



Khiron Life Sciences Corp.

Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2019 and 2018

(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 Statement of Financial Position (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

As at March 31, 2019 and December 31, 2018

Assets			March 31, 2019		December 31, 2018
<b>Current assets</b>	<b>Notes</b>				
Cash and cash equivalents	5	\$	12,859,326	\$	15,013,718
Short term investments	6		25,528,534		3,949,554
Accounts receivables	7		5,244,525		4,170,634
Inventory	8		280,065		238,388
Prepaid other current assets			884,277		561,513
<b>Total current assets</b>		\$	<b>44,796,727</b>	\$	<b>23,933,807</b>
<b>Non-current assets</b>					
Non-current accounts receivables	7	\$	142,615	\$	153,137
Property and equipment	9		11,877,266		9,620,599
Intangible assets	10		1,928,433		2,005,500
Goodwill	10		4,635,774		4,635,774
<b>Total assets</b>		\$	<b>63,380,815</b>	\$	<b>40,348,817</b>
<b>Liabilities and Equity</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	12	\$	8,807,783	\$	6,439,972
Current portion of long-term debt	13		634,776		155,606
<b>Total current liabilities</b>		\$	<b>9,442,559</b>	\$	<b>6,595,578</b>
<b>Non-current liabilities</b>					
Non-current accounts payable	12	\$	383,442	\$	377,263
Non-current portion of contingent consideration	11		1,772,245		1,772,245
Deferred tax liabilities	11		650,000		650,000
Non-current portion of long-term debt	13		1,912,073		2,353,080
Deferred consideration	11		1,330,242		3,063,242
<b>Total liabilities</b>		\$	<b>15,490,561</b>	\$	<b>14,811,408</b>
<b>Equity</b>					
Share capital	14	\$	69,231,686	\$	39,826,123
Warrants	15		6,818,115		5,836,115
Share based compensation	16		4,618,017		3,915,481
Accumulated other comprehensive loss			(1,187,876)		(454,361)
Deficit			(31,589,688)		(23,585,949)
<b>Total equity</b>		\$	<b>47,890,254</b>	\$	<b>25,537,409</b>
<b>Total liability and equity</b>		\$	<b>63,380,815</b>	\$	<b>40,348,817</b>

Nature of operation (note 1), commitments and contingencies (note 22), and subsequent events (note 23)

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

# Khiron Life Sciences Corporation

## Condensed Interim Consolidated Statement of Loss and Comprehensive Loss (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

Three months ended March 31, 2019 and 2018

	Note	Q1 2019	Q1 2018
<b>Revenues</b>			
Services revenues		\$ 2,021,144	\$ -
Product revenues		69,833	-
		\$ 2,090,977	\$ -
<b>Cost of sales</b>		\$ 1,678,219	\$ -
Gross profit		412,758	-
<b>Operating expenses</b>			
General and administrative		\$ 3,026,966	\$ 998,406
Selling, marketing and promotion		1,660,050	368,524
Travel and development		367,222	99,802
Professional fees		959,262	66,589
Consulting services	20	1,654,446	361,310
Share-based compensation	16,20	702,536	105,183
		8,370,482	1,999,814
Other income		14,697	(5,047)
Other expenses		31,318	15,603
Net Loss		\$ 8,003,739	\$ 2,010,370
Other comprehensive loss		733,515	21,478
Comprehensive loss		\$ 8,737,254	\$ 2,031,848
Loss per share (basic and diluted)		\$ 0.12	0.06
Weighted average shares outstanding		75,894,884	33,042,295

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

# Khiron Life Sciences Corp.

## Condensed Interim Consolidated Statement of Cash Flow (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

Three months ended March 31, 2019 and 2018

		<b>2019</b>		<b>2018</b>
<b>Cash used in operating activities</b>				
Net loss for the period	\$	<b>(8,003,739)</b>	\$	(2,010,370)
Adjustments for:				
Share-based compensation		<b>702,536</b>		105,183
Non-cash Transaction Cost		<b>750,000</b>		-
Depreciation and amortization		<b>101,453</b>		10,159
Income tax recovery		-		78,580
Changes in non-cash working capital items				
Accounts receivables		<b>(1,063,370)</b>		(43,710)
Inventory		<b>(41,677)</b>		-
Prepays and other current assets		<b>(322,763)</b>		191,235
Accounts payable and accrued liabilities		<b>2,373,990</b>		467,947
<b>Net cash used in operating activities</b>	<b>\$</b>	<b>(5,503,570)</b>	<b>\$</b>	<b>(1,279,556)</b>
<b>Cash used in investing activities</b>				
Purchase of property and equipment	\$	<b>(2,256,667)</b>	\$	(255,380)
Short-term investments		<b>(21,578,980)</b>		-
Acquisition, net of cash		-		-
Acquisition, non-controlling interest		<b>(1,733,000)</b>		-
<b>Net cash used in investing activities</b>	<b>\$</b>	<b>(25,568,647)</b>	<b>\$</b>	<b>(255,380)</b>
<b>Cash used in financing activities</b>				
Proceeds from financing (net of issuance costs)	\$	<b>26,593,588</b>	\$	905,000
Payment Of Long Long-term Debt		<b>(192,274)</b>		-
Proceeds from warrant exercises		<b>2,768,975</b>		-
Proceeds from option exercises		<b>275,000</b>		-
<b>Net cash provided from financing activities</b>	<b>\$</b>	<b>29,445,289</b>	<b>\$</b>	<b>905,000</b>
<b>Cash and cash equivalent, beginning of period</b>	<b>\$</b>	<b>15,013,718</b>	<b>\$</b>	<b>1,809,645</b>
Net change in cash and cash equivalent		<b>(1,626,928)</b>		(629,936)
Effect of movements in exchange rates on cash held		<b>(527,464)</b>		28,901
<b>Cash and cash equivalents, end of period</b>	<b>\$</b>	<b>12,859,326</b>	<b>\$</b>	<b>1,208,610</b>

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

# Khiron Life Sciences Corp.

## Condensed Interim Consolidated Statement of Changes in Equity (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

Three months ended March 31, 2019 and 2018

	Number of common shares	Share capital	Share-based compensation	Options/warrants reserve	Acc. Other comprehensive income	Retained deficit	Total
<b>Balance, January 1, 2018</b>	<b>32,570,281</b>	<b>\$ 4,291,289</b>	<b>\$ 626,111</b>	<b>\$ 1,085,422</b>	<b>\$ (30,133)</b>	<b>\$ (3,779,412)</b>	<b>\$ 2,193,277</b>
Share issuance - private placement	905,000	805,450	-	99,550	-	-	905,000
Share issuance - rights offering	1,440,542	-	-	-	-	-	-
Share issuance - warrants exercised	12,355,416	14,691,880	-	-	-	-	14,691,880
Share issuance - OTCQB listing	500	-	-	-	-	-	-
Share issuance - options exercised	60,000	60,000	-	-	-	-	60,000
Share issuance - acquisition	1,400,000	2,072,000	-	-	-	-	2,072,000
Subscription receipt shares, net of issuance costs	11,230,000	6,536,000	-	3,800,000	-	-	10,336,000
Subscription receipt costs	-	(411,143)	-	411,143	-	-	-
Shares retained by Adent shareholders	706,249	628,300	-	-	-	-	628,300
Fair value of share-based payments	-	-	3,289,370	-	-	-	3,289,370
Financing - September, net of issuance costs	14,375,000	12,497,500	-	440,000	-	-	12,937,500
Financing - September costs	-	(1,345,153)	-	-	-	-	(1,345,153)
Net loss for the year	-	-	-	-	-	(19,806,537)	(19,806,537)
Other comprehensive loss	-	-	-	-	(424,228)	-	(424,228)
<b>Balance, December 31, 2018</b>	<b>75,042,988</b>	<b>\$ 39,826,123</b>	<b>\$ 3,915,481</b>	<b>\$ 5,836,115</b>	<b>\$ (454,361)</b>	<b>\$ (23,585,949)</b>	<b>\$ 25,537,409</b>
Shares issued to 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
Share issuance - bought deal financing	13,110,000	28,842,000	-	982,000	-	-	29,824,000
Share issuance costs	-	(3,230,412)	-	-	-	-	(3,230,412)
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)
<b>Balance, March 31, 2019</b>	<b>91,609,859</b>	<b>\$ 69,231,686</b>	<b>\$ 4,618,017</b>	<b>\$ 6,818,115</b>	<b>\$ (1,187,876)</b>	<b>\$ (31,589,688)</b>	<b>\$ 47,890,254</b>

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

# Khiron Life Sciences Corp.

## Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

### 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 February 17, 2017. The Company combines international scientific expertise, agricultural advantages, and branded product market entrance experience to address a Latin American market of over 620 million people. Khiron is focused on improving the quality of life of people by developing high-quality cannabis-based products in the medical and wellness categories across Latin America. Khiron has received licenses from the Ministry of Health and Ministry of Justice in Colombia for the cultivation of cannabis and production of extracts that will enable the development of products for the domestic and international markets. The registered office of the Company is located at 2300 - 500 Burrard Street, Vancouver, Canada and its main office in Colombia is located at Carrera 11 No. 84-09 Of. 402, Bogotá, Colombia.

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at March 31, 2019, the Company has not yet achieved profitable operations and had a loss of \$8,003,739. The Company however expects to have sufficient liquidity to continue operations into the future, satisfy all commitments and repay its liabilities arising from normal business operations as they become due. See Note 23, “*Subsequent Events*”, for additional information.

### 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**”).

The policies applied in these consolidated financial statements are based on IFRS’s issued and outstanding as of May 30, 2019, the date the Board of Directors approved the statements.

#### Basis of presentation

The consolidated financial statements have been prepared on historical cost basis except for financial instruments which are measured at fair value as explained in the accounting policies.

#### Basis of consolidation

The consolidated financial statements as at March 31, 2019, reflect the assets, liabilities, and results of operations of Khiron Life Sciences Corp. and its subsidiaries Khiron Colombia SAS and Jemarz SAS doing business as the Latin American Institute of Neurology and the Nervous System (“**ILANS**”). All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

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

#### Foreign currencies

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

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At each financial reporting date,

# Khiron Life Sciences Corp.

## Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

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

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

### Estimates and critical judgments by management

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

During the year, there is significant management judgment on the collectability of overdue receivables associated with ILANS. Furthermore, as a condition of the acquisition of ILANS, there is significant judgment made by management on the calculation of the contingent consideration to be paid out at a later date.

### *Share-based compensation*

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

### *Useful lives of property and equipment and intangible assets*

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

### *Income taxes*

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

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

# Khiron Life Sciences Corp.

## Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

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

### Cash and cash equivalents

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

### Property and equipment ("PPE")

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

Depreciation is calculated using the following terms and methods:

<b>Estimated useful life/ asset depreciation method</b>	
Construction and Building	20% declining balance
Machinery and equipment	Straight-line over 5 years
Office Equipment	Straight-line over 10 years
Computer equipment and communication	Straight-line over 3 years
Medical equipment	Straight-line over 1 and 10 years
Transportation	Straight-line over 5 years
Leasehold improvements	Straight-line over lease term
Construction and Building	Straight-line over 5 years
Software	20% declining balance

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial period end, and adjusted if appropriate.

### Intangible asset

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

<b>Estimated useful life/ asset depreciation method</b>	
Customer relationship	Straight-line over 6 years
Non-compete	Straight-line over 5 years
Brands	Indefinite

An asset's residual value, useful life and amortization method are reviewed at each consolidated statements of financial position date and adjusted if appropriate.

Intangible assets acquired as part of a business combination is valued at fair value at the date of acquisition.



# Khiron Life Sciences Corp.

## Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

For intangibles that have a definite life, the method of amortization used is the straight-line method over the contractual life of the asset. The Company has indefinite intangible assets acquired through business combinations related to brands.

### Impairment of non-financial assets

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

### Provisions

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

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company has no material provisions as at March 31, 2019.

### Share capital and warrants

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

### Share-based compensation transactions

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

The expense is recognized over the vesting period of the options granted and is recognized as an expense in earnings with a corresponding credit to reserve for share-based payments. At the end of each reporting period the Company re-assesses its estimate of the number of stock options expected to vest and recognizes the impact of the revisions in the consolidated statement of loss and comprehensive loss. Any

# Khiron Life Sciences Corp.

## Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

consideration paid by employees and directors on exercise of stock options is credited to share capital combined with any related share-based compensation expense originally recorded in reserve for share-based payments.

### Loss per share

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

### Income taxes

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

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

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

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

# Khiron Life Sciences Corp.

## Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

### Research and development

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

### Impairment of financial assets

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

### Financial instruments

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

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

### Impairment of financial assets

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

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

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

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

# Khiron Life Sciences Corp.

## Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

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

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

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

#### *Classification*

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

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

#### *Financial assets at fair value through comprehensive income*

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

#### *Measurement*

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

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All

# Khiron Life Sciences Corp.

## Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

**IFRS 15** - Revenue from Contracts with Customers; effective for annual periods beginning on or after January 1, 2018, specifies how and when to recognize revenue, based on a five-step model, and enhances relevant disclosures to be applied to all contracts with customers. The Company has applied IFRS 15 retrospectively and determined that there is no change to the comparative periods or transitional adjustments required as a result of the adoption of this standard. The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

To recognize revenue under IFRS 15, the Company applies the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when or as the Company satisfies a performance obligation

Revenue from the direct sale of products to customers for a fixed price is recognized when the company transfers control of the good to the customer. Judgement is required in determining whether the customer is a business or the end consumer in certain cases. The evaluation is made on the basis whether control is obtained related to the product and whether or not there is an additional transfer to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms. The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive taking into account any variation that may result from rights of return.

The Company is engaged with the sale of cosmeceutical products by way of consumer packaged goods in the Latin American market along with provision of services to patients through ILANS which includes, provision of medical health services, and sale of goods. The Company recognizes services revenues over a period of time as performance obligations are completed.

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

The Company has assessed the impact of these standards on its consolidated financial statements with operating leases recognized consistent with leases under Note 21.

### 3. Capital risk management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the period. The Company considers its shareholders equity as capital which as at March 31, 2019 is \$47,890,254.

# Khiron Life Sciences Corp.

## Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

### 4. Financial instruments

#### *Fair values*

As at March 31, 2019, the Company's financial instruments consist of cash and cash equivalents, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

#### *Fair value hierarchy*

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

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

During the 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 – cash and cash equivalents

Level 2 – none

Level 3 – contingent consideration related to acquisitions

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

- Credit risk; and
- Liquidity risk

#### *Credit risk*

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

		March 31, 2019		December 31, 2018
0 – 30 days	\$	1,265,208	\$	629,265
31 – 90 days		966,120		1,306,062
91 – 120 days		421,575		555,701
>121 days		528,583		580,210
<b>Total</b>	<b>\$</b>	<b>3,181,486</b>	<b>\$</b>	<b>3,071,238</b>

Due to the acquisition of ILANS and the operation of the clinics in Colombia, the aging of accounts receivables is generally subject to collectability greater than 30 days. The historical average receivable is

# Khiron Life Sciences Corp.

## Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

settled around 80 days after revenue recognition which is consistent with the clinics industry in Colombia. Prior to acquisition, ILANS experienced similar collection cycles with no bad debts realized.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As at March 31, 2019, 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.

### *Foreign currency risk*

The Company's functional and reporting currency is the Canadian dollar but is exposed to foreign currency risk with respect to the expenditures incurred by its Colombian subsidiary, Khiron Colombia SAS. If the currency were to increase or decrease by 5%, the foreign exchange loss or gain would be \$12,000.

## 5. Cash and cash equivalents

The Company held \$11,641,221 (2018 – \$14,932,226) in its bank account with \$1,218,105 (2018 – \$81,492) held in legal trust.

## 6. Short-term investments

The Company held short-term investments as at March 31, 2019 in aggregate of \$25,528,534 (2018 – \$3,949,554) in guaranteed investment certificates ("GIC") with maturities ranging from thirty days to one year, bearing annual interest of 2.45% to 3.10%.

## 7. Accounts receivables

		<b>March 31, 2019</b>		<b>December 31, 2018</b>
Trade receivables	\$	3,181,486	\$	3,071,238
Related party receivables		1,289,543		952,535
VAT receivables		916,111		299,998
<b>Total</b>	<b>\$</b>	<b>5,387,140</b>	<b>\$</b>	<b>4,323,771</b>

## 8. Inventory

The Company held inventory in relation to the cultivation site in Doima, Ibagué (Colombia) as well as medical equipment held to be used by medical professionals in the clinic as part of the acquisition of ILANS.

## Khiron Life Sciences Corp.

### Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

#### 9. Property, plant and equipment

Cost	Land	Construction and Building	Machinery and equipment	Office Equipment	Computer equipment and communication	Medical equipment	Transportation	PPE in Transit	Leasehold improvements	Software	Total
<b>Balance, December 31, 2018</b>	<b>1,473,610</b>	<b>3,426,418</b>	<b>113,107</b>	<b>197,248</b>	<b>116,016</b>	<b>680,913</b>	<b>60,897</b>	<b>564,923</b>	<b>3,240,125</b>	<b>85,650</b>	<b>9,958,907</b>
Additions	-	259,179	460,438	21,909	22,313		20,371		1,624,439		<b>2,408,649</b>
Foreingn Currency Translations			(8,074)	(37,615)	(41,987)	4,021)	(9,715)			7184	<b>(94,228)</b>
Balance, March 31, 2019	<b>1,473,610</b>	<b>2,685,597</b>	<b>565,471</b>	<b>181,542</b>	<b>96,342</b>	<b>672,892</b>	<b>71,553</b>	<b>564,923</b>	<b>4,864,564</b>	<b>92,834</b>	<b>12,273,328</b>
<b>Accumulated Depreciation</b>											
<b>Balance, December 31, 2018</b>		<b>(16,623)</b>	<b>(8,872)</b>	<b>(37,615)</b>	<b>(41,987)</b>	<b>(205,357)</b>	<b>(20,827)</b>	-	-	<b>(7,027)</b>	<b>(338,308)</b>
Additions	-		(16,756)	(9,275)	(7,930)	(20,478)	(2,106)	(1,209)			<b>(57,754)</b>
Balance, March 31, 2019	-	<b>(16,756)</b>	<b>(25,628)</b>	<b>(46,890)</b>	<b>(49,917)</b>	<b>(232,862)</b>	<b>(22,933)</b>	<b>(1,209)</b>	-		<b>(96,062)</b>
<b>Net Book Value</b>											
<b>December 31, 2018</b>	<b>1,473,610</b>	<b>3,409,795</b>	<b>104,235</b>	<b>159,633</b>	<b>74,029</b>	<b>475,556</b>	<b>40,070</b>	<b>564,923</b>	<b>3,240,125</b>	<b>78,623</b>	<b>9,620,599</b>
<b>Balance, March 31, 2019</b>	<b>1,473,610</b>	<b>3,668,974</b>	<b>539,843</b>	<b>134,652</b>	<b>46,425</b>	<b>451,057</b>	<b>48,620</b>	<b>563,714</b>	<b>4,864,564</b>	<b>85,807</b>	<b>11,877,266</b>



## Khiron Life Sciences Corp.

### Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

#### 10. Intangible Assets

	Customer Relationships		Brands		Non-Compete		Goodwill		Total Intangible Assets and Goodwill	
Cost										
January 1, 2019	\$	609,000	\$	748,000	\$	648,500	\$	4,635,774	\$	6,641,274
Additions from acquisitions		-		-		-		-		-
<b>March 31, 2019</b>	<b>\$</b>	<b>609,000</b>	<b>\$</b>	<b>748,000</b>	<b>\$</b>	<b>648,500</b>	<b>\$</b>	<b>4,635,774</b>	<b>\$</b>	<b>6,641,274</b>

	Customer Relationships		Brands		Non-Compete		Goodwill		Total Intangible Assets and Goodwill	
Accumulated Amortization										
January 1, 2019	\$	-	\$	-	\$	-	\$	-	\$	-
Amortization		33,833				43,233				77,066
<b>March 31, 2019</b>	<b>\$</b>	<b>33,833</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>43,233</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>77,066</b>

#### Net Book Value

<b>March 31, 2019</b>	<b>\$</b>	<b>575,167</b>	<b>\$</b>	<b>748,000</b>	<b>\$</b>	<b>605,267</b>	<b>\$</b>	<b>4,635,774</b>	<b>\$</b>	<b>6,564,207</b>
<b>December 31, 2018</b>	<b>\$</b>	<b>609,000</b>	<b>\$</b>	<b>748,000</b>	<b>\$</b>	<b>648,500</b>	<b>\$</b>	<b>4,635,774</b>	<b>\$</b>	<b>6,641,274</b>

# Khiron Life Sciences Corp.

## Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

### 11. Acquisition

On November 30, 2018, the Company acquired ILANS for an initial consideration of \$1,393,000 in cash along with 1,400,000 common shares at a deemed value of \$1.48. Deferred consideration relates to cash committed to the acquisition based on the definitive agreement discounted back to present value. The accounting for the acquisition consummated has been provisionally determined as at March 31, 2019. As such, the assets and liabilities acquired along with total consideration has been determined provisionally and subject to adjustment.

At the date of acquisition, the Company acquired necessary information to determine the fair value of net identifiable assets acquired as at the acquisition date. Based on the acquisition date, the initial purchase price was allocated on a provisional basis to the fair value of net identifiable assets based on the Company's best estimate of fair value. The calculation of goodwill represents management's assessment of future potential synergies and growth that does not meet the definition for separate recognition. Subsequent to year-end, the Company acquired additional consideration of the business based on defined payment dates over the next 24 months.

Measurement for the fair value of the contingent consideration liability is performed using unobservable inputs considered to be a level three financial instrument. Expectation of future performance and probability of milestones being achieved discounted to present value drives the fair value of such liabilities. As at the date of acquisition and at March 31, 2019, management believes that there is high probability of such milestones being met.

Cash	\$	1,393,000
Deferred consideration		3,130,242
Common shares issued		2,072,000
Contingent consideration		1,772,245
<b>Total consideration</b>	<b>\$</b>	<b>8,367,487</b>
<b>Net identifiable assets (liabilities) acquired</b>		
Cash	\$	15,413
Accounts receivables		4,696,671
Inventories		57,163
Prepaid expenses and deposits		8,464
Property, plant and equipment		5,338,993
Long-term receivables		174,330
Intangible assets		
Customer relationships		609,000
Brand		748,000
Non-compete		648,500
Accounts payable and accruals		(5,113,802)
Deferred tax liabilities		(650,000)
Income taxes payable		(330,700)
Loans and borrowings		(2,470,319)
<b>Net identifiable assets</b>	<b>\$</b>	<b>3,731,713</b>
<b>Purchase price allocation</b>		
Net identifiable assets acquired	\$	3,731,713
Goodwill		4,635,774
	<b>\$</b>	<b>8,367,487</b>
<b>Net cash outflows</b>		
Cash consideration paid	\$	1,393,000
Cash acquired		(15,413)
<b>Net cash</b>	<b>\$</b>	<b>1,377,587</b>

## Khiron Life Sciences Corp.

### Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

#### 12. Accounts payable and accrued liabilities

		March 31, 2019		December 31, 2018
Accounts payable and accrued liabilities	\$	8,038,626	\$	6,365,186
Payroll liabilities		294,641		276,142
Other liabilities		857,958		175,907
<b>Total accounts payables and accrued liabilities</b>	<b>\$</b>	<b>9,191,225</b>	<b>\$</b>	<b>6,817,235</b>
Less: Non-current payables		383,442		377,263
<b>Total current payables</b>	<b>\$</b>	<b>8,807,783</b>	<b>\$</b>	<b>6,439,972</b>

#### 13. Loans and borrowing

Loans and borrowing are classified as financial liabilities and initially measured at fair value and subsequently at amortized cost.

Changes to the carrying value of loans and borrowings are as follows:

	Interest rate	Maturity date		March 31, 2019		December 31, 2018
Finance lease	8.8%	June 1, 2025	\$	1,044,658	\$	1,054,411
Loan	N/A	February 1, 2022		29,706		29,227
Loan	10.90%	April 1, 2020		30,851		37,358
Loan	10.00%	July 1, 2020		24,954		29,155
Loan	10.50%	January 1, 2020		21,358		27,318
Loan	10.48%	October 1, 2020		135,268		154,102
Loan	10.90%	September 1, 2021		99,671		107,872
Loan	10.30%	May 1, 2019		12,815		31,521
Loan	9.79%	November 1, 2021		41,008		44,129
Loan	10.41%	March 1, 2020		123,023		24,586
Loan	11.73%	November 1, 2021		478,302		132,388
Loan	10.41%	August 1, 2021		30,613		519,278
Loan	10.41%	September 1, 2021		47,462		33,132
Loan	10.90%	May 1, 2019		427,160		277,778
Loan	10.90%	Feb 1, 2019		-		116,744
<b>Total</b>			<b>\$</b>	<b>2,546,849</b>	<b>\$</b>	<b>2,353,080</b>
Current Portion				634,776		155,606
<b>Total Long term loans and borrowing</b>			<b>\$</b>	<b>1,912,073</b>	<b>\$</b>	<b>2,197,473</b>

# Khiron Life Sciences Corp.

## Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

### 14. Share capital

#### Authorized share capital

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

#### Common shares issued

	Number of Common Shares	Share Capital
<b>Balance, December 31, 2018</b>	<b>75,042,988</b>	<b>\$ 39,826,123</b>
Share issuance – bought deal financing <sup>(i)</sup>	13,110,000	28,842,000
Share issuance costs <sup>(i)</sup>	-	(3,230,412)
Share issuance – finders' fee <sup>(ii)</sup>	380,710	750,000
Share issuance – warrants exercised <sup>(Note 15)</sup>	2,801,161	2,768,975
Share issuance – options exercised <sup>(Note 16)</sup>	275,000	275,000
<b>Balance, March 31, 2019</b>	<b>91,609,859</b>	<b>\$ 69,231,686</b>

<sup>(i)</sup> On February 28, 2019, the Company completed bought deal financing issuing 13,110,000 common shares at a price of \$2.20 per common share (the "Issue Price") for aggregate gross proceeds of \$28,842,000 (the "Offering").

In consideration for their services, the Company paid the underwriters a cash commission equal to 6% of the gross proceeds and non-transferable broker warrants equal to 6% of the common shares sold under the Offering. Each broker warrant issued will be exercisable at the Issue Price to acquire one common share for a period of 24 months following the closing of the Offering. Share issuance costs totaled to \$3,230,412 and 786,600 broker warrants were issued.

The Company applied the following assumptions based on the Black-Scholes model to determine the fair value of the broker warrants as at the date of issuance: expected dividend yield of 0%; share price of \$2.20; exercise price of \$2.20; expected volatility of 108%; risk-free interest rate of 3.00%; and an expected average life of 24 months resulting in a fair value of \$982,000.

<sup>(ii)</sup> On March 12, 2019, the Company signed a joint venture agreement with Dixie Brands Inc. ("Dixie"), a vertically integrated cannabis leader with core operations in Latin America. With the execution of this agreement, a new company called Dixie Khiron JV Corp. has been established with 50% owned by each of the Company and Dixie. As a result of the transaction, a total of 380,710 shares were issued with a deemed value of \$1.97.

### 15. Warrants

The following table reflects the continuity of warrants for the period ended March 31, 2019:

	Number of warrants	Amount
<b>Balance, December 31, 2018</b>	<b>4,758,531</b>	<b>\$ 1.00</b>
Issued <sup>(Note 14(i))</sup>	786,600	2.20
Exercised	(2,801,161)	0.99
<b>Balance, March 31, 2019</b>	<b>2,743,970</b>	<b>\$ 1.35</b>

# Khiron Life Sciences Corp.

## Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

### 16. Stock options

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

The following table reflects the actual stock options issued and outstanding as of March 31, 2019:

	Number of stock options	Weighted average exercise price
<b>Balance, December 31, 2018</b>	<b>4,257,500</b>	<b>\$ 1.12</b>
Exercised	(275,000)	1.00
<b>Balance, March 31, 2019</b>	<b>3,982,500</b>	<b>\$ 1.13</b>

Each stock option converts into one common share of the Company upon exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The Company settles stock options exercised through the issuance of common shares from treasury. The Company recorded share-based compensation expense related to stock options of \$92,845 for the three months ended March 31, 2019 to the consolidated statement of loss and comprehensive loss.

### 17. Restricted share units

The Company issued 5,135,000 restricted share units ("RSUs") during the year-ended December 31, 2018 to aid in attracting, retaining, and motivating officers, employees, and other participants of the Company. Providing RSUs will further allow participants to align their interests with long-term shareholder value. The RSUs vest quarterly and will vest in full on May 23, 2023 and will be settled in shares. The Company recorded share-based compensation expense related to the RSUs of \$609,691 for the three months ended March 31, 2019 to the consolidated statement of loss and comprehensive loss.

### 18. Loss per share

For the period ended March 31, 2019, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$8,003,739 and the weighted average number of common shares outstanding of 75,894,884. Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

### 19. Related party transactions

The Company transacts with related parties in the normal course of business, which generally relates to the payment of executive and board compensation. These transactions are measured at their exchange amounts. During the three-month period ended March 31, 2019, the Company paid or accrued \$889,585 (December 31, 2018 – \$603,611) in consulting fees and bonuses to directors and board members of the firm. No option-based awards or RSUs were granted during the period.

### 20. Segmented Information

An operating segment is a component of the Company (a) that engages in business activities from which it

## Khiron Life Sciences Corp.

### Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

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.

Taking into consideration the recent acquisition made by the Company, the Company has two operating segments including the corporate office maintained in Toronto, Canada.

#### Geographic Segments

March 31, 2019	Canada	Colombia	Total
Revenues	\$ -	\$ 2,090,977	\$ 2,090,977
Gross profit	-	317,436	317,436
Cash	11,909,642	949,684	12,859,326
Capital assets	6,437	11,870,829	11,877,266

#### Operating Segments

March 31, 2019	Corporate	Medical	Product and Services	Total
Revenues	\$ -	\$ 2,021,144	\$ 69,833	\$ 2,090,977
Gross profit	-	364,056	48,702	412,758
Cash	11,909,642	240,221	709,463	12,859,326
Capital assets	6,437	5,662,712	6,208,117	11,877,266

#### 21. Commitments and contingencies

Contractual obligations	Payments due by period			Total
	Less than 1 year	1 – 5 years	After 5 years	
	\$	\$	\$	\$
Operating lease - land	48,425	230,054	480,180	758,659
Computer Equipment	27,757	27,757	-	55,514
Operating lease – office	157,039	728,204	1,448,375	2,333,618
	\$ 233,221	\$ 986,015	\$ 1,928,555	\$ 3,147,791

On September 27, 2018, the Company signed and committed to pledge US\$1,000,000 to Fundacion Daya over two years. Fundacion Daya is Chile's leading medical cannabis institution and holder of the only medical cannabis license through DayaCann. As at March 31, 2019, the Company spent \$284,250 (US\$212,500) to begin clinical trials and the creation of an education platform.

On October 23, 2018, the Company entered into a donation agreement with Centro Fox, a not-for-profit organization, where Khiron will provide USD 1,000,000 over three years, ending in the year 2021. As at March 31, 2019, the Company has donated \$524,789 (USD\$388,888).

#### 22. Subsequent events

##### Acquisitions and investments

- i) On April 9, 2019, the Company announced that it had signed a definitive agreement to acquire 100% of NettaGrowth, which at the time of the closing of the transaction, will own all the shares of Dormul (doing business as "Cannapur"). Dormul has obtained the first license to produce

## Khiron Life Sciences Corp.

### Notes to the Audited Consolidated Financial Statements (unaudited)

(expressed in Canadian Dollars unless otherwise stated)

medical cannabis with THC for commercialization in Uruguay. Khiron will issue 8,498,821 common shares to the shareholders of NettaGrowth in connection with the transaction. A finder's fee of 420,000 common shares is due as a result of the transaction, subject to the satisfaction of the terms of a finder's fee agreement. In addition, Michael Beck, an experienced capital markets professional and entrepreneur, and Joseph Mimran, an experienced brand builder and entrepreneur, have agreed to join the board of Khiron and Khiron Colombia, respectively. The completion of the acquisition, the issuance of the finder's fee and the appointment of Mr. Mimran are subject to applicable regulatory and TSX Venture Exchange ("**TSXV**") approvals, among other customary closing conditions.

- ii) On April 25, 2019, the Company announced the signing of a non-binding letter of intent for the acquisition of 100% of the outstanding securities of Canapalife S.R.L. and 100% of the economic interest in Campodoro S.r.l. ("**Canapalife Group**") from Alvaro Garro and Paolo Puggioni (the "**Vendors**"), being the sole shareholders of Canapalife Group. As consideration, the Company will issue common shares equal to \$10,500,000 (the "**Purchase Price**") at a deemed price per share equal to the trailing 20-day volume weighted average closing price of its common shares on the TSXV. An earn out of additional common shares for up to \$4,500,000, will be payable by Khiron to the Vendors over the course of two years, subject to Canapalife Group attaining certain revenue milestones. As part of the transaction, the Company will issue shares to a finder whom acted as advisor on this agreement. Completion of the transaction along with the issuance of the finder's fee, is subject to the execution of a definitive agreement and receipt of all required regulatory approvals, including final acceptance of the TSXV.

#### Financings

- i) On May 28, 2019, the Company completed a bought deal financing issuing 9,914,150 common shares at a price of \$2.90 per share for aggregate gross proceeds of \$28,751,035 (the "**Offering**").

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 under the Offering. Each compensation option issued is exercisable at the Issue Price to acquire one common share for a period of 24 months following the closing of the Offering.

The Company applied the following assumptions based on the Black-Scholes model to determine the fair value of the broker warrants as at the date of issuance: expected dividend yield of 0%; share price of \$2.90; exercise price of \$2.90; expected volatility of 103%; risk-free interest rate of 1.69%; and an expected average life of 24 months resulting in a fair value of \$932,000.

- ii) As at May 30, 2019, 606,683 common shares were issued on the exercise of 606,683 warrants and compensation options for gross proceeds of \$613,457.