



Khiron Life Sciences Corp.
Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2021 and 2020

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

Khiron Life Sciences Corp.

Condensed Interim Consolidated Statements of Financial Position

(expressed in Canadian Dollars)

Unaudited

	Note	September 30 2021	December 31 2020
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	3	15,423,179	21,649,041
Accounts receivable	4	4,081,932	4,583,241
Inventories and biological assets	5,6	9,942,067	8,337,206
Prepaid expenses and other current assets	15	2,750,147	1,845,673
Total current assets		32,197,325	36,415,161
Non-current assets			
Property, plant and equipment	7	15,645,241	17,517,635
Intangible assets	8	14,879,884	15,134,217
Goodwill	8	3,692,184	4,112,233
Total assets		66,414,643	73,179,246
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		5,778,234	6,263,944
Current portion of long-term debt	9	737,844	1,078,362
Total current liabilities		6,515,078	7,342,306
Non-current liabilities			
Long-term debt	9	1,196,117	1,711,927
Deferred tax liabilities		815,233	896,026
Warrant liability	10	2,880,675	-
Total liabilities		11,408,103	9,950,259
Shareholders' equity			
Share capital		146,332,289	137,080,855
Other reserves		13,942,896	13,738,964
Accumulated other comprehensive loss		(7,958,105)	(3,907,846)
Deficit		(97,310,549)	(83,682,986)
Total shareholders' equity		55,006,531	63,228,987
Total liabilities and shareholders' equity		66,414,634	73,179,246

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 18)

Subsequent events (Note 19)

Signed on behalf of the Board:

"Alvaro Torres"

Alvaro Torres, Director

"Deborah Rosati"

Deborah Rosati, Director

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

Khiron Life Sciences Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian Dollars)

Unaudited

		For the three months ended September 30		For the nine months ended September 30	
	Note	2021	2020	2021	2020
		\$	\$	\$	\$
Revenues					
Service revenues		2,282,746	1,785,334	6,464,978	5,194,005
Medical Cannabis		1,207,507	110,152	2,596,187	136,005
Wellness products		29,019	32,604	97,580	169,005
	17	3,519,272	1,928,090	9,158,745	5,499,015
Cost of sales					
Service revenues		1,689,684	1,576,525	5,018,503	4,347,065
Medical Cannabis		129,033	10,374	285,588	16,320
Wellness products		7,149	18,471	25,490	56,747
		1,825,866	1,605,370	5,329,581	4,420,132
Gross profit before fair value adjustments		1,693,406	322,720	3,829,164	1,078,883
Changes in fair value of inventory sold		(353,317)	(2,196)	(530,022)	(2,196)
Unrealized gain on changes in fair value of biological assets	6	473,139	608,608	1,901,418	1,297,993
Gross profit	17	1,813,228	929,132	5,200,560	2,374,680
Expenses					
General and administrative costs	16	4,647,371	5,341,329	14,666,895	15,719,467
Share-based compensation	12,13	535,170	1,539,643	2,568,186	5,031,060
Selling, marketing and promotion		835,558	340,222	1,883,111	1,792,213
Research and development		400,218	266,763	844,938	1,314,783
		6,418,317	7,487,957	19,963,130	23,857,523
Other income		(255,244)	(9,358)	(374,138)	(242,223)
Other expenses		221,336	172,466	486,790	440,438
Gain on change in fair value of Warrants, net	10	(1,234,575)	-	(1,234,575)	-
Net loss before tax		3,336,607	6,721,933	13,640,648	21,681,058
Current income tax (recovery)/ expense		(605)	365	(13,083)	6,282
Deferred income tax recovery		-	(7,304)	-	(22,455)
Net loss	17	3,337,212	6,714,994	13,627,565	21,664,885
Other comprehensive loss (gain):					
Foreign currency translation		(20,516)	1,272,298	4,050,257	2,004,564
Comprehensive loss		3,316,696	7,987,292	17,677,822	23,669,449
Loss per share – basic and diluted	14	0.02	0.06	0.09	0.19
Weighted average number of shares outstanding		177,028,889	117,643,807	159,687,691	116,936,572

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

Khiron Life Sciences Corp.
Condensed Interim Consolidated Statements of Cash Flow
(expressed in Canadian Dollars)
Unaudited

		For the nine months ended September 30	
	Note	2021	2020
		\$	\$
Operating activities			
Net loss before tax		(13,640,648)	(21,664,885)
Adjustments for:			
Share-based compensation		2,568,184	5,031,060
Unrealized gain on fair value of biological assets	6	(1,371,396)	(1,295,797)
Depreciation and amortization		963,552	618,545
Warrant liability fair-value adjustment	10	(1,234,575)	-
Funds used in operations		(12,714,882)	(17,327,250)
Changes in non-cash working capital items:			
Accounts receivable		(911,478)	961,883
Inventories		(1,115,497)	(1,151,800)
Prepays and other assets		230,287	(150,103)
Accounts payable and accrued liabilities		(723,260)	(1,117,768)
Change in non-cash working capital		(2,519,247)	(1,457,788)
Net cash used in operating activities		(15,234,130)	(18,785,038)
Investing activities			
Purchase of property, plant and equipment		(585,970)	(1,926,214)
Purchase of intangible assets		(28,227)	-
Short-term investments		-	27,559,903
Net cash (used in) provided by investing activities		(614,197)	25,633,689
Financing activities			
Proceeds from issuance of private placement		12,345,750	-
Proceeds from long-term debt		169,481	-
Repayment of long-term debt		(748,018)	(342,085)
Shares purchased and cancelled		-	(212,389)
Share issuance costs		(1,343,317)	-
Net cash provided by (used in) financing activities		10,423,896	(554,474)
Cash and cash equivalents, beginning of period		21,649,041	9,344,878
Net change in cash and cash equivalents		(5,424,431)	6,294,177
Effect of movements in exchange rates on cash held		(801,431)	(145,594)
Cash and cash equivalents, end of period		15,423,179	14,744,665

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

Khiron Life Sciences Corp.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(expressed in Canadian Dollars)

Unaudited

	Note	Number of common shares	Share capital	Share-based compensation reserve	Warrants reserve	Accumulated other comprehensive income	Retained deficit	Total
		#	\$	\$	\$	\$	\$	\$
Balance, December 31, 2019		116,612,318	121,290,474	8,247,913	3,157,335	(2,693,240)	(59,963,728)	70,038,754
Shares repurchased and cancelled		(511,500)	(532,020)	-	-	-	319,631	(212,389)
Share issuance – RSUs exercised		1,766,250	2,455,813	(2,455,813)	-	-	-	-
Fair value of share-based payments		-	-	5,031,060	-	-	-	5,031,060
Net loss for the period		-	-	-	-	-	(21,664,885)	(21,664,885)
Other comprehensive loss		-	-	-	-	(2,004,564)	-	(2,004,564)
Balance, September 30, 2020		117,867,068	123,214,267	10,823,160	3,157,335	(4,697,804)	(81,308,982)	51,187,976
Balance, December 31, 2020		150,717,068	137,080,855	10,002,029	3,736,935	(3,907,846)	(83,682,986)	63,228,987
Share issuance - RSUs exercised	13	965,000	2,364,252	(2,364,252)	-	-	-	-
Issued pursuant to private placement	10	27,435,000	8,230,500	-	-	-	-	8,230,500
Share issuance expense		-	(1,343,317)	-	-	-	-	(1,343,317)
Fair value of share-based payments	12,13	-	-	2,568,184	-	-	-	2,568,184
Net loss for the period		-	-	-	-	-	(13,627,565)	(13,627,565)
Other comprehensive loss		-	-	-	-	(4,050,257)	-	(4,050,257)
Balance, September 30, 2021		179,117,068	146,332,289	10,205,961	3,736,935	(7,958,103)	(97,310,551)	55,006,533

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

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Notes to the Condensed Interim Consolidated Financial Statements

(expressed in Canadian Dollars)

For the three and nine months ended September 30, 2021 and 2020

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1. Nature of operations and going concern

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

Going concern

These unaudited condensed interim consolidated financial statements (the “condensed interim consolidated financial statements”) have been prepared by management on a going concern basis which assumes that the Company will continue in operation for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at September 30, 2021, the Company has not yet achieved profitable operations and had a loss of \$14.3 million for the nine months ended September 30, 2021. Further to the analysis of going concern is the ongoing pandemic stemming from the coronavirus disease pandemic (“COVID-19”), as declared by the World Health Organization. These factors create material uncertainties which 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.

The Company’s core focus has been on its medical businesses using a predominantly digital strategy to grow its patient network and sell its medical cannabis products both locally in Colombia and globally. High quality growth and extraction at its cultivation site has continued throughout COVID-19. Cost reductions in salaries, marketing and other administrative functions were implemented. Capital expenditure programs were postponed, where possible. While the Company will avail itself of financial relief measures, 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. While the Company starts Q4 2021 on October 1, 2021 with a cash balance of \$15.4 million and a working capital balance of \$26 million, the Company must prudently manage its cash and maintain its liquidity amidst the material uncertainty of incoming cash flows.

If the going concern assumption were not appropriate for these condensed interim consolidated financial statements, adjustments would be necessary to the carrying values of the assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations, and that such adjustments could be material.

2. Significant accounting policies

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

These condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2020, which have been prepared in accordance with IFRS. These condensed interim consolidated financial statements of Khiron were authorized for issue in accordance with a resolution of the Board of Directors on November 19, 2021.

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Notes to the Condensed Interim Consolidated Financial Statements

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Basis of presentation

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

Basis of consolidation

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

Warrant liability

Certain of the Company's warrants have exercise prices that are not fixed and as such in accordance with IAS 32, they must be recorded as a derivative financial liability. This applies when a warrant is issued with a cashless exercise option. In each case, these warrants are initially measured at fair value and subsequent changes in fair value are recorded through Net and Comprehensive Loss for the period. A proportional amount of costs associated with the issue of shares and warrants is allocated to the warrants and recorded through Net and Comprehensive Loss for the year. At each reporting date, the Company reviews the classification of each Warrant Liability to determine whether the appropriate classification remains with Liabilities or requires reclassification to Equity.

At each reporting date, the Warrant Liability of listed warrants is adjusted to fair value measured at the market price of the listed warrants is adjusted to fair value determined using a comparable warrant quoted in an active market, adjusted for differences in the terms of the warrant, the changes in fair value are recorded through Net and Comprehensive Loss for the period.

3. Cash and cash equivalents

	September 30 2021	December 31 2020
	\$	\$
Cash and cash equivalents:		
Cash in bank	6,640,166	8,171,531
Cash held in legal trust	8,783,013	13,477,510
Cash and cash equivalents	15,423,179	21,649,041

There are no limitations or restrictions associated with cash held in banks or cash held in legal trust, the Company has full access to these funds.

4. Accounts receivable

	September 30 2021	December 31 2020
	\$	\$
Taxes receivable, commodity and other	182,495	311,039
Trade and other receivables	3,899,437	4,272,202
Accounts receivable	4,081,932	4,583,241

As at September 30, 2021, a provision of \$158,307 for expected credit losses has been recognized (December 31,

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Notes to the Condensed Interim Consolidated Financial Statements

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2020 – nil). For accounts receivable, the Company uses the simplified approach for measuring lifetime expected credit losses.

5. Inventories

	September 30 2021	December 31 2020
	\$	\$
Raw materials	288,221	684,174
Work-in-progress	8,098,961	6,233,860
Finished goods	999,443	566,890
Supplies	110,098	148,240
	9,496,723	7,633,164

6. Biological assets

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

	\$
Balance, December 31, 2019	48,675
Increase in biological assets due to capitalized costs	1,053,921
Unrealized gain on changes in fair value of biological assets	5,527,449
Transferred to inventory upon harvest	(5,926,003)
Balance, December 31, 2020	704,042
Increase in biological assets due to capitalized costs	1,254,844
Unrealized gain on changes in fair value of biological assets	1,901,418
Transferred to inventory upon harvest	(3,414,960)
Balance, September 30, 2021	445,344

As at September 30, 2021, the Company measures its biological assets at its fair value less costs to sell. The Company utilizes an income approach to determine the fair value less cost to sell at a specific measurement date, based on the existing cannabis plants' stage of completion up to the point of harvest. The stage of completion is determined based on the propagation date, the period-end reporting date, the average growth rate, and is calculated on a weighted average basis for the number of plants in the specific lot. The number of weeks in a production cycle is approximately 13 weeks from propagation to harvest. As of September 30, 2021, the weighted average fair value less cost to sell a gram of dried cannabis was \$1.77 per gram (December 31, 2020 - \$1.97).

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

During the three and nine months ended September 30, 2021, the Company's biological assets produced 807 kilograms and 1,967 kilograms of dried cannabis (three and nine months ended September 30, 2020 – 1,179 and 1,981 kilograms, respectively), respectively. The Company estimates the harvest yields for cannabis at various stages of growth. As at September 30, 2021, it is expected that the Company's biological assets will yield approximately 344 kilograms of dry cannabis when harvested (December 31, 2020 – 971 kilograms). As at September 30, 2021, the weighted average stage of growth for the biological assets was 78% (December 31, 2020 – 37%).

The following table highlights the sensitivities and impact of changes in significant assumptions on the fair value of biological assets as at September 30, 2021.

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Notes to the Condensed Interim Consolidated Financial Statements

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Unaudited

Significant estimates and assumptions	Units	Input	10% Sensitivity	Impact on fair value (\$)
Fair value less cost to sell of dry flower	\$/gram	1.77	0.18	49,047
Yield per plant	Grams/plant	35	3.5	49,047
Grow cycle	Days	87	8.7	27,046
Margin allocation to cultivation	%	33%	3.3%	30,695

The following table highlights the sensitivities and impact of changes in significant assumptions on the fair value of biological assets as at September 30, 2020.

Significant estimates and assumptions	Units	Input	10% Sensitivity	Impact on fair value (\$)
Fair value less cost to sell of dry flower	\$/gram	0.70	0.07	158,401
Yield per plant	Grams/plant	60	6.0	43,362
Grow cycle	Days	80	8.0	31,179

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

7. Property, plant and equipment

	Land	Buildings and leasehold improvements	Plant and equipment	Office and medical equipment	Capital work-in-progress	Right of use assets	Total
Cost	\$	\$	\$	\$	\$	\$	\$
December 31, 2020	1,307,188	11,281,354	1,770,296	2,251,048	843,283	2,301,331	19,754,500
Additions	-	304,386	91,383	176,544	-	13,657	585,970
Foreign currency translation	(133,524)	(1,182,238)	(183,351)	(205,811)	(69,463)	(176,047)	(1,950,434)
September 30, 2021	1,173,664	10,403,502	1,678,328	2,221,781	773,820	2,138,941	18,390,036
Accumulated Depreciation							
December 31, 2020	-	(252,642)	(313,460)	(706,607)	-	(964,156)	(2,236,865)
Charge for the period	-	(130,636)	(160,505)	(262,787)	-	(301,309)	(855,237)
Foreign currency translation	-	31,175	126,416	87,424	-	102,246	347,261
September 30, 2021	-	(352,103)	(347,549)	(881,922)	-	(1,163,219)	(2,744,795)
Net Book Value							
September 30, 2021	1,173,664	10,051,399	1,330,779	1,339,858	773,820	975,721	15,645,241
December 31, 2020	1,307,188	11,028,712	1,456,836	1,544,441	843,283	1,337,175	17,517,635

Khiron Life Sciences Corp.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in Canadian Dollars)

For the three and nine months ended September 30, 2021 and 2020

Unaudited

8. Intangible assets and goodwill

	Customer Relationships	Brands	Licenses	Goodwill	Total
Cost	\$	\$	\$	\$	\$
December 31, 2020	553,979	680,421	14,203,839	4,112,233	19,550,473
Additions	-	-	28,337	-	28,337
Foreign currency translation	(56,587)	(69,503)	(119,881)	(420,049)	(666,020)
September 30, 2021	497,392	610,918	14,112,295	3,692,184	18,912,790
Accumulated Amortization					
December 31, 2020	(191,371)	-	(112,651)	-	(304,023)
Charge for the period	(41,973)	-	(66,342)	-	(108,315)
Foreign currency translation	51,644	-	19,972	-	71,616
September 30, 2021	(181,700)	-	(159,021)	-	(340,721)
Net book value					
September 30, 2021	315,692	610,918	13,953,274	3,692,184	18,572,068
December 31, 2020	362,608	680,421	14,091,188	4,112,233	19,246,450

9. Long-term debt

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

	Interest rate	Maturity date	September 30 2021	December 31 2020
			\$	\$
Lease liabilities	9.00%	2021-2030	1,619,805	2,290,146
Loan	9.88%	March 16, 2021	-	18,641
Loan	7.58%	February 1, 2022	13,017	40,595
Loan	8.44%	February 4, 2022	7,029	17,895
Loan	11.30%	April 5, 2022	15,063	46,975
Loan	11.30%	October 30, 2021	12,924	158,343
Loan	10.13%	May 18, 2022	28,091	68,568
Loan	8.15%	May 15, 2022	33,473	74,563
Loan	8.06%	June 21, 2022	37,193	74,563
Loan	4.73%	July 22, 2024	167,366	-
			1,933,961	2,790,289
Current portion			737,844	1,078,362
Non-current portion			1,196,117	1,711,927

Lease liabilities include office leases, health centre leases and a land lease for the cultivation site in Colombia.

The loans and lease liabilities are held in Colombia and denominated in Colombian pesos and therefore subject to higher interest rates than in Canada. The change in the foreign exchange rate between Colombian Pesos and the Canadian Dollar from December 31, 2020 to September 30, 2021, of approximately 11%, contributed to a decrease in the long-term debt and lease liabilities in Canadian Dollars of \$0.1 million.

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10. Share capital and warrants liability

Authorized share capital

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

Common shares issued

On November 26, 2020, the Company completed a bought deal financing issuing 32,200,000 units at a price of \$0.45 per Unit for aggregate gross proceeds of \$14.5 million (the "November Offering"). Each Unit was comprised of one common share and one warrant. Each warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$0.75, for a period ending five years from the closing of the Offering. In consideration for their services, the Company paid the underwriters a cash commission equal to 6.0% of the gross proceeds raised, and non-transferable compensation options equal to 6.0% of the Units sold in the November Offering. Each compensation option will be exercisable at \$0.45 to acquire one Unit for a period of 24 months following the closing of the November offering.

On July 7, 2021, the Company completed an offering to U.S. institutional investors of 27,435,000 units of the Company (the "Offered Unit") at a price of \$0.45 per Offered unit for aggregate gross proceeds to the Company of \$12.3 million. Each Offered Unit was comprised of one common share and one common share purchase warrant (each a "Warrant"), with each Warrant entitling the holder thereof to purchase one common share of the Company at an exercise price of \$0.75 per share, expiring on November 26, 2025.

Warrants liability

The share purchase warrants issued in the July 7, 2021 unit offering are considered derivative liabilities in accordance with IAS 32, as the warrant holders are entitled to a "cashless exercise" option, subject to TSXV approval. This "cashless exercise" option entitles the warrant holders to elect to receive fewer Warrant Shares without paying the cash exercise price, with the number of shares to be issued in a "cashless exercise" being determined by a formula based on the volume weighted average price for the Company's common shares over the ten trading days immediately prior to the date of the notice of exercise.

As a result, these warrants are initially measured at fair value and subsequent changes in fair value are recorded through Net and Comprehensive Loss for the period. A proportional amount of costs associated with the issue of shares and warrants is allocated to the warrants and recorded through Net and Comprehensive Loss for the period.

At each reporting date, the Warrant Liability of listed warrants is adjusted to fair value measured at the market price of the listed warrants is adjusted to fair value determined using a comparable warrant quoted in an active market, adjusted for differences in the terms of the warrant, the changes in fair value are recorded through Net and Comprehensive Loss for the period.

At the issuance date the warrants' market price was \$0.15 per warrant and as at September 30, 2021 the warrants' market price was \$0.11.

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Notes to the Condensed Interim Consolidated Financial Statements

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The following table reflects the warrants liability as at September 30, 2021:

	For the nine months ended September 30, 2021	
	Number of Warrants	Amount \$
Opening balance	-	-
Issue of warrants expiring November 26, 2025	27,435,000	4,115,250
Fair value adjustment during the period	-	(1,234,575)
Ending balance	27,435,000	2,880,675

11. Warrants

The following table reflects the warrants outstanding as at September 30, 2021:

Exercise Price \$	Outstanding as at September 30, 2021		Expiry Date	Remaining Life (years)
0.75	32,200,000	*	26-Nov-2025	4.16
0.45	1,932,000	**	26-Nov-2022	1.16
0.75	27,435,000	*	26-Nov-2025	4.16
0.74	34,132,000			4.2

* Represent warrants or compensation options issued pursuant to equity financing transactions and are exercisable into one common share.

** Represent compensation options issued pursuant to equity financing transaction and are exercisable into one unit comprising of one common share and one warrant with an exercise price of \$0.75.

In the three and nine months ended September 30, 2021, nil and 1,381,449 warrants, respectively, expired.

The following table reflects the warrants outstanding as at December 31, 2020:

Exercise Price \$	Outstanding as at December 31, 2020		Expiry Date	Remaining Life (years)
2.20	786,600	*	28-Feb-21	0.2
2.90	594,849	*	28-May-21	0.4
0.45	1,932,000	**	26-Nov-22	1.9
0.75	32,200,000	*	26-Nov-25	4.9
0.80	35,513,449			4.6

* Represent warrants or compensation options issued pursuant to equity financing transactions and are exercisable into one common share.

** Represent compensation options issued pursuant to equity financing transaction and are exercisable into one unit comprising of one common share and one warrant with an exercise price of \$0.75.

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12. Stock options

The Company recorded share-based compensation expense related to stock options of \$0.1 million and \$0.8 million, respectively, for the three and nine months ended September 30, 2021 (2020 - \$0.1 million and \$0.6 million) to the consolidated statements of loss and comprehensive loss.

The following table reflects the continuity of stock options for the nine months ended September 30, 2021:

Grant Date	Number of stock options					Exercise Price	Expiry Date	Remaining Life (years)
	As at December 31, 2020	Issued	Forfeited	Expired	As at September 30, 2021			
						\$		
2017-04-19	1,275,000	-	(200,000)	(1,075,000)	-	1.00	2021-04-19	N/A
2017-09-12	552,500	-	-	-	552,500	1.00	2022-09-12	1.0
2017-10-12	100,000	-	-	-	100,000	1.00	2022-10-12	1.0
2018-05-23	590,000	-	-	-	590,000	1.40	2023-05-23	1.6
2018-06-26	200,000	-	-	-	200,000	1.40	2023-06-26	1.7
2019-05-31	816,667	-	-	-	816,667	3.25	2024-05-31	2.7
2019-11-27	1,600,000	-	(800,000)	-	800,000	2.90	2024-11-27	3.2
2021-05-21	-	2,941,000	(1,400,000)	-	1,541,000	0.75	2026-05-26	4.7
	5,134,167	2,941,000	(2,400,000)	(1,075,000)	4,600,167	1.71		3.0

As at September 30, 2021, 4.3 million (December 31, 2020 - 4.1 million) stock options outstanding were vested and the unamortized stock option expense relating to previously issued stock options is approximately \$0.2 million (December 31, 2020 - \$0.2 million).

13. Restricted share units

The Company recorded share-based compensation expense related to the RSUs of \$0.4 million and \$1.8 million, respectively, for the three and nine months ended September 30, 2021 (2020 - \$1.4 million and \$4.4 million) to the consolidated statements of loss and comprehensive loss.

The following table reflects the continuity of RSUs for the period ended September 30, 2021:

Grant Date	Number of RSUs					Grant Price	Expiry Date	Remaining Life (years)
	As at December 31, 2020	Issued	Exercised	Forfeited	As at September 30, 2021			
						\$		
2018-05-23	282,500	-	-	-	282,500	0.89	2021-12-15	0.2
2019-05-31	1,661,500	-	(965,000)	-	695,500	2.45	2022-12-15	1.2
2019-11-25	1,675,000	-	-	(200,000)	1,475,000	1.03	2022-12-15	1.2
2020-08-26	1,200,000	-	-	-	1,200,000	0.51	2023-12-15	2.2
2020-09-10	1,100,000	-	-	-	1,100,000	0.52	2023-12-15	2.2
2021-02-08	-	888,298	-	-	888,298	0.47	2024-12-15	3.2
2021-05-31	-	2,535,500	-	(413,000)	2,122,500	0.47	2024-12-15	3.2
	5,919,000	3,423,798	(965,000)	(613,000)	7,764,798	0.78		2.2

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As at September 30, 2021, 4.5 million (December 31, 2020 – 2.8 million) of the outstanding RSUs were vested and the unamortized RSU expense relating to previously issued RSUs is approximately \$1.0 million (September 30, 2020 – \$2.2 million).

14. Loss per share

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Net loss	\$3,565,976	\$6,714,994	\$13,627,565	\$21,664,885
Weighted average number of common shares outstanding - basic	177,028,889	117,643,807	159,687,691	116,936,572
Effect of dilutive securities	-	-	-	-
Weighted average number of common shares outstanding - dilutive	177,028,889	117,643,807	159,687,691	116,936,572
Loss per share – basic and diluted	\$0.02	\$0.06	\$0.09	\$0.19

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

15. Related party transactions

Related parties and related party transactions impacting the condensed interim 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. In late-June 2021, the law firm which a director of the Company is a partner, joined a law firm which provides legal services to the Company in the normal course of business. The legal services provided will be considered as related party transactions and have been added to the disclosure below.

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Management fees and salaries	1,749,693	1,453,337	4,484,259	2,670,804
Share-based compensation	390,044	1,561,133	2,198,135	4,034,885
Legal Services	58,713	63,955	106,667	133,400

As at December 31, 2020, prepaid expenses and other current assets includes \$0.8 million of signing bonuses relating to key management personnel of the Company. This balance was fully amortized as of March 31, 2021.

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16. General and administrative costs

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries	1,957,684	2,927,054	6,826,021	8,908,886
Professional fees	89,366	406,750	734,714	1,254,267
Consulting	104,045	111,052	738,433	958,222
Investor relations	289,215	326,206	617,502	814,249
Travel and development	84,558	40,105	152,043	218,577
Corporate governance	775,260	640,920	2,652,130	1,124,990
Office and general	1,144,841	721,391	2,292,270	1,946,997
Depreciation and amortization	202,402	167,851	653,783	493,281
	4,647,371	5,341,329	14,666,895	15,719,467

17. Segmented information

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

Operating Segments

Three months ended September 30, 2021	Corporate	Health services	Medical cannabis products	Wellbeing products	Total
	\$	\$	\$	\$	\$
Revenues	-	2,282,746	1,207,507	29,019	3,519,272
Gross profit	-	593,062	1,198,296	21,870	1,813,228
Net loss (income)	2,369,456	(285,646)	1,054,188	199,215	3,337,212

Three months ended September 30, 2020	Corporate	Health services	Medical cannabis products	Wellbeing products	Total
	\$	\$	\$	\$	\$
Revenues	-	1,785,334	110,152	32,604	1,928,090
Gross profit	-	208,809	706,189	14,134	929,132
Net loss	5,517,819	480,625	446,023	270,527	6,714,994

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Nine months ended September 30, 2021	Corporate	Health services	Medical cannabis products	Wellbeing products	Total
	\$	\$	\$	\$	\$
Revenues	-	6,464,978	2,596,187	97,580	9,158,745
Gross profit	-	1,446,475	3,681,995	72,090	5,200,560
Net loss	10,045,249	809,686	2,297,893	474,737	13,627,565

Nine months ended September 30, 2020	Corporate	Health services	Medical cannabis products	Wellbeing products	Total
	\$	\$	\$	\$	\$
Revenues	-	5,194,005	136,005	169,005	5,499,015
Gross profit	-	846,940	1,145,482	112,258	2,374,680
Net loss	18,056,763	746,534	1,939,236	922,352	21,664,885

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

Geographic Segments

	September 30 2021	December 31 2020
	\$	\$
Property, plant and equipment:		
Europe	12,031	13,884
Latin America	15,633,210	17,503,751
	15,645,241	17,517,635
Non-current assets:		
Europe	12,031	13,884
Latin America	34,205,287	36,750,201
	34,217,318	36,764,085
Total assets:		
Canada	13,230,916	18,007,941
Europe	1,552,452	1,702,607
Latin America	51,631,266	53,468,698
	66,414,634	73,179,246

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18. Commitments and contingencies

Contractual obligations	Payments due by period				Total
	2021	2022-2025	2026-2027	2028+	
	\$	\$	\$	\$	\$
Financial lease - land	29,287	117,149	351,448	644,322	1,142,206
Financial lease – corporate and medical offices	160,540	383,959	503,188	24,146	1,071,833
Research and development	127,500	85,000	-	-	212,500
Loans	75,208	238,949	-	-	314,157
	392,535	825,057	854,636	668,468	2,740,696

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 current stage of the proceedings, it is not possible to estimate the Company's potential liability in the litigation, if any.

19. Subsequent events

Khiron acquired MCS Clinic in UK

On October 7, 2021, the Company completed the acquisition of 100% of the issued share capital of MCS Clinics Limited, a company incorporated and registered in England and Wales, for \$0.3 million.

Khiron opens first clinic in Europe with Zerenia Clinics UK

The Company announced on November 3, 2021, the opening of Zerenia™ Clinics UK in London as its first International Zerenia™ clinic in Europe. This collectively brings the Company's total clinic count to 15 globally.