

Part 1: Introductions and Agenda

Good morning, my name is Angela, and I will be your conference operator today. At this time, I would like to welcome everyone to the Khiron Life Sciences Q32022 Earnings Conference Call. Please note this conference call is going to be recorded and will be published shortly after the end of this meeting. This is an audio-only call and all lines have been placed on mute to prevent any background noise. After the speaker's remarks, we will conduct a question-and-answer session, all participants can submit questions via the chat and the Q&A function in the webcast. On the call with me today are Alvaro Torres, CEO and Director, we have Helen Bellwood, CFO and Franziska Katterbach, Khiron European President.

Forward looking statements

Before we begin, please note the following caution respecting forward-looking statements which is made of behalf of Khiron Life Sciences and all its representatives on this call.

The statements made on this call will contain forward-looking information that involves risks and uncertainties. Actual results could differ materially from a conclusion, forecast or projection in the forward-looking information. Certain material factors or assumptions were applied in producing forecasts and projections as detailed in the forward-looking information.

Additional information about those material factors and assumptions are contained in Khiron Life Sciences' filings with the Canadian and provincial securities regulators, which are available on the SEDAR website at [SEDAR.com](https://www.sedar.com).

To provide a brief agenda:

- We'll start with a discussion of the quarterly financial results
- After that, we'll dive into operational highlights in each market that will drive growth
- We'll wrap the call up with a Q&A session

I will now hand you over to Alvaro Torres, Khiron CEO

Part 2: Overview of company

Hello, good morning, everyone and thank you for being with us this morning. Our third quarter was marked by transitional challenges

Joining us today are Franziska Katterbach, President of Khiron Europe who will discuss our strategic initiatives and operational milestones in Germany and the UK, as well as our transformational acquisition of Pharmadrug, our new EU-GMP distribution company in Germany. Also with us is Helen Bellwood, our newly appointed interim CFO, who will provide a financial update including our continuous progress in cost reductions and growing medical cannabis revenues, that have led us to achieve our lowest Adjusted EBITDA losses ever recorded.

Before I turn over the call to Helen, I would like to highlight some key aspects of our first half of the year and our Q2 results

1. In Q2, we announced the acquisition of Pharmadrug in Germany. The acquisition of this distribution company marks a transformational inflection point for us in Germany and Europe, and a departure from our previous sales strategy in Germany.
 - In Q2 2022, we recorded no revenues in Germany as the Company was focused on continuing sell-out of the existing inventory with our distributor, and culminating negotiation, final agreements, and regulatory approvals for our acquisition of Pharmadrug, so that, the new product portfolio we are planning to launch can be exclusively sold through our own distribution hub starting in late Q3 2022
 - Since we started our operations in Germany in Q1 2021, we have sold over 1.4 million CAD with gross margin of 50%.
 - With the acquisition of Pharmadrug we expect to increase these figures significantly, increase our gross margins, and become a key player in the German market
2. In Q2 2022, we recorded our highest gross profits ever, our lowest EBITDA loss ever, our lowest Net Loss ever and the lowest net cash used for operations ever, based on the strength of our medical cannabis revenues and high gross margins in Latin America and UK. Our Company is on the right path to profitability, we are disciplined in our expenses, our patient base grows every quarter, and now that we will accelerate sales in Germany under our own distribution hub and that we have launched our new clinic in Brazil, we expect to continue revenue and gross margin growth into the future
3. A year ago, our Company was still refining its business model in Colombia, and we had just begun our sales strategy in Germany and the UK. Today, our Zerenia clinics are an established model for patient acquisition, retention, and data generation for medical cannabis across Latin America and UK, we have acquired a transformational distribution platform with Pharmadrug and we are expanding our clinic model into Brazil. In the first half of 2022 we grew over 63% in total revenues, driven by our medical cannabis sales that grew over 3.5 times doubling our gross profits and reducing our expenses. With all this in place, I believe our Company is poised for much more continuous profitable growth and profitability in the short term. Our UK operations are now cash flow positive, our clinic business in Colombia Zerenia has achieved net profitability during the first half of the year, and we are optimistic about this continuing trend across our Company

Part 3: Financial review

Overall

For Q3 2022 we report revenues of \$3.4 million, which was broadly flat when compared to Q3 of 2021 however this was \$1.1 million down when compared to Q2 2022. As highlighted by Alvaro, the interruption of insurance-covered prescriptions in Colombia are the primary cause of this reduction in revenue. Adverse fluctuations in foreign exchange rates also contributed a reduction of \$300,000

Also as a result of the changes in Colombia, the proportion of Medical Cannabis revenue dropped to 47.4% of total revenue, compared with 58.3% in Q2 2022. This trend will continue into Q4 as, as of today, we await the formalization of the Government's financing framework for medical cannabis which will enable prescriptions for medical cannabis to resume. It is worth noting though that Medical Cannabis sales in Q3 of 2021 represented only 34.3% of total revenues, demonstrating that despite the situation in Colombia, the Corporation continues to grow its Medical Cannabis business in other territories, predominantly Europe

In Europe revenues of \$0.9 million were up 141% year on year. This increase is driven by the UK market where sales continue to grow. In Germany sales remained on hold during Q3, following the acquisition of Pharmadrug. The acquisition was completed in August and sales in Germany resumed in Q4 2022 through its own distribution network selling directly to pharmacies in Germany

Gross profit (before fair value adjustments) fell to \$1.4 million, down \$0.8 million from Q2 2022 due primarily to the reduction in revenue in the quarter which has been offset by cost reduction programmes across the Corporation. Gross margin also fell to 40.8%, compared to 50.2% in Q2 of this year. This is as a result of the lower sales in Colombia which typically attracts a higher margin. The margin in Colombia is 76% which is also one of the highest in the industry, thanks to an efficient supply chain including our low-cost cultivation and high value-added finish products. In Q3 2022, medical cannabis represented 72.7% of Khiron's total gross profits before fair value adjustments.

Operating expenses of \$5.2 million were \$0.3 million lower than Q2 2022, and \$1.1 million lower than Q3 of last year. This has been a result of a group-wide cost reduction programme. The Corporation expects to see a further reduction in cost over the remainder of 2022 as cost savings continue and those already achieved are recognized for a full quarter

The net change in cash and cash equivalents was a reduction of \$7.2 million for the year to date to 30 September 2022, compared to \$5.2 million in the comparable period of last year. When the impact of capital raising activities are excluded, there was an outflow of \$11.1 million which was \$5.3 million lower than last year. This is a result of increased revenues, decreased costs and active management of working capital

Medical cannabis

Medical cannabis revenues grew 32.9% when compared to Q3 2021 driven by 130% growth in Europe vs Q3 21, offset by a 10.9% reduction in LATAM revenues year on year.

In Q3 2021 30.9% of medical cannabis revenues were generated in Europe. This has risen to 53.7% in Q3 22. Whilst some of this growth can be attributed to the reduction in medical cannabis revenues in Colombia, it is largely due to the significant growth seen in the UK market. In the medical cannabis segment, gross profit before fair value adjustments dropped to \$1.1 million, down 46% from Q2 2022 and flat year on year. Gross profit in this segment is driven primarily by Latin America, which represented 58% of all medical cannabis gross profits. Gross margins of 84% was achieved in Latin America, driven by Khiron's vertical integration strategy in the region, where the Corporation cultivates low-cost, high-quality medical cannabis in Colombia, produces its own pharmaceutical-grade medications, and sells through its own pharmacy in Colombia, or 3rd party pharmacies in countries such as Peru.

Europe gross margin for medical cannabis was 56%, driven by the higher purchasing power of European patients as compared to Latin America, offset by the higher cost of cannabis production within Europe. With the acquisition of Pharmadrug GmbH, the Corporation expects to increase its gross margins through the addition of distribution margins and to continue increasing its sell-out volumes in Germany throughout 2022 and beyond.

The reduction in Medical Cannabis overall gross margin from 76% to 67% in medical cannabis is due to the increase in the proportion of sales in the lower margin European market

Health Services

- The Corporation recorded revenues of \$1.8 million in the Health Services segment in Q3 2022, fairly flat in comparison to Q2 22 due to reduction of high-value, medium-complexity neurological surgeries in Colombia, offset by an increase in revenue in the UK Zerenia clinic
- The Healthcare segment made a gross profit of \$0.3 million in Q3 2022, representing a gross margin of 17%, compared to \$0.25 million gross profit and 13% gross margin for the segment in Q3 2021. This increase in gross margin is attributable to the growth of the Zerenia clinic in the UK and various cost reductions

1. EBITDA and Net Loss

- The Corporation recorded an Adjusted EBITDA loss of \$2.8 million in the third quarter of 2022, compared to an Adjusted EBITDA loss of - \$3.7 million in Q3 2021, a reduction of 24%, and the lowest Adjusted EBITDA loss ever recorded for the Corporation. This is a result of a continuous decrease in General & Admin costs, which will continue throughout 2022 and beyond
- The Corporation recorded a net loss of \$3.6 million in the quarter and a comprehensive loss of \$4.0 million. This compares to both a net

loss and comprehensive loss of \$3.3 million in the same quarter of 2021, reflecting the volatility in foreign exchange rates impacting on the Corporation's results

2. BS and Cash Position

- As of 30 September 2022, the Corporation's cash outflow on operating activities was \$9.8 million, compared to an outflow of \$15.2 million in the comparable period of 2021, Net cash was \$1.9 million at the end of Q3 2022. The reduction in operating cash outflow is a result of actively managing the working capital cycle, improving collection times for the Corporation's Accounts Receivable and extending payment terms on its Accounts Payables, while reducing overall general and administrative costs
- At the end of Q3 2022, the Corporation had \$32.3 million in total assets (excluding goodwill), with more than \$10.5 million in land, buildings and equipment, high quality medical cannabis inventory of \$9.8 million, healthy Accounts Receivables with credit-worthy clients in Colombia and Europe of \$4.5 million and only \$0.6 million in financial debt.

I will now hand you over to Alvaro, our CEO, and Franziska, Europe President, to provide more details of our Q3 2022 operational highlights

Part 4: Q2 2022 Operational highlights & Catalysts

Preliminary remarks and general framework

- First, I'd like to provide you with a little update that explains our growth in Q3 until today:
 - In August 2022, we completed the acquisition of Pharmadrug Production GmbH, establishing our German and European pharmaceutical distribution capabilities
 - Just as a small recap for those who don't know yet: Pharmadrug is a licensed Schedule 1 narcotics distributor that operates under EU GMP and GDP and is in Germany. With Pharmadrug, the Khiron ecosystem now contains importer, distributor, manufacturer, and exporter of controlled substances, such as cannabis
 - Consequently, all European sales are now run through Pharmadrug
 - Generally, this new set up with Pharmadrug required the updating of narcotic licenses in Germany and the UK, the pushed the launch of several SKUs in Germany and UK originally planned for Q3 were into Q4.
 - But, these were one off set up processes which we managed to handle successfully
 - Also, we re-started selling Khiron products through Pharmadrug in Germany in late Q3
 - our current portfolio now comprises all three chemotypes from THC-dominant, THC:CBD balanced to CBD-dominant and different dosage formats including extracts and dried flower, either irradiated and non-irradiated. This gives prescribers and patients in Germany and UK additional options to find the right product in our khiron suite.
 - This month also marks our 1st year anniversary of Zerenia™ Clinics UK,
 - The branding of Khiron in Europe towards prescribers and patients is continuously strengthened by the publication of

studies in professional journals and their presentation at professional congresses and on relevant platforms for the target groups in various European countries (example: current Flower Power study on the flower product KHIRON 20/1 with UK patients).

- In November 2022 we entered the Swiss medical cannabis market with the first successful sale and export of two cannabis flower products which was only one accomplishment that is attributable to the Pharmadrug acquisition

Q3 SALES GERMANY

- Germany is seeing an average selling price of 11,87 CAD per gram with a GM of 57,3%, this is an increase from 8,83 CAD per gram at a gross margin of 53% compared to before and is attributable solely to the Pharmadrug acquisition
 - The total potential for cannabis patients in Europe's largest country, with 83 million inhabitants and only about 100,000 existing medical cannabis patients, is at least 1% of the total population (830,000 patients).
 - In Germany, the re-start of Khiron medical cannabis product sales was delayed as a result of our acquisition of Pharmadrug , an acquisition that enables us to sell directly to pharmacies in Germany without the need for a third-party distribution partner.
 - The acquisition was formally closed in August after the clearance certificate required under German Foreign Trade Regulation was obtained.
 - Due to cartel law and gun jumping rules, we were legally obliged to not start commercial or regulatory activities until this acquisition was complete.
 - For this reason, sales of Khiron products via Pharmadrug commenced only in late Q3 with the launch of several new Khiron SKUs
 - All European medical cannabis product sales will be now run through Pharmadrug.

Q3 sales UK:

- UK average selling price is 9,04 CAD per gram with a GM of 63,6%
- In Q3 2022, Khiron generated \$0.8 million in medical cannabis revenues in the United Kingdom
- With over 90 Kg of dried flower sold during the quarter, we have sold the same volume in Q3 2022 as in the entire 12 months of 2021
- Khiron's growing portfolio in the UK includes KHIRON 20/1, one of the best-selling THC-predominant cannabis flowers in the UK market.
- With a population of almost 67 million, the UK has a potential of at least 1 million medical cannabis patients (as per management estimates based on industry benchmarks). Khiron addresses the great potential in the UK with its medical cannabis products and clinical services, which are increasingly used by patients and medical practitioners.
- The Corporation's first clinic in Europe Zerenia Clinics UK opened in the UK in November 2021 and just has its one year anniversary: Since then, almost 500 patients have been treated in our clinic. The comments in relevant patient forums and the 5 star rating on

Google reviews speak for themselves.

- In Q3 2022, patient retention in Zerenia™ Clinics UK continues to grow, with 21% growth in revenue from Q2 to Q3 despite a challenging market where consumers have reduced disposable income as a result of the global economic crisis.

Overall + LatAm

Thank you Franzie

- Khiron today continues to deploy a very successful patient-oriented strategy that allows us to grow our medical cannabis sales with the highest gross margins amongst our peers in Latin America. During Q2 our revenues in medical cannabis grew by 30%, with gross margins of 90%, thanks to our low-cost production advantage in Colombia and our B2C high value sales strategy
- A year ago, we were building a platform that we believed could allow us to become a medical cannabis solution for our patients. Today, our business thesis is not only thriving but has become a sustainable, profitable and successful business model that we are replicating in different countries
 - A year ago, in Q2 2021 we received around 24,000 patient visits in our Zerenia clinics, and almost 30% of these visits resulted in a prescription of one and a half bottles.
 - In Q2 2022, we received around 36,000 patient visits in Zerenia, more than 40% of them resulted in a cannabis prescription of one point eight bottles.
 - A year ago, we began to analyze the data gathered in our clinics, to continue the education efforts we continuously make to doctors all across the region.
 - In Q2, as Franzie mentioned earlier, we published our first study in a prestigious peer-reviewed publication on the effectiveness of our products controlling chronic pain, in one of the largest cohorts under study in the region
 - A year ago, our clinic strategy was focused mainly in Colombia
 - Today Zerenia has become the standard in medical cannabis treatment, with more than 23,000 individual cannabis patients serviced and opening locations beyond Colombia, into UK, Peru, and more recently, Brazil
 - And, from a financial perspective, we have proven a model that can be profitable, and in the first half of 2022, our clinics in Colombia have become profitable, thanks to our growing sales of medical cannabis, our discipline in expense allocation and our focus in offering higher margin services that are complementary to our cannabis offering to our patients and to insurance companies in Colombia

Recently, Colombia elected a new government that was inaugurated on August 7th. Before inauguration and in the past few weeks, this new government has publicly stated a positive position regarding the importance of the medical cannabis industry to the future of the country. The

Government's coalition has even introduced new bills to expand cannabis applications to include adult-usage, while strengthening the importance of and access to insurance coverage to medical cannabis for patients. While these bills may take time to become realities, due to the natural legislative and regulatory procedures, it is very encouraging to see a government that places cannabis as a priority topic in the government agenda. Meanwhile, despite the longer waits for insurance approvals due to the transition of new public officials into key administrative posts, medical cannabis awareness grows within the country, and our well-known brand continues to attract patients and new potential insurers.

In Brazil, we have recently opened our first Zerenia clinic in Rio de Janeiro, led by Dr. Eduardo Faveret, one of the most prestigious doctors in the country. Although the clinic has been in operation for only a few weeks, we are very encouraged by the positive response from patients, the high conversion rates which are higher than Colombia's at the beginning of our operations. On the other hand, we continue to optimize our supply chain into Brazil, and very soon, we will be able to ship our branded product portfolio Alixen from Peru to Brazil, which will improve our margins even more. Brazil will become a significant revenue-generating country for us starting in Q4 2022 and beyond.

Peru: Peru and Brazil combined represented around 6% of our revenues in Latin America. Although Peru is not a major contributor to our top line, it is a major contributor to our pharmaceutical product pipeline. So far, we have received approval for finished, branded product registrations for CBD and THC products, and we expect to be able to leverage these approvals to sell these products into other Latin American markets, such as Brazil.

Mexico: Mexico is a major market that Khiron has targeted for some time. Even though we are still waiting for final authorizations to commercialize medical cannabis into the country, we have set all the necessary partnerships as we did with Teleton to ensure that once we are able to, we can build a market rapidly, deploying the same strategy that has made us so successful and unique in Colombia.

All this being said, I would like to finalize with these final thoughts:

- 1) A year ago, we were a Colombian-based company with aspirations to grow beyond into other Latin American markets and Europe. Today, we have a solid footing in Europe, with our own distribution company, our own clinics in the UK, and a growing patient base. We are a leader in Latin America because of our successful and proven business model that keeps growing in revenues, patients, and reputation.
- 2) This quarter shows our discipline to execute more with less. We have posted our strongest gross profit, lowest Adjusted EBITDA, lowest Net Loss and lowest Cash used in operations ever.

- 3) And we have a platform that is going to continue generating profitable growth with Pharmadrug in Germany and our new clinic in Brazil. We made the right choices in the short term so we can become a real player in the German market through Pharmadrug. This acquisition marks an inflection point for us in the region, just as Zerenia UK did last year, and Europe will become a very large share of our success

- 4) There are plenty of external catalysts yet to come in Europe and Latin America, and I believe that Khiron is positioned better than anyone to take advantage of them because we have earned significant credibility with patients, doctors, insurers, and governments. Medical cannabis in the international markets is still in its nascent stage, and we have the right strategy to take advantage of all these future catalysts. We will continue to be disciplined with our expenses, ensure we maintain our excellent gross margins, and grow our revenue base in a sustainable manner to become a reference in medical cannabis in these regions in the years to come.

So, with that, I will begin on the Q&A. I apologize if we do not get through all the questions today. Please feel free to reach out to our investor relations team at investors@khiron.ca, who will promptly relay any unanswered questions you may have.

Part 5: Q&A

Video recorded