



Khiron Life Sciences Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED March 31, 2021 and 2020
May 27, 2021

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Management's Discussion & Analysis
For the Three months ended March 31, 2021 and 2020

Introduction

The following interim management's discussion and analysis (Interim MD&A) of Khiron Life Sciences Corp. (the "Company" or "Khiron") for the three months ended March 31, 2021 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management's discussion and analysis, being the management's discussion and analysis for the year ended December 31, 2020 (Annual MD&A). This Interim MD&A does not reflect any non-material events since the date of the Annual MD&A.

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

This discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the years ended December 31, 2020 and 2019, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021 and 2020, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted.

The Company's unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee (IFRIC). The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of May 27, 2021, unless otherwise indicated.

This interim MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) of the Canadian Securities Administrators. Additional information regarding Khiron is available on its website at www.khiron.ca or through the Company's SEDAR profile available at www.sedar.com.

Caution Regarding Forward-Looking Statements

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

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's

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

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of The Business

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

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

The Company has three operating segments:

- 1) Medical Cannabis Products - in which the Company grows, produces and sells branded products and services to patients with medical conditions where cannabis can be an acceptable, proven option.
- 2) Health Services - where the Company operates its own network of medium complexity health centres (operating under the ILANS and Zerenia™ brands) and Zerenia satellite clinics offering a suite of health, medical and surgical services in alignment with insurance company partners.
- 3) Wellbeing Products - focused on delivering the benefits of CBD and hemp across an array of various branded consumer packaged goods, such as its Kuida™ cosmetics line.

Overview

Key developments during Q1 2021 and up to May 27, 2021

- Record revenue in Q1 2021 of \$2.8 million, with medical cannabis sales increasing over 100% from Q4 2020
- Filled over 7,500 prescription in Q1 2021 in Colombia, and over 13,000 prescriptions year-to-date
- Gross profits, before fair value gains, of \$1.1 million as medical cannabis contributions increase and health services gross margin improve
- Began sales in Germany, representing Khiron's fourth country for medical cannabis sales, and increased product offering for patients in the UK
- Increased patient access across Colombia by opening 5 additional satellite clinics in major urban centers, for a total of nine clinics including the three health centers in Bogota and six satellite clinics across the country

Medical cannabis products

Colombia

- Increased patient access by expanding the reach of Zerenia clinics across Colombia with satellite clinics in major urban centers
- The percentage of prescriptions issued covered by insurance increased from 45% in Q4 2020 to over 60% in Q1 2021, with coverage continuing to be a major support for growth
- The Company surpassed 7,500 paid patient prescriptions in Colombia in Q1 2021, with more patient prescriptions in Q1 2021 than all of 2020, has now surpassed 17,000 patient prescriptions for Khiron medical cannabis products.
- During Q1 2021, the Company increased paid medical cannabis prescriptions over 120% from Q4 2020.

Mexico

- To date, several hundred physicians in Mexico, Colombia, Brazil and Peru have completed the online medical cannabis course developed by the Company in conjunction with Tecnológico de Monterrey (Monterrey Institute of Technology) in Mexico, and have been awarded certificates enabling them to safely prescribe medical cannabis.

Peru

- In Q1 2021, medical cannabis sales in Peru increase over 175% compared to sales in 2020 which began late in Q3 2020.

Europe and UK

- Began sales in Germany with successful delivery of EU-GMP medical cannabis products. Khiron 1/14 (High CBD flower) will focus on indications such as anxiety, substance use disorder, and migraines.
- Introduced Khiron 1/14 (High CBD flower) in the UK. Prescribing specialists will also be able to prescribe smaller quantities of our flower products in 5- gram jars.
- Successfully exported its Colombian-registered cannabis strains, in the form of live clones, from Colombia to Europe. This represents the first shipment of medical cannabis live plant material from Europe to Colombia and is expected to accelerate access to European markets as the Company executes on its asset light growth strategy in the United Kingdom and Germany.

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- Khiron Academy™, the Company's medical cannabis e-learning certification, has been completed by hundreds of physicians across Latin America and Europe, and was accredited for UK Continuing Professional Development.
- Entered into a strategic partnership with Cellen Therapeutics, widely recognized for launching the UK's first digital pain clinic, Leva, and a founding member of Project Twenty21, to increase patient access via prescriptions.

Health services

- Following the success of the first satellite Zerenia™ clinic in Medellin, Colombia, the Company began expanding patient access across Colombia with the opening of five additional Zerenia satellite clinics, with a focus on in-person and telehealth services in Colombia's largest urban centres.

Corporate

- In February 2021, the Company granted 888,298 RSUs to certain directors and an officer of the Company, in accordance with the terms of the respective agreements between the Company and each individual. In April 2021, the Board approved a recommendation by management to grant 2,996,000 stock options and 2,541,500 RSUs to certain employees and executives of the Company following the end of the Q1 quarterly blackout period currently in effect, estimated to occur on or around May 31, 2021. These grants include 2,800,000 stock options and 1,200,000 RSUs to be granted pursuant to contractual obligations between the Company and certain executives. The exercise price of the stock options will be determined following the end of the blackout period and will be not less than the fair market value, which means the last closing price of the shares on the TSXV before the grant date, pursuant to the terms of the Company's 2020 Amended and Restated Stock Option Plan.
- In April 2021, political protests began in Colombia and have continued as of the date of this MD&A. During this period, the impact on the Company's operations has been limited as the technological solutions implemented to provide patient access following the onset of the COVID-19 pandemic have been leveraged in order to continue to provide patient consultation.
- On May 21, 2021, the Company received the Receipt from the Ontario Securities Commission for its final short form base shelf prospectus ("Base Shelf Prospectus") filed on the same date. The Base Shelf Prospectus allows the Company, during the 25-month period that the Base Shelf Prospectus, including any of amendments thereto, remains valid, to raise up to \$50 million in the aggregate through the offering for sale of Securities of the Company (as defined in the Base Shelf Prospectus). The specific terms of any Securities offered will be described in a Prospectus Supplement to the Base Shelf Prospectus. For additional details, please refer to the Base Shelf Prospectus filed under the Company's issuer profile on SEDAR.com on May 21, 2021.

Q1 financial summary

The Company recorded record revenues of \$2.8 million in Q1 2021, a 49% increase from Q1 2020, as revenues from health services increased 23% and revenues from medical cannabis surpassed \$0.5 million for the first time, partially offset by a decline in revenues from Wellbeing products. Medical cannabis sales increased from continued growth in Colombia supported by the Company's expanding clinic network and the introduction of insurance coverage in December 2020, along with continued growth in Peru and the UK and the commencement of sales in Germany.

Gross profit before fair value adjustments was \$1.1 million, reflecting a 150% increase from Q1 2020 mainly due to the contributions from medical cannabis sales. Including a net fair value adjustment of \$0.4 million, the gross profit recognized in Q1 2021 of \$1.6 million represents an increase of over 250% compared to Q1 2020 which was prior to the Company accounting for biological assets at fair value.

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Expenses in Q1 2021 decreased 27% from Q1 2020 to \$7.1 million as a result of reductions in all categories as the Company continues to prudently manage resources with the ongoing pandemic. While the operating presence of the Company has expanded, with sales in four countries at the end of Q1 2021 compared to only Colombia in Q1 2020, general and administrative costs in Q1 2021 decreased 4% compared to Q1 2020, although decreases in salaries, professional fees and travel and development were largely offset by increases in corporate governance costs as a result of a significant increase in insurance premiums.

The Company recorded a net loss of \$5.5 million in the first quarter of 2021. This compares to a net loss of \$9.2 million in the prior year first quarter. On an adjusted EBITDA basis Q1 2021 was a \$4.0 million loss compared to the adjusted loss of \$5.9 million in Q1 2020 (see *Adjusted EBITDA* for calculation).

Outlook and Impact of COVID-19

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

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

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

While the Company starts the second quarter of 2021 with a cash balance of \$12.5 million, the Company must prudently manage its cash and maintain its liquidity amidst the uncertainty of incoming cash flows during the COVID-19 pandemic. The Company's core focus will be on its medical businesses using a predominantly digital strategy focus to grow its patient network and sell its medical cannabis products both locally in Colombia and globally. Maintaining high quality growth and extracts at its cultivation site will be critical to the Company's success. Maintaining liquidity through the crisis and continuing with its core strategy should place the Company in a very strong competitive position once the crisis ends.

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Review of Operations for the three months ended March 31, 2021 and 2020

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

	For the three months ended March 31	
<i>(Canadian dollars)</i>	2021	2020
	\$	\$
Health services:		
Revenues	2,237,932	1,817,870
Cost of sales	1,678,969	1,436,580
Gross profit health services	558,963	381,290
Medical cannabis products:		
Revenues	563,159	480
Cost of sales	58,491	110
Gross profit medical cannabis products	504,668	370
Wellbeing products:		
Revenues	35,482	82,299
Cost of sales	9,045	27,047
Gross profit wellbeing products	26,437	55,252
Gross profit before fair value adjustment	1,090,068	436,912
Fair value adjustments, net	471,091	-
Gross profit	1,561,159	436,912
Expenses		
General and administrative costs	(5,591,748)	(5,847,296)
Share-based compensation	(721,205)	(2,148,615)
Selling, marketing and promotion	(397,903)	(759,219)
Research and development	(347,145)	(943,519)
	(7,058,001)	(9,698,649)
Other (loss) income, net	2,491	24,550
Net loss	(5,494,351)	(9,237,187)

Gross profit – health services

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

Revenues from health services in Q1 2021 increased 23% from Q1 2020 to \$2.2 million as a result of the limited impacts from COVID-19 related restrictions which limited operations in March 2020 and the contribution from increased higher value services. The gross profit from health services increased as a result of increase volume of services and the contributions from higher margin services such as surgeries.

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The following table shows the quarterly gross margin results of the clinics for the three months ended March 31, 2021 and 2020 respectively.

<i>(Canadian dollars)</i>	For the three months ended March 31	
	2021	2020
		\$
Revenues	2,237,932	1,817,870
Cost of sales	1,678,969	1,436,580
Gross profit	558,963	381,290
Gross margin	25%	21%

Gross profit – medical cannabis products

In Q1 2021, medical cannabis sales were largely comprised of sales in Colombia, along with contributions from Peru, the UK and Germany. Gross profits from medical cannabis are mainly a result of sales in Colombia where pricing has been stable in Colombian Pesos while approximately 10% of medical cannabis sales and gross profits in Q1 2021 were contributed by European operations which are accounted for on a net basis, contributing gross margins of 100%. While sales in Peru increased over 175% over all of 2020, due to the early stages of the market development, overall contributions are not significant at this time.

In Q1 2020, medical cannabis represented the initial sales in Colombia of low-THC medical cannabis which commenced at the end of March 2020. The Company delivered its first medical cannabis sales in Peru and the UK in Q3 2020 and its first sales in Germany in Q1 2021.

<i>(Canadian dollars)</i>	For the three months ended March 31	
	2021	2020
	\$	\$
Revenues	563,159	480
Cost of sales	58,491	110
Gross profit before fair value adjustment	504,668	370
Gross margin	90%	77%

Gross profit – wellbeing products

Wellbeing products revenues in Q1 2021 were from sales to distributors of the Company's Kuida™ products in Colombia, which started distribution in the Q4 2018. In Q1 2020, the Company initiated sales of Kuida™ in the UK, however, since the onset of the COVID-19 pandemic, the Company has limited Kuida™ related activities outside of Colombia.

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The table below shows the revenue for the Kuida Wellbeing products:

	For the three months ended	
	2021	March 31 2020
Wellbeing product revenues (\$)	35,482	82,299
Units sold (#)	2,758	6,489

Fair value adjustments on biological assets and cannabis sales

The Company recorded a fair value gain on harvested and growing plants in Q1 2021 of \$0.4 million along with a fair value loss of less than \$0.1 million on the sale of medical cannabis products. Significant estimates and assumptions on the value of the biological asset are disclosed in note 6 to the *Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021 and 2020*.

Expenses

General and administrative costs

General and administrative costs include the following:

	For the three months ended	
	2021	March 31 2020
	\$	\$
Salaries	2,954,913	3,185,528
Professional fees	268,178	683,947
Consulting	384,529	194,479
Investor relations	170,359	289,260
Travel and development	21,226	171,267
Corporate governance	979,564	181,586
Office and general	585,863	961,618
Depreciation and amortization	227,116	179,611
	5,591,748	5,847,296

Changes in general and administrative costs period over period are due to the following:

- Salaries – decrease in 2021 compared to 2020 as a result of the impact of salary reductions combined with the devaluation of the Colombian Peso, partially offset by increased headcount from the Company's expansion in medical cannabis operations.
- A signing bonus was paid in two parts to executive management in Europe, which was being amortized over the contractual term which ended in Q1 2021.
- Professional, fees - include financial advisory, accounting, and legal fees, all of which have decreased.
- Consulting – increased as a result of expanding operations to support the advancement of medical cannabis activities in existing and expansion markets.
- Travel and development – a reduction in acquisition related activity plus restrictions on all Company travel since March 2020 due to COVID-19.
- Investor relations – decreased as overall investor relations activities were reduced beginning in 2020 following the onset of the COVID-19 pandemic as the Company focused on core operations.

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- Public company costs - includes directors' fees, directors' and officers' insurance, external audit, filing and listing fees. The increase from 2020 is mostly due to significant increases in insurance costs due to market dynamics outside of the Company's control as well as increased public company costs due to the growth of the Company's operations. The impact of higher insurance costs will continue throughout 2021.
- Office and general – the increase from 2020 is correlated to the Company's increased global footprint.

Share-based compensation

Share-based compensation includes expenses related to both stock options and restricted share units. For the three months ending March 31, 2021, the decrease from the prior year is due to the completion of vesting of higher value units, partially offset by the expense from lower valued units issued in the current year.

Selling, marketing and promotion

These costs are related to corporate communications, educational conferences, costs associated with marketing and selling Kuida™ wellbeing products. The first quarter of 2020 includes marketing efforts for the launch of Kuida in the UK, while following the restrictions caused by COVID-19, the Company curtailed most of its marketing efforts.

Research and development

Research and development included non-capital related operating costs at the Company's cultivation, extraction, and analysis facilities in Ibagué, Colombia and up until April 1, 2020, the Company expensed most of these operating costs. The Company successfully harvested licensed strains of cannabis and processed the dried flower into a cannabis extract in the second half of 2019, and in March 2020, the Company received its final certification required to manufacture and sell medical cannabis in Colombia. In the first quarter of 2021, cultivation activities included commercial operations to support the Company's production of medical cannabis products currently being sold in Colombia and Peru as well as non-commercial activities focused on optimization opportunities to support the future production needs of the Company's operations. During the three months ended March 31, 2021, the Company capitalized \$268,881 (2020 - \$69,851) costs to biological assets, a portion of which were transferred to inventory upon harvest.

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Liquidity and Financial Condition

Cash flows

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

(Canadian dollars)	For the three months ended	
	2021	2020
	\$	\$
Cash used in operating activities:		
Before working capital changes	(4,953,567)	(6,800,694)
Working capital changes	(3,241,821)	(2,968,408)
	(8,195,388)	(9,769,102)
Cash used in investing activities:		
Purchase of property, plant and equipment	(110,128)	(1,384,527)
	(110,128)	(1,384,527)
Cash provided from financing activities:		
Shares purchased and cancelled	-	(212,389)
Repayment of long-term debt	(249,426)	(249,994)
	(249,426)	(462,383)
Change in cash and short-term investments	(8,554,942)	(11,616,012)
Opening cash and short-term investments	21,649,041	36,904,781
Foreign exchange on cash and other	(589,447)	(814,288)
Closing cash and short-term investments	12,504,652	24,474,481

Cash used in operating activities

Cash used in operating activities before working capital changes mainly includes cash provided by profits from health services sales of medical cannabis and sales of Wellbeing products less general and administrative costs, selling, marketing and promotion, and research and development. Net cash outflows were consistent to the net loss incurred, as explained above in **Review of Operations**. In 2021, working capital changes reflect additional cash used in the purchase of directors and officers insurance for 2021 but not fully expensed and the capitalization of inventory from the Company's cultivation and extraction activities (previously expensed).

Cash used in investing activities

In Q1 2021, purchases were limited to minor equipment for the Company's operations in Colombia. In Q1 2020, the Company completed construction at its new Zerenia™ health centre, and purchased additional medical equipment.

Cash provided by financing activities

In Q1 2020, the Company received final approval from the TSXV for a normal course issuer bid to repurchase, for cancellation, up to 5,830,615 common shares of the Company, representing approximately 5% of the Company's presently issued and outstanding common shares (the "NCIB") commencing on or about March 4, 2020. As of March 31, 2020, the Company had repurchased 511,500 common shares for a total cost of \$212,389. No further shares have been repurchased subsequent to March 31, 2020 to the date of this Interim MD&A.

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The proceeds from the Company's historical financings have been used and or allocated as follows (with variances in the expected use of proceeds explained in the footnotes below):

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

Notes:

- (1) The Company's international scope has expanded to include Peru, Brazil and Mexico in Latin America, and the UK and Germany in Europe, based on the Company's current expansion strategy. This balance reflects actual net operating expenditures that are higher than initial estimates due to delays in commencement of sales activities.
- (2) Allocations to expanding operating capacity and operations in Colombia as described in the prospectus for the November Offering.
- (3) Allocations to working capital as described in the prospectus for the November Offering and re-allocation to general and administrative expenses in response to the impact of COVID-19 on the Company's operations.
- (4) The variances observed are not a result of additional funding obligations of the Company. The variance in the chart encompasses two broad concepts in the comparison to prior uses and intended uses of proceeds disclosures made as of December 31, 2020 (the "Prior Disclosures"), namely: (a) the inclusion of the November Offering, which was not included in the Prior Disclosures; and (b) the Prior Disclosures did not include a reconciled total in relation to total financing amounts. In updating the Prior Disclosures to fully reconcile to the total value of the financings, the Company made updates to best reflect the current circumstances, including (i) additional amounts for international expansion to reflect the costs incurred by the Company in markets outside of Colombia since the time of the historical financings; and (ii) the balance of the unreconciled difference to the Prior Disclosures being included in working capital, general and administrative and issuance costs as historical proceeds were reallocated by the Company in order to support core operations following the onset of the COVID-19 pandemic. The current outlook for the Company utilizes the proceeds from the November Offering and the resources of the Company from before the completion of the November Offering. These variances do not reflect additional funding obligations or commitments of the Company, but rather the actual and expected use of proceeds from financing activities in a manner that supports the Company's expected pathway to cash flow positive operations over the next 12 months.

Commitments and contingencies

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

Payments due by period					
Contractual obligations	2021	2022-2025	2026-2027	2028+	Total
	\$	\$	\$	\$	\$
Financial lease - land	88,426	471,607	235,804	304,580	1,100,417
Financial lease – corporate and medical offices	533,850	890,738	14,067	-	1,438,655
Research and development	127,500	85,000	-	-	212,500
Loans	272,229	78,283	-	-	350,512
	1,022,005	1,525,628	249,871	304,580	3,102,084

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

Financial Condition

The application of the going concern concept assumes that the Company will continue in operation for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at March 31, 2021, the Company has not yet achieved profitable operations and had a loss of \$5.6 million for the first three-months of 2021 and a deficit of \$89.3 million. More vital to the analysis of going concern is the pandemic stemming from the COVID-19 pandemic, as declared by the World Health Organization. These factors cast significant doubt on the Company's ability to continue as a going concern. COVID-19 has had far-reaching impacts on every business and every individual globally. Management believes that the Company should have sufficient liquidity to continue operations for at least the next twelve months, satisfy all commitments and repay its liabilities arising from normal business operations as they become due. The Company had cash and short-term investments of \$12.5 million and a working capital balance of \$22.5 million at March 31, 2021. The net cash used in Q1 2021 was \$8.5 million, including \$3.2 million in non-cash working capital. The objective over the remainder of the year is to maintain the monthly spend and focus on increasing the inflows of cash from medical cannabis sales.

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

Summary of Quarterly Results

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	2,836,573	2,517,984	1,928,090	1,670,276	1,900,649	2,510,470	2,773,239	2,207,680
Net loss	5,494,351	2,374,004	6,714,994	5,712,704	9,237,187	8,235,272	10,621,101	9,517,667
Basic and diluted loss per share	0.04	0.01	0.06	0.05	0.08	0.06	0.09	0.10
Weighted average shares outstanding	150,717,735	130,292,068	117,643,807	116,545,818	116,606,697	115,399,465	113,996,724	95,973,144

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

The Company began generating revenue in the fourth quarter of 2018 with launch of its Kuida™ Welling products and the acquisition of ILANS on November 30, 2018. Gross margins increased modestly over the periods until the onset of COVID-19 in 2020 which negatively impacted gross margins until Q1 2021 when gross margins improved.

Items affecting net loss:

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

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- Revenues in Q3 2020 reflect the decreased activity as a result of COVID-19 experienced in Q2 2020.
- Revenue in Q4 2020 and Q1 2021 increased as health services returned to pre-COVID-19 levels and medical cannabis revenues experienced significant growth period over period.

Adjusted EBITDA

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

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

<i>(Canadian dollars)</i>	For the three months ended	
	2021	March 31 2020
	\$	\$
Net loss before tax	(5,501,249)	(9,238,890)
Add back (deduct):		
Interest expense	94,718	121,108
Depreciation and amortization	297,568	289,580
Net fair value adjustment on biological assets and cannabis product sales	(471,091)	-
Share-based compensation	721,205	2,148,615
Amortization of signing bonus	839,627	814,694
Adjusted EBITDA	(4,019,222)	(5,864,893)

Transactions with Related Parties

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	
	2021	March 31 2020
	\$	\$
Management fees and salaries	1,648,998	1,491,425
Share-based compensation	623,689	1,513,160

For the three months ended March 31, 2021, the spouse of a director of the Company, Alvaro Yanez, provided legal services to the Company in the normal course of business of approximately \$17,000 (2020 - \$20,000).

Management of Capital

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the year. The Company considers its shareholders' equity as capital which as at March 31, 2021 is \$55.0 million.

Financial Instruments

Fair values

At March 31, 2021, the Company's financial instruments consist of cash and cash equivalents, short-term investments and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

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

Credit risk

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

	March 31 2021	December 31, 2020
	\$	\$
0 – 30 days	1,768,905	2,003,072
31 – 90 days	228,294	276,694
91 – 120 days	154,301	12,047
>121 days	1,085,900	1,174,221
Total	3,237,400	3,466,035

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

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Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with out of cash. As at March 31, 2021, the Company's financial liabilities consist of accounts payable and accrued liabilities, and loans, 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 it is exposed to foreign currency risk with respect to the expenditures incurred by its foreign subsidiaries, predominately its Colombian subsidiary, Khiron Colombia SAS. If the currency were to increase or decrease by 5%, the foreign exchange loss or gain would be approximately \$300,000.

Off-Balance-Sheet Arrangements

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

Share Capital

As at the date of this MD&A, May 27, 2021, the Company had 150,724,568 common shares issued and outstanding, 34,726,849 warrants outstanding (including compensation options), 4,934,167 stock options outstanding and 7,257,298 restricted share units outstanding. Each warrant, stock option and restricted share unit is exercisable or exchangeable for common shares of the Company on a one for one basis. Compensation options are exercisable for one common share of the Company and one warrant, with the warrant being exercisable for on common share.

Internal Controls Over Financial Reporting

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited interim condensed consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim condensed consolidated financial statements; and (ii) the unaudited interim condensed consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of: i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited interim condensed consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them

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with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Risk Factors

Due to the nature of Khiron's business, the legal and economic climate in which it operates and its present stage of development, Khiron is subject to significant risks. Additional risks and uncertainties not presently known to Khiron or that Khiron currently considers immaterial may also impair the business and operations. Factors that could cause actual results to differ materially from those set forth in forward-looking information include, but are not limited to: financial risks; inflationary risks; foreign exchange risks; international taxation risks; the Company's ability to obtain or maintain insurance at reasonable rates; product development, facility and technological risks; agricultural risks; changes to applicable laws or regulations; ability to obtain or maintain licences or certifications; product recall and product liability risks; import, export and transportation risks; expected number of medical cannabis users and the willingness of physicians to prescribe medical cannabis to patients in the markets in which the Company operates; ability to access financing on commercially attractive terms.

Implications of the COVID-19 Pandemic

The global outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to protect against the spread of the virus. These measures, which include, among other things, limitations on travel, self-imposed quarantine periods and social distancing measures, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any government and/or central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

The Company cautions that it is impossible to fully anticipate or quantify the effect and ultimate impact of the COVID-19 pandemic as the situation is rapidly evolving. The extent to which COVID-19 impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 and the actions taken by governments to contain it or treat its impact, including shelter in place directives, which, if extended, may impact the economies in which the Company now operates, or may in the future operate, and key markets into which the Company sells or intends to sell its products.

The risks associated with global COVID-19 measures, and the Company's own protocols, may have a material impact on the Company's ability to grow its business and generate revenue, which in turn could materially impact the Company's financial condition and results from operations. As of the date of this Prospectus, the Company has continued modified operations under COVID-19 protocols. The Company is actively addressing risks to its business from COVID-19 through a broad range of measures throughout its structure and is re-assessing its response to the COVID-19 pandemic on an ongoing basis, see "*Description of the Business – Overview – Key developments during Q1 2021 and up to May 27, 2021 – Outlook and Impact of COVID-19*" for additional information.

For a discussion of the risks faced by the Company, please refer to the Company's Annual Information Form, filed on April 29, 2021 and available under the Company profile on SEDAR, at www.sedar.com.