion | (702,275) | (1,261,437) |
| Research and development | (210,921) | (905,071) |
| Transaction fees | - | 132,188 |
| | (6,755,641) | (10,569,210) |
| Other income, net of other expenses | (251,857) | 1,286,014 |
| Net loss | (2,374,004) | (8,235,272) |

Gross profit – health services

In the fourth quarter of 2020, revenues in Colombian Pesos increased 2% compared to the fourth quarter of 2019 as patient services returned to pre-pandemic levels, however, as a result of the devaluation of the Colombia Peso the revenues in Canadian dollars decreased by 6%. Gross margins were negatively impacted by modified procedures to maintain a safe environment. Additionally, in the fourth quarter of 2019, an adjustment of \$350,000 was recorded reducing cost of sales and increasing the gross margin. The adjustment reversed a provision that was related to costs expensed in the first and second quarters of 2019.

Gross profit – medical cannabis products

Medical cannabis product sales commenced in Colombia in March 2020 with low-THC medical cannabis, and in May 2020, the Company also commenced selling of high-THC medical cannabis through its health centres. Four SKUs are currently offered for sale with prescriptions rising on an accelerated basis. The Company also delivered its first medical cannabis sales in Peru and the UK in the third quarter of 2020, which continue to contribute to sales. Sales of medical cannabis have been increasing each period since the commencement of sales.

Khiron Life Sciences Corp.
Management's Discussion & Analysis

Gross profit – Wellbeing products

Wellbeing products revenues are largely from sales to distributors of the Company's Kuida™ products in Colombia, which started distribution in the Q4 2018. First sales of Kuida began in the UK in the Q1 2020.

The COVID-19 pandemic caused the closure of retail stores and a general economic recession. As a result, sales in Q4 2020 are below Q4 2019 sales with most sales being achieved through online shop and other digital platforms in Colombia. Marketing efforts for the Kuida line of products will continue to focus on digital platforms and its own online shop with the ongoing pandemic.

The table below shows the revenue for the Kuida products:

| | For the three months ended December 31 | |
|----------------------------------|---|---------|
| | 2020 | 2019 |
| Wellbeing products revenues (\$) | 49,461 | 140,660 |
| Units sold (#) | 4,244 | 9,243 |

Unrealized gain on changes in fair value of biological assets

The Company recorded a fair value gain on harvested and growing plants in Q4 2020 of \$4.2 million. Significant estimates and assumptions on the value of the biological asset are disclosed in note 7 to the *Consolidated Financial Statements for the year ended December 31, 2020 and 2019*.

Expenses

General and administrative costs

General and administrative costs include the following:

| <i>(Canadian dollars)</i> | For the three months ended December 31 | |
|-------------------------------|---|-----------|
| | 2020 | 2019 |
| | \$ | \$ |
| Salaries | 2,897,018 | 2,362,126 |
| Professional fees | 409,773 | 1,234,899 |
| Consulting | 426,888 | 777,870 |
| Investor relations | 339,141 | 458,836 |
| Travel and development | 39,282 | 338,240 |
| Corporate governance | 401,365 | 148,400 |
| Office and general | 459,066 | 878,406 |
| Depreciation and amortization | 184,542 | 61,373 |
| | 5,157,076 | 6,260,150 |

Salaries have increased due to a higher head count to support the growth of the business and expansion of operations into multiple countries. Professional fees include accounting and legal fees, both of which have increased in connection with increased acquisition related transactions and accounting/audit related fees in 2019. Investor relations costs have increased from 2018 with the Company's efforts to expand and grow its business and communicate the Company's strategic progress through various media channels. Donations were made under the agreement with Centro Fox (see **Transactions with Related Parties**).

Khiron Life Sciences Corp.
Management's Discussion & Analysis

Share-based compensation

Share-based compensation includes expenses related to both stock options and restricted share units. The decrease from the prior year is due to the nature and timing of share-based compensation including the valuation at the time of issuance and the vesting periods. The expense in 2019 was driven by the recognition for higher value share-based compensation issued in previous periods for which were fully vested in previous periods, therefore being fully recognized prior to Q4 2020.

Selling, marketing and promotion

Costs in the quarter are largely related to marketing campaigns and selling costs with respect to the Kuida line of products.

Transaction fees

No transaction fees paid in the fourth quarter of 2020. Amounts in the fourth quarter of 2019 relate to the reversal of prior period accruals.

Cash flows

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

| | For the three months ended December 31 | |
|--|---|--------------|
| <i>(Canadian dollars)</i> | 2020 | 2019 |
| | \$ | \$ |
| Cash used in operating activities | (5,747,310) | (8,024,466) |
| Cash used in investing activities: | | |
| Purchase of property, plant and equipment | (766,936) | (2,206,297) |
| Acquisitions | - | - |
| | (766,936) | (2,206,297) |
| Cash provided from financing activities: | | |
| Proceeds from share issuances | 12,939,688 | - |
| Repayment of long-term debt | (213,109) | (255,038) |
| | 12,726,579 | (255,038) |
| Change in cash and short-term investments | 6,212,333 | (10,485,801) |
| Opening cash and short-term investments | 14,744,665 | 47,857,584 |
| Foreign exchange on cash and other | 692,043 | (467,302) |
| Closing cash and short-term investments | 21,649,041 | 36,904,781 |

Cash used in operating activities has decreased quarter over quarter due to decreases professional fees, marketing costs and research and development costs as described above. Cash from financing activities increased in the fourth quarter of 2020 as a result of the Company completing a bought deal equity financing for gross proceeds of \$14.5 million.

Khiron Life Sciences Corp.
Management's Discussion & Analysis

Summary of Quarterly Results

| | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | 2,517,984 | 1,928,090 | 1,670,276 | 1,900,649 | 2,510,470 | 2,773,239 | 2,207,680 | 2,090,977 |
| Net loss | 2,374,004 | 6,714,994 | 5,712,704 | 9,237,187 | 8,235,272 | 10,621,101 | 9,517,667 | 8,003,739 |
| Basic and diluted loss per share | 0.01 | 0.06 | 0.05 | 0.08 | 0.06 | 0.09 | 0.10 | 0.11 |
| Weighted average shares outstanding | 130,292,068 | 117,643,807 | 116,545,818 | 116,606,697 | 115,399,465 | 113,996,724 | 95,973,144 | 75,894,884 |

(1) The Company has applied consistent accounting principles and has maintained consistent presentation and functional currency principles between periods.

The Company began generating revenue in the fourth quarter of 2018 with the product launch of Kuida and the acquisition of ILANS on November 30, 2018. Gross margins increased modestly over the periods.

Items affecting net loss:

- Higher salaries were incurred in the third quarter of 2018 which included signing bonuses for key management positions and higher professional fees resulting from the Company listing on the TSXV in the third quarter of 2018.
- Kuida was launched in the fourth quarter of 2018 and as a result additional costs were incurred for marketing and selling. These costs further increased through each of the quarters in 2019 as the Company stressed brand awareness and expanded distribution channels and markets.
- In 2019, the Company completed the construction of and commenced operations in its cultivation, extraction, and analysis facilities in Ibagué, Colombia expensing non-capital related costs from the start of 2019.
- Salaries increased on a quarterly basis as the Company prepared for growth on a global scale.
- Q4 2019 includes a gain realized on the amendment to the acquisition agreement for ILANS.
- Revenues in Q1 and Q2 2020 reflect lower revenues from the health centres because of the deferral of surgeries and associated revenues due to COVID-19.
- Q2 2020 reflects the initial unrealized gain on changes in fair value of biological assets and reduced general and administrative costs in response to cost cutting initiatives with COVID-19.
- Revenues in Q3 2020 reflect the decreased activity as a result of COVID-19 experienced in Q2 2020

Adjusted EBITDA

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

Khiron Life Sciences Corp.
Management's Discussion & Analysis

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

| <i>(Canadian dollars)</i> | For the three months ended December 31 | | For the year ended December 31 | | |
|--|---|-------------|--------------------------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ | \$ |
| Net loss before tax | (2,268,848) | (8,212,526) | (23,949,906) | (36,355,033) | (19,727,957) |
| Add back (deduct): | | | | | |
| Interest expense | 76,508 | 85,862 | 467,896 | 463,287 | 60,322 |
| Depreciation and amortization | 548,940 | 313,876 | 1,167,485 | 938,531 | 337,919 |
| Unrealized gain on changes in fair value of biological assets | (4,231,652) | - | (5,527,449) | - | - |
| Share-based compensation | 685,369 | 2,274,740 | 5,716,429 | 9,371,090 | 3,289,370 |
| Gain on acquisition amendment | - | (1,037,748) | - | (1,037,748) | - |
| Amortization of signing bonus | 853,894 | 365,497 | 3,363,400 | 365,497 | 800,000 |
| Transaction fees | - | (132,188) | - | 1,750,000 | 1,271,157 |
| Adjusted EBITDA | (4,335,789) | (6,342,487) | (18,762,145) | (24,504,376) | (13,969,189) |

Transactions with Related Parties

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with key management personnel, which includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

| | For the years ended December 31 | |
|------------------------------|------------------------------------|-----------|
| | 2020 | 2019 |
| | \$ | \$ |
| Management fees and salaries | 6,333,304 | 3,756,023 |
| Share-based compensation | 3,764,870 | 5,330,089 |
| Donations | - | 149,779 |

As at December 31, 2020, prepaid expenses and other current assets includes \$0.8 million of signing bonuses relating to key management personnel of the Company. This amount was paid in 2019 and Q1 2020 and will be expensed on a straight-line basis through March 2021.

On October 23, 2018, the Company signed and executed a donation agreement with Centro de estudios, biblioteca y museo Vicente Fox Quesada, A.C. (Centro Fox), a non-for-profit organization controlled by Vicente Fox, a Khiron board member, where Khiron committed to provide US\$1 million over three years, ending in the year 2021. In July 2019, the Company amended the donation agreement with Centro Fox to provide for an acceleration of the scheduled donation in return for additional participation by Centro Fox relating to the medical cannabis industry.

A member of Khiron's Board of Directors was party to an agreement with the Company whereby in certain defined transactions that member would receive a fee equal to two percent of the transaction value. The agreement terminated during the year without any transaction occurring to warrant payment and no amount has been accrued in the financial statements.

Critical Accounting Estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, 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 sections:

COVID-19 estimation uncertainty

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, materially disrupted the Company's operations during the year ended December 31, 2020, as it significantly reduced revenues in the Company's Colombian operations and delayed expected growth opportunities. The Company's operations in Colombia were recognized as essential services and the production and sale of cannabis have been recognized as essential services in Europe.

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on our business, financial position and operating results in the future. In addition, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

Share-based compensation and warrants

The fair value of stock options and warrants are 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, expected risk-free interest rate and expected life of the stock options.

Biological assets and cannabis inventory

In calculating the value of the biological assets and cannabis inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices, expected yields for the cannabis plants, and oil conversion factors. In the determination of selling prices for biological assets, management makes estimates with respect to the allocation of margin earned at the various stages throughout the value chain including cultivation, post-harvest processing and extraction, manufacturing and formulation, and distribution and sales to customers. In calculating final inventory values, management compares the inventory cost to estimated net realizable value.

Business combinations and assets acquisitions

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition.

Judgment is also required to assess whether the amounts paid on achievement of milestones represents contingent consideration or compensation for post-acquisition services. Judgment is also required to assess whether contingent consideration should be classified as equity or a liability. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in net income (loss).

Khiron Life Sciences Corp.
Management's Discussion & Analysis

Functional and presentation currency

Judgment is required to determine the functional currency of the Company and its subsidiaries. These judgments are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances.

Going concern

Judgment and estimates are required to determine whether the Company and its subsidiaries are a going concern. These judgments and estimates include expected future cash flows, access to capital and regulatory changes, and are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances.

Impairment of trade receivables

Judgment is required to determine the expected credit losses. These judgments include the collectability of individual receivables and are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances.

Impairment of non-current assets and goodwill

The Company performs an annual impairment test for goodwill and indefinite life intangible assets and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit.

For the purpose of impairment testing, goodwill and indefinite life intangible assets are allocated to CGUs representing the lowest level that the assets are monitored for internal reporting purpose. Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value-in-use.

Determining whether an impairment has occurred requires valuation of the respective CGU, which management estimates using a discounted cash flow method. The discounted cash flow method uses estimates and assumptions, including forecast operating results, economic projections and market data. The discounted cash flow method is sensitive to expected cash flows including expected growth rates and discount rates. Changes in the assumptions could result in impairment.

Useful lives of property, plant 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

Khiron Life Sciences Corp. Management's Discussion & Analysis

assesses the probability of taxable profits being available in the future based on its financial 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.

Changes in Accounting Policies

Amendments to IFRS 9 – Financial instruments (“IFRS 9”), IAS 39 – Financial instruments: Recognition and measurement (“IAS 39”) and IFRS 7 – Financial instruments: Disclosures (“IFRS 7”): Interest rate benchmark reform

The amendments revise the existing requirements for hedge accounting and are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as Interbank Offered Rates (“IBOR”). The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The Company's adoption of the above amendments on January 1, 2020 had no significant impact to 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 adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the year. The Company considers its shareholders' equity as capital which as at December 31, 2020 is \$63.2 million.

Financial Instruments

Fair values

At December 31, 2020, the Company's financial instruments consist of cash and cash equivalents, short-term investments and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

Fair value hierarchy

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

Khiron Life Sciences Corp.
Management's Discussion & Analysis

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

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

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

- Level 1 – none
- Level 2 – cash and cash equivalents
- Level 3 – contingent consideration related to acquisitions

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

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. All of the Company's cash is held at financial institutions which are Colombian chartered banks, Canadian credit unions, or funds held in trust with legal counsel in which management believes that the risk of loss is minimal, but the Company is subject to concentration of credit risk. Trade and accounts receivables consist of trade accounts receivable created in the course of normal business along with recoverable service taxes. The following table represents the aging of the Company's ILANS operations (health centres in Colombia), which has extended credit terms.

| | As at December 31 | |
|---------------|--------------------------|-------------|
| | 2020 | 2019 |
| | \$ | \$ |
| 0 – 30 days | 2,003,072 | 1,497,347 |
| 31 – 90 days | 276,694 | 199,912 |
| 91 – 120 days | 12,047 | 34,546 |
| >121 days | 1,174,221 | 487,078 |
| Total | 3,466,035 | 2,218,883 |

Due to the nature of the ILANS operations (health centres in Colombia), the aging of accounts receivables is generally subject to collectability greater than 30 days. The historical average receivable is settled around 88 days after revenue recognition which is typical for the industry in Colombia.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with out of cash. As at December 31, 2020, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturity dates within one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the period.

Khiron Life Sciences Corp. Management's Discussion & Analysis

Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar but it is exposed to foreign currency risk with respect to the expenditures incurred by its foreign subsidiaries, predominately its Colombian subsidiary, Khiron Colombia SAS. If the currency were to increase or decrease by 5%, the foreign exchange loss or gain would be \$180,000.

Off-Balance-Sheet Arrangements

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

Share Capital

As at the date of this MD&A, April 29, 2021, the Company had 150,724,568 common shares issued and outstanding, 34,726,849 warrants outstanding (including compensation options), 4,934,167 stock options outstanding and 7,264,798 restricted share units outstanding. Each warrant, stock option and restricted share unit is exercisable or exchangeable for common shares of the Company on a one for one basis. Compensation options are exercisable for one common share of the Company and one warrant, with the warrant being exercisable for on common share.

Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. An evaluation of the effectiveness of the Company's internal control over financial reporting, including an evaluation of material changes that may have materially affected or are reasonably likely to have materially affected the internal controls over financial reporting based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, was conducted as of December 31, 2020 by the Company's management, including the Chief Executive Officer and Chief Financial Officer. The Company has not identified any material issues with respect to the effectiveness of its internal controls over financial reporting.

There was no material change in the Company's internal controls over financial reporting that occurred during the year ending 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. An evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined under the rules of the Canadian Securities Administration, was conducted as at December 31, 2020. The Company's management, including the Chief Executive Officer and Chief Financial Officer, has not identified any material issues with respect to the effectiveness of its disclosure controls and procedures.

Limitations of controls and procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

Khiron Life Sciences Corp.
Management's Discussion & Analysis

Risk Factors

Due to the nature of Khiron's business, the legal and economic climate in which it operates and its present stage of development, Khiron is subject to significant risks. 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. Factors that could cause actual results to differ materially from those set forth in forward-looking information include, but are not limited to: financial risks; inflationary risks; foreign exchange risks; international taxation risks; risks of foreign operations; the Company's ability to obtain or maintain insurance at reasonable rates; product development, facility and technological risks; agricultural risks; changes to applicable laws or regulations; ability to obtain or maintain licences or certifications; product recall and product liability risks; import, export and transportation risks; expected number of medical cannabis users and the willingness of physicians to prescribe medical cannabis to patients in the markets in which the Company operates; ability to access financing on commercially attractive terms; public health crises including COVID-19. For a discussion of the risks faced by the Company, please refer to the Company's Annual Information Form for the year ended December 31, 2020, available under the Company profile on SEDAR, at www.sedar.com.