



Khiron Life Sciences Corp.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

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

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying condensed interim consolidated financial statements of the company have been prepared by and are the responsibility of the company's management. The company's independent auditor has not performed an audit or review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants.

Khiron Life Sciences Corp.

Condensed Interim Consolidated Statements of Financial Position

(expressed in Canadian Dollars)

Unaudited

	Note	June 30 2020 \$	December 31 2019 \$
ASSETS			
Current assets			
Cash and short-term investments	3	20,175,940	36,904,781
Accounts receivable	4	3,997,331	4,239,290
Inventories and biological assets	5,6	2,666,646	961,276
Prepaid expenses and other current assets		3,283,176	2,704,670
Total current assets		30,123,093	44,810,017
Non-current assets			
Non-current deposits and other assets		1,019,548	1,339,832
Property, plant and equipment	7	15,836,639	15,859,348
Intangible assets	8	16,277,559	15,553,999
Goodwill	8	4,014,969	4,348,995
Total assets		67,271,808	81,912,191
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		5,787,516	7,433,829
Current portion of long-term debt	9	1,091,197	1,007,059
Total current liabilities		6,878,713	8,440,888
Non-current liabilities			
Long-term debt	9	1,953,305	2,545,268
Deferred tax liabilities		804,165	887,281
Total liabilities		9,636,183	11,873,437
Shareholders' equity			
Share capital	10	123,011,267	121,290,474
Other reserves		12,643,852	11,405,248
Accumulated other comprehensive loss		(3,425,506)	(2,693,240)
Deficit		(74,593,988)	(59,963,728)
Total shareholders' equity		57,635,625	70,038,754
Total liabilities and shareholders' equity		67,271,808	81,912,191

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 18)

Signed on behalf of the Board:

"Alvaro Torres"
Alvaro Torres, Director

"Deborah Rosati"
Deborah Rosati, Director

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

Khiron Life Sciences Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian Dollars)

Unaudited

	Note	For the three months ended		For the six months ended	
		2020	June 30 2019	2020	June 30 2019
		\$	\$	\$	\$
Revenues					
Service revenues		1,590,801	2,190,997	3,408,671	4,212,141
Product revenues		79,475	16,683	162,254	86,516
		1,670,276	2,207,680	3,570,925	4,298,657
Cost of sales		1,351,025	1,825,961	2,814,762	3,504,180
Gross profit before fair value adjustments		319,251	381,719	756,163	794,477
Changes in fair value of inventory sold		-	-	-	-
Unrealized gain on changes in fair value of biological assets	6	689,385	-	689,385	-
Gross profit		1,008,636	381,719	1,445,548	794,477
Expenses					
General and administrative costs	14	4,530,842	5,462,792	10,378,138	9,933,961
Share-based compensation	12,13	1,342,802	1,723,791	3,491,417	2,426,327
Selling, marketing and promotion		692,772	986,857	1,451,991	1,703,162
Research and development		104,501	1,073,603	1,048,020	2,171,887
Transaction fees		-	500,000	-	1,882,188
		6,670,917	9,747,043	16,369,566	18,117,525
Other income		(88,910)	(119,475)	(232,865)	(104,778)
Other expenses		146,864	271,818	267,972	303,136
Net loss before tax		5,720,235	9,517,667	14,959,125	17,521,406
Current income tax (recovery)/ expense		(151)	-	5,917	-
Deferred income tax recovery		(7,380)	-	(15,151)	-
Net loss		5,712,704	9,517,667	14,949,891	17,521,406
Other comprehensive loss:					
Foreign currency translation		(566,105)	(282,410)	732,266	451,105
Comprehensive loss		5,146,599	9,235,257	15,682,157	17,972,511
Loss per share – basic and diluted	15	0.05	0.10	0.13	0.20
Weighted average number of shares outstanding		116,545,818	95,973,144	116,579,068	87,807,867

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

Khiron Life Sciences Corp.

Condensed Interim Consolidated Statements of Cash Flow

(expressed in Canadian Dollars)

Unaudited

For the six months ended June 30

	Note	2020	2019
		\$	\$
Operating activities			
Net loss before tax		(14,959,125)	(17,521,406)
Adjustments for:			
Share-based compensation	12,13	3,491,417	2,426,327
Unrealized gain on fair value of biological assets	6	(689,385)	-
Non-cash transaction fees		-	750,000
Depreciation and amortization		515,438	190,364
Changes in non-cash working capital items:			
Accounts receivable		834,410	962,238
Inventory		(804,181)	(199,359)
Prepays and other assets		(785,996)	(755,264)
Accounts payable and accrued liabilities		(1,524,201)	518,380
Net cash used in operating activities		(13,921,623)	(13,628,720)
Investing activities			
Purchase of property, plant and equipment		(1,639,301)	(3,418,076)
Short-term investments		27,559,903	(26,144,398)
Acquisitions		-	(2,684,833)
Net cash used in investing activities		25,920,602	(32,247,307)
Financing activities			
Proceeds from share issuances, net of issuance costs		-	53,139,228
Repayment of long-term debt		(254,537)	(709,482)
Proceeds from exercise of options and warrants		-	4,175,035
Shares purchased and cancelled	10	(212,389)	-
Net cash provided from financing activities		(466,926)	56,604,781
Cash and cash equivalents, beginning of period		9,344,878	15,013,718
Net change in cash and cash equivalents		11,532,053	10,728,754
Effect of movements in exchange rates on cash held		(700,991)	(49,871)
Cash and cash equivalents, end of period		20,175,940	25,692,601
Supplementary disclosure			
Value of shares issued for acquisition of NettaGrowth		-	13,683,102
Value of shares issued for payment of transaction fees		-	1,795,800

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

Khiron Life Sciences Corp.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(expressed in Canadian Dollars)

Unaudited

	Note	Number of common shares #	Share capital \$	Share-based compensation reserve \$	Warrants reserve \$	Accumulated other comprehensive income \$	Retained deficit \$	Total \$
Balance, December 31, 2018		75,042,988	39,826,123	3,915,481	5,836,115	(454,361)	(23,585,949)	25,537,409
Share issuance – equity financing, net		13,110,000	25,611,588	-	982,000	-	-	26,593,588
Share issuance – finders' fee		380,710	750,000	-	-	-	-	750,000
Share issuance – warrants exercised		2,801,161	2,768,975	-	-	-	-	2,768,975
Share issuance - options exercised		275,000	275,000	-	-	-	-	275,000
Fair value of share-based payments		-	-	702,536	-	-	-	702,536
Net loss for the period		-	-	-	-	-	(8,003,739)	(8,003,739)
Other comprehensive loss		-	-	-	-	(733,515)	-	(733,515)
Balance, June 30, 2019		91,609,859	69,231,686	4,618,017	6,818,115	(1,187,876)	(31,589,688)	47,890,254
Balance, December 31, 2019		116,612,318	121,290,474	8,247,913	3,157,335	(2,693,240)	(59,963,728)	70,038,754
Shares repurchased and cancelled	10	(511,500)	(532,020)	-	-	-	319,631	(212,389)
Share issuance - RSUs exercised	12	1,446,250	2,252,813	(2,252,813)	-	-	-	-
Fair value of share-based payments	12,13	-	-	3,491,417	-	-	-	3,491,417
Net loss for the period		-	-	-	-	-	(14,949,891)	(14,949,891)
Other comprehensive loss		-	-	-	-	(732,266)	-	(732,266)
Balance, June 30, 2020		117,547,068	123,011,267	9,486,517	3,157,335	(3,425,506)	(74,593,988)	57,635,625

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

Khiron Life Sciences Corp.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in Canadian Dollars)

For the three and six months ended June 30, 2020 and 2019

Unaudited

1. Nature of operations and going concern

Khiron Life Sciences Corp. (“Khiron” or the “Company”) was incorporated under the Business Corporations Act (British Columbia) on May 16, 2012. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “KHRN”, the OTCQX Best Market (“OTCQX”) under the symbol “KHRNF” and on the Frankfurt Stock Exchange (“FSE”) under the symbol “A2JMXC”.

Khiron’s objective is to become the global leader in creating high quality cannabis derived medical and wellbeing products for sale around the world. With core operations in Latin America the Company’s strategy focuses on achieving first mover advantage in the Latin American market of over 620 million people and is evolving its strategy towards global expansion. Khiron is licensed in Colombia for the cultivation, production, domestic distribution, and international export of both tetrahydrocannabinol (THC) and cannabidiol (CBD) medical cannabis. The Company has a best in class regulatory compliance record, is fully authorized to manufacture and fill prescriptions for high- and low-THC medical cannabis in Colombia, and has the first approved line of CBD cosmetic products on shelf in Colombia, and available in the United States (US) and the United Kingdom (UK).

Going concern

These unaudited condensed interim consolidated financial statements (the “consolidated interim financial statements”) have been prepared by management on a going concern basis which 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 June 30, 2020, the Company has not yet achieved profitable operations and had a loss of \$14.9 million for the six months ended June 30, 2020. In addition, the pandemic stemming from the coronavirus disease (COVID-19) as declared by the World Health Organization, casts significant doubt on the ability to continue as a going concern. From the onset of the 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, the Company did and plans to continue to do the following:

- prioritized the physical and mental health of its employees and health professionals;
- prudently managed cash – reduced general and administration and marketing spending, as well as deferring capital expenditures and debt repayments where banks allowed it;
- ensured continuity of health services and treatment of patients, following appropriate safety guidelines;
- maintained continuity of production operations in Colombia and the ensuing supply chain; and
- continued to build a strong strategic position in the medical cannabis space to ensure sales growth in Colombia and sales entry into new markets in the UK, Peru, Brazil and Germany.

The Company managed its cash cautiously since the inception of the pandemic and ended the quarter with a balance of \$20.2 million (at June 30, 2020). The COVID-19 pandemic is still on-going at the time of writing and with continued uncertainty of incoming cash flows, the Company must continue its prudent management of spending to maintain its liquidity. The Company’s core income focus will be on its medical businesses using both a clinic and digital strategy focus to grow its patient network and sell its medical cannabis products both locally in Colombia and globally. In addition, the resumption of surgeries as of May 26 has restored the revenues from the Company’s health centres to pre-COVID levels so the focus can now shift towards offering new higher margin services. The Company has made significant forward strides in its medical businesses as well as its wellness product business in the midst of the pandemic. With continued diligent spending and additional incoming global medical cannabis sales the Company should be able to maintain a positive cash balance through 2020 and into 2021. The Company had cash of \$20.2 million and a working capital balance of \$23.2 million at June 30, 2020.

Khiron Life Sciences Corp.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in Canadian Dollars)

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Unaudited

2. Significant accounting policies

The Company applies International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and do not include all of the information required for annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed.

These consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These consolidated financial statements of Khiron were authorized for issue in accordance with a resolution of the Board of Directors on August 23, 2020.

Basis of presentation

The consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss and biological assets, which are measured at their fair value. The consolidated interim financial statements are presented in Canadian dollars except where otherwise indicated. In addition, these consolidated interim financial statements have been prepared using the accrual basis of accounting. Certain expenses from 2019 have been reclassified to conform with the current year presentation.

In addition, in the fourth quarter of 2019, the Company early adopted the amendment to IFRS 3 Business Combinations effective from January 1, 2019 and as a result accounted for the acquisition of NettaGrowth as an acquisition of an asset, rather than as previously accounted for as a business combination. The Company's fourth quarter 2019 statement of loss and comprehensive loss included a recovery in the amount of \$1,260,247 relating to the transaction fees expensed from the acquisition of NettaGrowth (\$1,128,059 was expensed in the second quarter of 2019). Accordingly, in presenting the comparative results for the quarter ended June 30, 2019, the Company reduced transaction fees by \$1,128,059.

Basis of consolidation

The consolidated interim financial statements reflect the assets, liabilities, and results of operations of Khiron Life Sciences Corp. and its subsidiaries. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

3. Cash and short-term investments

	June 30 2020	December 31 2019
	\$	\$
Cash and cash equivalents:		
Cash in bank	20,053,518	9,170,164
Cash held in legal trust	122,422	174,714
	<u>20,175,940</u>	9,344,878
Short-term investments	-	27,559,903
Cash and short-term investments	<u>20,175,940</u>	<u>36,904,781</u>

Khiron Life Sciences Corp.

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For the three and six months ended June 30, 2020 and 2019

Unaudited

4. Accounts receivable

	June 30 2020	December 31 2019
	\$	\$
Taxes receivable, commodity and other	846,591	1,093,324
Trade and other receivables	3,150,740	3,145,966
Accounts receivable	3,997,331	4,239,290

As at June 30, 2020, no provision for expected credit losses has been recognized.

5. Inventories

	June 30 2020	December 31 2019
	\$	\$
Raw materials	540,854	472,343
Work-in-progress	599,788	43,968
Finished goods	616,654	294,174
Supplies	146,962	102,116
	1,904,258	912,601

6. Biological assets

The changes in the carrying value of biological assets during the period are as follows:

	\$
Balance, December 31, 2019	48,675
Increase in biological assets due to capitalized costs	489,680
Unrealized gain on changes in fair value of biological assets	689,385
Transferred to inventory upon harvest	(465,352)
Balance, June 30, 2020	762,388

As at June 30, 2020, the Company measures its biological assets at its fair value less costs to sell. The Company utilizes an income approach to determine the fair value less cost to sell at a specific measurement date, based on the existing cannabis plants' stage of completion up to the point of harvest. The stage of completion is determined based on the propagation date, the period-end reporting date, the average growth rate, and is calculated on a weighted average basis for the number of plants in the specific lot. The number of weeks in a production cycle is approximately 13 weeks from propagation to harvest. As of June 30, 2020, the weighted average fair value less cost to sell a gram of dried cannabis was \$0.70 per gram.

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique utilized. The Company's method to account for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from propagation to the point of harvest.

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Notes to the Condensed Interim Consolidated Financial Statements

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Unaudited

During the three and six months ended June 30, 2020, the Company's biological assets produced 547 kilograms and 802 kilograms of dried cannabis, respectively. The Company estimates the harvest yields for cannabis at various stages of growth. As at June 30, 2020, it is expected that the Company's biological assets will yield approximately 2,707 kilograms of dry cannabis when harvested. As at June 30, 2020, the weighted average stage of growth for the biological assets was 42%.

The following table highlights the sensitivities and impact of changes in significant assumptions on the fair value of biological assets. No comparative information is presented as the Company did not recognize biological assets at June 30, 2019.

Significant estimates and assumptions	Units	Input	10% Sensitivity	Impact on fair value (\$)
Fair value less cost to sell of dry flower	\$/gram	0.70	0.07	123,009
Yield per plant	Grams/plant	60	6	48,521
Grow cycle	Days	88	9	54,340

The Company's estimates are, by their nature, subject to change, and differences from the anticipated yield, grow cycle and any other underlying operational inputs will be reflected in the gain or loss on biological assets in future periods.

7. Property, plant and equipment

	Land	Buildings and leasehold improvements	Plant and equipment	Office and medical equipment	Capital work-in-progress	Right of use assets	Total
Cost	\$	\$	\$	\$	\$	\$	\$
December 31, 2019	1,382,435	8,915,682	1,825,477	1,574,832	810,217	2,481,496	16,990,139
Additions (transfers)	-	1,166,396	171,347	489,210	-	-	1,826,952
Foreign currency translation	(106,165)	(810,063)	(134,402)	(265,323)	94,364	(190,569)	(1,412,158)
June 30, 2020	1,276,270	9,272,015	1,862,422	1,798,719	904,581	2,290,927	17,404,933
Accumulated Depreciation							
December 31, 2019	-	(95,587)	(127,315)	(470,239)	-	(437,650)	(1,130,791)
Additions	-	(51,548)	(90,461)	(97,503)	(33,894)	(299,512)	(572,918)
Foreign currency translation	-	8,059	11,433	76,803	28	39,092	135,415
June 30, 2020	-	(139,075)	(206,343)	(490,939)	(33,867)	(698,070)	(1,568,294)
Net Book Value							
December 31, 2019	1,382,435	8,820,095	1,698,162	1,104,593	810,217	2,043,846	15,859,348
June 30, 2020	1,276,270	9,237,494	1,656,079	1,307,779	766,161	1,592,857	15,836,639

Khiron Life Sciences Corp.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in Canadian Dollars)

For the three and six months ended June 30, 2020 and 2019

Unaudited

8. Intangible assets and goodwill

	Customer Relationships	Brands	Licenses	Goodwill	Total
Cost	\$	\$	\$	\$	\$
December 31, 2019	585,868	719,588	14,365,074	4,348,995	20,019,526
Additions	-	-	115,827	-	115,827
Foreign currency translation	(44,992)	(55,261)	783,446	(334,026)	349,166
June 30, 2020	540,876	664,327	15,264,347	4,014,969	20,484,519
Accumulated Amortization					
December 31, 2019	(97,645)	-	(18,887)	-	(116,531)
Amortization	(45,913)	-	(13,286)	-	(59,199)
Foreign currency translation	8,339	-	(24,599)	-	(16,260)
June 30, 2020	(135,219)	-	(56,772)	-	(191,991)
Net book value					
December 31, 2019	488,224	719,588	14,346,187	4,348,995	19,902,994
June 30, 2020	405,657	664,327	15,207,575	4,014,969	20,292,528

9. Long-term debt

The carrying values for lease liabilities and loans are as follows:

	Interest rate	Maturity date	June 30, 2020	December 31, 2019
			\$	\$
Lease liabilities	10.2%	2021-2030	2,702,506	2,986,042
Loan	10.90%	April 1, 2020	-	8,794
Loan	10.00%	July 1, 2020	1,772	10,114
Loan	10.50%	January 1, 2020	-	1,979
Loan	10.48%	October 1, 2020	21,233	65,954
Loan	10.90%	September 1, 2021	42,913	64,635
Loan	9.79%	November 1, 2021	18,720	27,305
Loan	11.73%	November 1, 2021	56,159	81,915
Loan	10.41%	August 1, 2021	201,199	305,589
			3,044,502	3,552,327
Current portion			1,091,197	1,007,059
Long-term debt			1,953,305	2,545,268

Khiron Life Sciences Corp.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in Canadian Dollars)

For the three and six months ended June 30, 2020 and 2019

Unaudited

10. Share capital

Authorized share capital

The authorized share capital consisted of an unlimited number of common shares without par value. All issued shares have been fully paid.

Common shares activity

	Number of Common Shares	Share Capital
		\$
Balance, December 31, 2019	116,612,318	121,290,474
Share repurchased and cancelled	(511,500)	(532,020)
Share issuance – RSUs exercised	1,446,250	2,252,813
Balance, June 30, 2020	117,547,068	123,011,267

In February 2020, the Company received approval from the TSX Venture Exchange 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 issued and outstanding common shares at the time of approval. In March 2020, the Company repurchased 511,500 common shares for a total cost of \$212,389.

11. Warrants

The following table reflects the warrants outstanding as at June 30, 2020:

Exercise Price	Outstanding	Expiry Date	Remaining Life (years)
\$			
0.90	187,062	11-Sep-20	0.2
2.20	786,600	28-Feb-21	0.7
2.90	594,849	28-May-21	0.9
2.31	1,568,511		0.7

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Notes to the Condensed Interim Consolidated Financial Statements

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Unaudited

12. Stock options

The Company recorded share-based compensation expense related to stock options of \$243,721 and \$515,141, respectively, for the three and six months ended June 30, 2020 (2019 - \$599,370 and \$652,815) to the consolidated statements of loss and comprehensive loss.

The following table reflects the continuity of stock options for the period ended June 30, 2020:

Grant Date	Number of stock options				As at June 30, 2020	Exercise Price	Expiry Date	Remaining Life (years)
	As at December 31, 2019	Issued	Exercised	Forfeited				
						\$		
2017-04-19	1,275,000	-	-	-	1,275,000	1.00	2021-04-19	0.8
2017-09-12	552,500	-	-	-	552,500	1.00	2022-09-12	2.2
2017-10-12	100,000	-	-	-	100,000	1.00	2022-10-12	2.3
2018-05-23	590,000	-	-	-	590,000	1.40	2023-05-23	2.9
2018-06-26	200,000	-	-	-	200,000	1.40	2023-06-26	3.0
2019-05-31	891,667	-	-	(50,000)	841,667	3.25	2024-05-31	3.9
2019-11-27	1,600,000	-	-	-	1,600,000	2.90	2024-11-27	4.4
	5,209,167	-	-	(50,000)	5,159,167	2.02		2.9

As at June 30, 2020, 3.7 million stock options outstanding were vested.

As at June 30, 2020, the unamortized stock option expense relating to previously issued stock options is approximately \$0.4 million.

13. Restricted share units

The Company recorded share-based compensation expense related to the RSUs of \$1,099,082 and \$2,976,276, respectively, for the three and six months ended June 30, 2020 (2019 - \$1,163,821 and \$1,773,512) to the consolidated statements of loss and comprehensive loss.

The following table reflects the continuity of RSUs for the period ended June 30, 2020:

Grant Date	Number of RSUs				As at June 30, 2020	Grant Price	Expiry Date	Remaining Life (years)
	As at December 31, 2019	Issued	Exercised	Forfeited				
						\$		
2018-05-23	1,126,250	-	(843,750)	-	282,500	0.89	2021-12-15	1.5
2019-05-31	3,460,000	-	(577,500)	(155,000)	2,727,500	2.45	2022-12-15	2.5
2019-08-23	300,000	-	-	-	300,000	1.59	2022-12-15	2.5
2019-11-25	1,700,000	-	(25,000)	-	1,675,000	1.03	2022-12-15	2.5
	6,586,250	-	(1,446,250)	(155,000)	4,985,000	1.83		2.4

As at June 30, 2020, 1.7 million of the outstanding RSUs were vested and the unamortized RSU expense relating to previously issued RSUs is approximately \$2.3 million.

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Notes to the Condensed Interim Consolidated Financial Statements

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Unaudited

14. General and administrative costs

	For the three months ended		For the six months ended	
	2020	June 30 2019	2020	June 30 2019
	\$	\$	\$	\$
Salaries	2,796,304	1,548,719	5,981,832	2,569,554
Professional, consulting, and advisory fees	646,517	1,792,610	1,484,688	3,163,455
Investor relations	198,783	601,746	488,043	1,328,379
Travel and development	7,205	451,355	178,472	908,254
Public company costs	188,092	348,609	484,070	706,078
Donations	-	76,133	-	149,779
Office and general	548,122	482,031	1,435,603	918,298
Depreciation and amortization	145,819	161,589	325,430	190,164
	4,530,842	5,462,792	10,378,138	9,933,961

15. Loss per share

	For the three months ended		For the six months ended	
	2020	June 30 2019	2020	June 30 2019
Net loss	\$5,725,990	\$9,517,667	\$14,963,177	\$17,521,406
Weighted average number of common shares outstanding - basic	116,545,818	95,973,144	116,579,068	87,807,867
Effect of dilutive securities	-	-	-	-
Weighted average number of common shares outstanding - dilutive	116,545,818	95,973,144	116,579,068	87,807,867
Loss per share – basic and diluted	\$0.05	\$0.10	\$0.13	\$0.20

Diluted loss per share does not include the effect of stock options, RSUs and warrants as they are anti-dilutive.

Khiron Life Sciences Corp.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in Canadian Dollars)

For the three and six months ended June 30, 2020 and 2019

Unaudited

16. Related party transactions

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

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Management fees and salaries	1,461,415	1,017,992	2,952,840	1,997,577
Share-based compensation	553,552	1,721,147	2,066,712	1,745,303
Donations to Centro Fox, a non-for-profit organization, controlled by Vicente Fox, a Khiron board member	-	76,133	-	149,779

As at June 30, 2020, prepaid expenses and other current assets includes \$2.5 million of signing bonuses relating to key management personnel of the Company. This balance is earned on a straight-line basis through March 2021. In addition to normal course incentive compensation, certain key management personnel are entitled to bonus consideration equal to an aggregated total of €1 million in relation to European market milestones being achieved prior to October 1, 2020.

17. Segmented information

An operating segment is a component of the Company (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available.

The Company has three operating segments plus the corporate offices maintained in Bogota, Colombia; Toronto, Canada; and Frankfurt, Germany.

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Geographic Segments

	As at June 30 2020	As at December 31 2019
	\$	\$
Property, plant and equipment:		
Canada	7,409	9,261
Europe	11,274	9,012
Latin America	15,817,956	15,841,075
	15,836,639	15,859,348
Non-current assets:		
Canada	7,409	9,261
Europe	11,274	9,012
Latin America	37,130,032	37,083,901
	37,148,715	37,102,174
Total assets:		
Canada	13,338,740	33,291,621
Europe	3,380,312	2,192,632
Latin America	50,552,757	46,427,938
	67,271,808	81,912,191

Operating Segments

Three months ended June 30, 2020	Corporate	Health services	Medical cannabis products	Wellbeing products	Total
	\$	\$	\$	\$	\$
Revenues	-	1,590,801	25,373	54,102	1,670,276
Gross profit	-	256,841	708,922	42,872	1,008,636
Net loss	4,725,314	194,802	432,450	360,138	5,712,704

Three months ended June 30, 2019	Corporate	Health services	Medical cannabis products	Wellbeing products	Total
	\$	\$	\$	\$	\$
Revenues	-	2,190,997	-	16,683	2,207,680
Gross profit	-	370,859	-	10,860	381,719
Net loss	8,477,894	(33,695)	701,783	371,685	9,517,667

Six months ended June 30, 2020	Corporate	Health services	Medical cannabis products	Wellbeing products	Total
	\$	\$	\$	\$	\$
Revenues	-	3,408,671	25,853	136,401	3,570,925
Gross profit	-	638,131	709,292	98,125	1,445,548
Net loss	12,547,981	265,909	1,484,176	651,825	14,949,891

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Six months ended June 30, 2019	Corporate	Health services	Medical cannabis products	Wellbeing products	Total
	\$	\$	\$	\$	\$
Revenues	-	4,212,141	-	86,516	4,298,657
Gross profit	-	734,915	-	59,562	794,477
Net loss	15,703,011	13,088	1,230,066	575,241	17,521,406

18. Commitments and contingencies

Contractual obligations	Payments due by period				Total
	2020	2021-2023	2024-2025	2026+	
	\$	\$	\$	\$	\$
Financial lease - land	62,907	377,443	251,629	576,649	1,268,628
Financial lease – corporate and medical offices	389,230	1,320,212	360,271	15,011	2,084,725
Loans	166,477	175,519	-	-	341,996
	618,614	1,873,175	611,899	591,660	3,695,349

In addition to the above obligations, in January 2019, the Company entered into an agreement with Dayacann SpA whereby under the terms of the Dayacann Agreement (and the related agreements), the Company agreed to purchase the Dayacann Product (dried cannabis flower) 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 light of the permitting delay, together with the concurrent ever worsening political unrest in Chile, the Company believes there are likely to be further delays to the development of the cannabis regulatory framework and commercialization of medical cannabis products in Chile. The Company is currently in discussions with Dayacann on how to move forward with the agreement, considering the significant delays in the receipt of the permits and the feasibility of the agreement in terms of cost and timing. To date, the Company spent US\$120,000 (all in 2019) towards the US\$1.2 million commitment as defined in the Dayacann Agreement. The remaining commitment is contingent on the timing for planting, harvesting and testing.

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