



Khiron Life Sciences Corp.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(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	June 30 2022 \$'000	December 31 2021 \$'000
ASSETS			
Current assets			
Cash	3	5,818	8,923
Accounts receivable	4	4,397	2,880
Inventories and biological assets	5,6	9,434	9,454
Prepaid expenses and other current assets		1,940	2,517
Total current assets		21,589	23,774
Non-current assets			
Property, plant and equipment	7	13,691	13,557
Intangible assets	8	888	868
Goodwill	8	4,071	4,075
Total assets		40,239	42,274
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		6,608	4,308
Current portion of deferred consideration		157	104
Current portion of long-term debt and lease liabilities	9, 9.1	854	1,522
Warrant liability	10	823	1,783
Total current liabilities		8,442	7,717
Non-current liabilities			
Deferred consideration		157	209
Long-term debt and lease liabilities	9, 9.1	1,489	705
Deferred tax liabilities		275	313
Total liabilities		10,363	8,944
Shareholders' equity			
Share capital		150,390	146,449
Other reserves		14,149	13,580
Accumulated other comprehensive loss		(10,268)	(9,888)
Deficit		(124,395)	(116,812)
Total shareholders' equity		29,876	33,329
Total liabilities and shareholders' equity		40,239	42,274

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 17)

Signed on behalf of the Board:

"Alvaro Torres"

Alvaro Torres, Director

"Juan Carlos Echeverry"

Juan Carlos Echeverry, 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		For the six months ended	
	Note	2022	2021	2022	2021
		\$'000	\$'000	\$'000	\$'000
Revenues					
Service revenues		1,862	1,944	3,842	4,182
Medical Cannabis		2,607	826	5,257	1,389
Wellness products		4	33	17	68
		4,473	2,803	9,116	5,639
Cost of sales					
Service revenues		1,611	1,650	3,442	3,329
Medical Cannabis		614	99	1,291	157
Wellness products		2	9	-	18
		2,227	1,757	4,733	3,503
Gross profit before fair value adjustments		2,246	1,046	4,383	2,136
Changes in fair value of inventory sold		(428)	(137)	(1,527)	(177)
Unrealized gain on changes in fair value of biological assets	6	535	917	992	1,428
Fair value (loss)/gain on biological assets		107	781	(535)	1,252
Gross profit		2,353	1,826	3,848	3,387
Expenses					
General and administrative costs	13	3,799	5,740	9,349	12,053
Selling, marketing and promotion		1,052	650	1,470	1,048
Research and development		618	98	1,166	445
Impairment (recovery) of other assets	4	(6)	76	(3)	76
Other (income) and expenses		56	(2)	(142)	(47)
Loss before finance costs, unrealized loss on warrants		(3,166)	(4,735)	(7,992)	(10,187)
Finance costs		33	69	188	164
Foreign exchange (gain) or loss		653	(1)	404	(47)
Unrealized gain on warrants		(1,646)	-	(960)	-
Loss before income taxes		(2,206)	(4,802)	(7,624)	(10,303)
Income taxes recovery		35	7	41	14
Net loss		(2,171)	(4,796)	(7,583)	(10,290)
Other comprehensive loss:					
Foreign currency translation		(1,670)	(660)	(380)	(4,071)
Comprehensive loss		(3,841)	(5,455)	(7,963)	(14,361)
Loss per share – basic and diluted		0.01	0.03	0.04	0.07
Weighted average number of shares outstanding		186,443,694	151,027,315	182,938,852	150,873,380

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

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

		For the six months ended June 30	
	Note	2022	2021
		\$'000	\$'000
Operating activities			
Net loss before taxes		(7,624)	(10,303)
Adjustments for:			
Share-based compensation	11,12	647	2,033
Changes in fair value of inventory sold		1,527	177
Unrealized gain on fair value of biological assets	6	(992)	(1,428)
Depreciation and amortization		1,249	622
Impairment		(3)	-
Unrealized loss on warrants		(960)	-
Changes in non-cash working capital items:			
Accounts receivable		(1,602)	(664)
Inventories		(53)	(757)
Prepays and other assets		625	(578)
Accounts payable and accrued liabilities		2,383	518
Net cash used in operating activities		(4,803)	(10,382)
Investing activities			
Purchase of property, plant and equipment		(698)	(400)
Acquisition of intangible assets		(84)	-
Proceeds from disposition of property, plant and equipment		-	-
Net cash provided by investing activities		(783)	(400)
Financing activities			
Proceeds from share issuances		4,606	-
Share issuance costs		(743)	-
Proceeds from debt		110	-
Payment of lease liability		(357)	-
Repayment of long-term debt		(200)	(832)
Net cash provided by financing activities		3,415	(832)
Cash and cash equivalents, beginning of period		8,923	21,649
Net change in cash and cash equivalents		(2,170)	(11,614)
Effect of movements in exchange rates on cash held		(935)	(679)
Cash and cash equivalents, end of period		5,818	9,356

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 and warrant reserve	Accumulated other comprehensive income	Retained deficit	Total
		#	\$'000	\$'000	\$'000	\$'000	\$'000
Balance, December 31, 2020		150,717,068	137,081	13,739	(3,908)	(83,683)	63,229
Share issuance – RSUs exercised	12	957,500	2,346	(2,346)	-	-	-
Fair value of share-based payments	11	-	-	2,033	-	-	2,033
Net loss and other comprehensive loss		-	-	-	(4,071)	(10,290)	(14,361)
Balance, June 30, 2021		151,674,568	139,427	13,426	(7,979)	(93,973)	50,901
Balance, December 31, 2021		179,262,068	146,449	13,580	(9,888)	(116,812)	33,329
Share issuance – RSUs exercised	12	450,417	207	(207)	-	-	-
Issued pursuant to private placement	11	30,705,000	4,606	-	-	-	4,606
Share issuance expense	11	-	(743)	-	-	-	(743)
Share-based payments		-	-	647	-	-	647
Fair Value compensation warrants	10	-	(129)	129	-	-	-
Net loss and other comprehensive loss	11	-	-	-	(380)	(7,583)	(7,963)
Balance, June 30, 2022		210,417,485	150,390	14,149	(10,268)	(124,395)	29,876

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

Khiron Life Sciences Corp.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in Canadian Dollars)

For the three and six months ended June 30, 2022 and 2021

Unaudited

1. Nature of operations and going concern

Khiron Life Sciences Corp. (“Khiron” or the “Corporation”) was incorporated under the Business Corporations Act (British Columbia) on May 16, 2012. The Corporation’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 “consolidated interim financial statements”) have been prepared by management on a going concern basis which assumes that the Corporation will be able to raise the necessary capital on terms acceptable to the Corporation and be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future.

As at June 30, 2022, the Corporation has not yet achieved profitable operations and had a loss of \$7,582,830 for the six months ended June 30, 2022. While the Corporation has been able to demonstrate the ability to raise capital to fund its operations, the Corporation has not yet been able to generate the sales volumes required to create positive cash flows from operations. Whether and when the Corporation can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due after June 30, 2022 is uncertain. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Corporation’s ability to continue as a going concern.

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 balance sheet classifications used, that would be necessary if the Corporation 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.

The Corporation’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 the COVID-19 pandemic. Cost reductions in salaries, marketing and other administrative functions were implemented. Capital expenditure programs were postponed, where possible. While the Corporation will continue to avail itself of financial relief measures, satisfy all commitments and repay its liabilities arising from normal business operations as they become due.

2. Significant accounting policies

The Corporation 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 Corporation for the year ended December 31, 2021, 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 August 25, 2022.

Khiron Life Sciences Corp.
Notes to the Condensed Interim Consolidated Financial Statements
(expressed in Canadian Dollars)
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Unaudited

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.

3. Cash

	June 30	December 31
	2022	2021
	\$'000	\$'000
Cash in bank	5,791	3,940
Cash held in legal trust	27	4,983
Cash and cash equivalents	5,818	8,923

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

4. Accounts receivable

	June 30	December 31
	2022	2021
	\$'000	\$'000
Taxes receivable, commodity and other	157	65
Trade and other receivables	4,249	2,815
Accounts receivable	4,397	2,880

As at June 30, 2022, based on a detailed assessment of the amounts due from the Corporation's specific clients, the Corporation recorded an expected credit loss provision of \$401,156 (December 31, 2021 – \$391,602). For accounts receivable, the Corporation uses the simplified approach for measuring lifetime expected credit losses.

During the three months ended June 30, 2022, the Corporation recorded a recovery of impairments of other assets of \$3,299 (December 31, 2021 Corporation recorded an impairment of other assets of \$1,246,216). The total impairments of other assets recognised in the six months ended June 30, 2022 related to receivables is \$43,099.

Khiron Life Sciences Corp.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in Canadian Dollars)

For the three and six months ended June 30, 2022 and 2021

Unaudited

5. Inventories

	June 30 2022	December 31 2021
Raw materials	\$'000 386	\$'000 417
Work-in-progress	8,271	8,230
Finished goods	181	161
Supplies	433	329
	9,271	9,137

6. Biological assets

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

	\$'000
Balance, December 31, 2020	704
Increase in biological assets due to capitalized costs	1,770
Unrealized gain on changes in fair value of biological assets	2,543
Transferred to inventory upon harvest	(4,665)
Effect of foreign exchange	(35)
Balance, December 31, 2021	317
Increase in biological assets due to capitalized costs	799
Unrealized gain on changes in fair value of biological assets	992
Transferred to inventory upon harvest	(1,942)
Net write-off of biological assets	(14)
Effect of foreign exchange	11
Balance, June 30, 2022	163

As at June 30, 2022, the Corporation measures its biological assets at its fair value less costs to sell. The Corporation 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 12 weeks (2021 – 10 weeks) from propagation to harvest. As of June 30, 2022, the weighted average fair value less cost to sell a gram of dried cannabis was \$1.28 per gram (December 31, 2021 - \$1.25).

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 Corporation'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 months ended June 30, 2022, the Corporation's biological assets produced 1,083 kilograms of dried cannabis (three months ended June 30, 2021 – 683 kilograms), respectively. During the six months ended June 30, 2022, the Corporation's biological assets produced 1,592 kilograms of dried cannabis (six months ended June 30, 2021 – 1,160 kilograms), respectively. The Corporation estimates the harvest yields for cannabis at various stages of growth. As at June 30, 2022, it is expected that the Corporation's biological assets will yield approximately 343 kilograms of dry cannabis when harvested (December 31, 2021 – 529 kilograms). As at June 30, 2022, the weighted average stage of growth for the biological assets was 37% (December 31, 2021 – 49%).

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Notes to the Condensed Interim Consolidated Financial Statements

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The following table highlights the sensitivities and impact of changes in significant assumptions on the fair value of biological assets as at June 30, 2022.

Significant estimates and assumptions	Units	Input		5% Sensitivity		Impact on fair value (\$'000)	
		Jun-22	Jun-21	Jun-22	Jun-21	Jun-22	Jun-21
Fair value less cost to sell of dry flower	\$/gram	1.28	1.86	0.06	0.09	8	44
Yield per plant	Grams/Plant	30	31	1.5	1.5	8	35
Grow cycle	Days	90	96	4.5	4.5	8	42
Margin allocation to cultivation	%	33%	34%	1.70%	1.70%	5	29

The following table highlights the sensitivities and impact of changes in significant assumptions on the fair value of biological assets as at December 31, 2021.

Significant estimates and assumptions	Units	Input	5% Sensitivity	Impact on fair value (\$'000)
Fair value less cost to sell of dry flower	\$/gram	1.25	0.06	16
Yield per plant	Grams/plant	29.3	1.46	16
Grow cycle	Days	76.4	3.82	57
Margin allocation to cultivation	%	33%	1.7%	326

The Corporation'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	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
December 31, 2021	1,090	9,287	1,777	2,598	949	2,530	18,231
Additions related to operations	235	324	4	135	-	545	1,243
Disposals	-	-	-	(13)	-	-	(13)
Foreign currency translation	(3)	40	9	9	14	4	72
June 30, 2022	1,322	9,651	1,790	2,729	963	3,078	19,533

Accumulated

Depreciation

December 31, 2021	-	(1,678)	(454)	(699)	(750)	(1,092)	(4,673)
Charge for the period	-	(449)	(110)	(215)	-	(407)	(1,181)
Foreign currency translation	-	9	2	4	(13)	10	11
June 30, 2022	-	(2,118)	(562)	(910)	(763)	(1,489)	(5,842)

Net Book Value

Khiron Life Sciences Corp.

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(expressed in Canadian Dollars)

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Unaudited

December 31, 2021	1,090	7,609	1,323	1,899	199	1,438	13,557
June 30, 2022	1,322	7,534	1,228	1,818	200	1,589	13,691

An impairment loss of \$749,468 is included in the accumulated amortisation of capital work-in-progress, and an impairment loss of \$265,966 is included in the accumulated amortisation of buildings and leasehold improvements. These impairment losses were recognised in the year ended December 31, 2021.

8. Intangible assets and goodwill

	Customer Relationships	Brands	Licenses	Goodwill	Total
Cost	\$'000	\$'000	\$'000	\$'000	\$'000
December 31, 2021	462	568	14,040	4,075	19,145
Additions (transfer)	-	-	179	-	179
Foreign currency translation	2	3	381	(4)	382
June 30, 2022	464	571	14,600	4,071	19,706
Accumulated Amortization					
December 31, 2021	(228)	-	(13,974)	-	(14,202)
Charge for the period	(40)	-	(28)	-	(68)
Addition (transfer)	-	-	(94)	-	(94)
Foreign currency translation	-	-	(382)	-	(383)
June 30, 2022	(268)	-	(14,478)	-	(14,747)
Net book value					
December 31, 2021	234	568	66	4,075	4,943
June 30, 2022	196	571	122	4,071	4,960

An impairment loss of \$13,720,335 is included in the accumulated amortisation of licenses. This was recognised in the year ended December 31, 2021.

9. Long-term debt

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

	Interest rate	Maturity date	June 30, 2022	December 31, 2021
			\$'000	\$'000
Lease liabilities	10.96%	2022-2030	956	1,492
Lease liabilities	11.75%	2024	437	-
Lease liabilities	8.34%	2025	299	-
Loan	9.00%	January 15, 2026	454	505
Loan	10.13%	February 4, 2022	-	6
Loan	7.58%	February 1, 2022	-	5
Loan	8.44%	April 5, 2022	-	4
Loan	8.15%	May 15, 2022	-	21

Khiron Life Sciences Corp.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in Canadian Dollars)

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Unaudited

Loan	8.06%	July 21, 2022	5	28
Loan	7.86%	March 14, 2023	70	-
Loan	4.73%	July 22, 2024	122	151
			2,343	2,226
Current portion			854	1,522
Non-current portion			1,489	705

9.1. Lease Liabilities

Lease liabilities include:

- Office leases (Colombia)
- Health centre leases (Colombia and Brazil)
- Cultivation site (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, 2021 to June 30, 2022, of approximately 0.5%, with immaterial effects over the balances in CAD.

The following table shows the continuity schedule for lease liabilities:

	\$'000
As at December 31, 2021	1,492
Additions	545
Lease Payments	(449)
Interest expense	92
Foreign currency	12
As at June 30, 2022	1,692
Current portion	608
Long-term	1,083

10. Share Capital and Warrants

The following table reflects the warrants outstanding as at June 30, 2022:

Exercise Price	Outstanding as at June 30, 2022		Expiry Date	Remaining Life (years)
\$				
0.75	27,435,000	a	November 26, 2025	3.66
0.75	32,200,000	a	November 26, 2025	3.66
0.45	1,932,000	b	November 26, 2022	0.66
0.20	30,705,000	a	June 10, 2024	1.95
0.15	2,149,350	c	June 10, 2024	1.95

Khiron Life Sciences Corp.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in Canadian Dollars)

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Unaudited

0.55	94,421,350	2.84
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- a. Represent warrants or compensation options issued pursuant to equity financing transactions and are exercisable into one common share.
- b. 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.
- c. 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 \$0.15

The following table reflects the warrants outstanding as at December 31, 2021:

Exercise Price \$	Outstanding as at December 31, 2021	Expiry Date	Remaining Life (years)
0.45	1,932,000	b November 26, 2022	0.91
0.75	32,200,000	a November 26, 2025	3.91
0.75	27,435,000	a November 26, 2025	3.91
0.74	61,567,000		3.82

- a. Represent warrants or compensation options issued pursuant to equity financing transactions and are exercisable into one common share.
- b. 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. Therefore, if the 1.9M warrants are exercised into shares, another 1.9M warrants will be issued

The following table reflects the continuity of Warrants:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2020	35,513,449	\$0.74
Expired	(1,381,449)	\$0.45
Granted	27,435,000	\$0.75
Outstanding, December 31, 2021	61,567,000	\$0.74
Granted	30,705,000	\$0.20
Granted	2,149,350	\$0.15
Outstanding, June 30, 2022	94,421,350	\$0.55

Common Shares

On June 10, 2022, the Corporation completed a bought deal financing issuing 30,705,000 common shares at a price of \$0.15 per unit (each unit is comprised of one common share of the Corporation and one common share purchase warrant) for aggregate gross proceeds of \$4,606,750. In consideration for their services, the Company paid the underwriters in non-transferable compensation options equal to 7% of the common shares sold under the offering. Each compensation option issued will be exercisable at the issue price of \$0.15 to acquire one common share for a period of 24 months following the closing of the offering. Compensation warrants issued in June 10, 2022 were valued at \$128,961 applying the following assumptions based on the Black-Scholes model to determine the fair value of the compensation options as at the date of issuance: expected dividend yield of 0%; share price of \$0.13; exercise price of \$0.15; expected volatility of 92%; risk-free interest rate of 3.25%; and an expected average life of 24 months. Share issuance costs allocated totaled \$743,357.

Khiron Life Sciences Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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Unaudited

Warrant liabilities

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 Corporation’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 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 June 30, 2022 the warrants’ market price was \$0.03 (December 31, 2021 \$0,065).

Six-month period ended June 30, 2022	Number of Warrants	Amount (\$'000)
Opening balance December 31, 2021	27,435,000	1,783
Fair value gain on warrant liability		(960)
Ending balance June 30, 2022	27,435,000	823

11. Stock options

The Corporation recorded share-based compensation expense related to stock options of \$24,203 and \$53,147 for the three and six months ended June 30, 2022 respectively (2021 - \$541,232 and \$628,782), to the condensed interim consolidated statements of loss and comprehensive loss.

The following table shows the stock options outstanding and exercisable as at June 30, 2022:

Grant Date	Expiry Date	Exercise Price	Remaining Contractual Life (years)	Number of Options outstanding	Number of Options Exercisable
September 12, 2017	September 12, 2022	\$ 1.00	0.45	552,500	552,500
October 12, 2017	October 12, 2022	\$ 1.00	0.53	100,000	100,000
May 23, 2018	May 23, 2023	\$ 1.40	1.15	590,000	590,000
June 26, 2018	June 26, 2023	\$ 1.40	1.24	200,000	200,000
May 31, 2019	May 31, 2024	\$ 3.25	2.17	816,667	816,667
November 27, 2019	November 27, 2024	\$ 2.90	2.66	800,000	800,000
May 31, 2021	May 31, 2026	\$ 0.70	4.17	141,000	70,500
May 31, 2021	May 31, 2026	\$ 0.75	4.17	800,000	800,000
November 23, 2021	November 23, 2026	\$ 0.75	4.65	1,780,000	846,666
				5,780,167	4,776,333

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Pursuant to the terms of the Corporation's 2020 Amended and Restated Stock Option Plan ("Stock Option Plan"), when the expiry date of a stock option falls on a date within a blackout period, as defined in the Stock Option Plan, the expiry date is automatically extended to that date which is the tenth Business Day after the end of the blackout period.

The following table reflects the continuity of stock options:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2020	5,134,167	\$2.01
Expired	(1,075,000)	\$1.00
Forfeited	(3,000,000)	\$1.34
Granted	4,721,000	\$0.75
Outstanding, December 31, 2021	5,780,167	\$1.52
Outstanding, June 30, 2022	5,780,167	\$2.50

12. Restricted share units

The Corporation recorded share-based compensation expense related to the Restricted share units (RSUs) of \$314,002 and \$594,172 for the three and six months ended June 30, 2022 (2021 - \$770,579 and \$1,404,234) to the condensed interim consolidated statements of loss and comprehensive loss.

The following table shows the RSUs outstanding and exercisable as at June 30, 2022:

Grant Date	Expiry Date	Remaining Contractual Life (years)	Number of RSU's outstanding	Number of RSU's Exercisable
May 31, 2019	December 15, 2022	0.47	1,161,500	1,161,500
November 25, 2019	December 15, 2022	0.47	1,475,000	1,475,000
August 26, 2020	December 15, 2023	1.48	1,100,000	712,500
September 10, 2020	December 15, 2023	1.48	1,000,000	600,001
February 8, 2021	December 15, 2024	2.50	638,298	354,610
May 31, 2021	December 15, 2024	2.50	1,327,750	847,750
November 23, 2021	December 15, 2024	2.50	1,116,000	450,000
January 20, 2022	December 15, 2025	3.51	200,000	200,000
			8,018,548	5,801,361

The following table reflects the continuity of RSUs:

	Number of RSUs
Outstanding, December 31, 2020	6,376,500
Expired	(130,000)
Forfeited	(1,763,500)
Granted	4,720,798
Exercised	(1,110,000)
Outstanding, December 31, 2021	8,093,798
Exercised	(450,417)
Granted	375,167
Forfeited	-
Outstanding, June 30, 2022	8,018,548

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The RSUs were valued at \$0.24 per RSU, being the Corporation's common share price on the grant date.

On April 12, 2022 - 33,333 RSUs were exercised and on April 24, 2022 - 40,00 RSUs were exercised

13. General and administrative costs

	For the three months ended Jun 30		For the six months ended June 30	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Salaries	1,983	1,914	4,239	4,869
Professional fees	624	377	1,437	645
Consulting	231	250	465	635
Investor relations	128	158	372	328
Travel and development	48	46	101	67
Corporate governance	155	897	608	1,877
Office and general	(109)	562	730	1,148
Depreciation and amortization	401	224	751	451
Share-based compensation expense	338	1,312	647	2,033
	3,799	5,740	9,349	12,053

14. Loss per share

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Net loss (\$'000)	2,171	4,796	7,583	10,290
Weighted average number of common shares outstanding - basic	186,443,694	151,027,315	182,938,852	150,873,380
Effect of dilutive securities	-	-	-	-
Weighted average number of common shares outstanding - dilutive	186,443,694	151,027,315	182,938,852	150,873,380
Loss per share – basic and diluted	\$0.01	\$0.03	\$0.04	\$0.07

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 Corporation as a whole. The Corporation has determined that key management personnel consist of executive and non-executive members of the Corporation's Board of Directors and corporate officers.

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	For the three months ended		For the six months ended	
	June 30		June 30	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Management fees and salaries	395	1,086	818	2,735
Share-based compensation	307	1,184	442	1,808

As at June 30, 2022 \$21,447 (December 31, 2021: \$10,500) are included in accounts payable and accrued liabilities is an amount payable to an accounting firm where an officer of the Corporation is a partner and to a legal services firm where the director of the corporation is a partner. The amount due was not collateralized and was due on normal trade terms. Total professional fees incurred with these related parties was \$162,322 and \$310,349 for the three and six months ended June 30, 2022 respectively (2021 - \$16,030 and \$33,216).

16. Segmented information

A geographic segment is a component of the Corporation (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 geographic results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available.

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

Geographic Segments

	June 30	December 31
	2022	2021
	\$'000	\$'000
Property, plant and equipment:		
Canada	-	-
Europe	24	16
Latin America	13,677	13,541
	<u>13,691</u>	<u>13,557</u>
Non-current assets:		
Canada	-	-
Europe	651	16
Latin America	18,000	18,484
	<u>18,650</u>	<u>18,500</u>
Total assets:		
Canada	4,234	6,307
Europe	2,438	2,135
Latin America	33,566	33,832
	<u>40,238</u>	<u>42,274</u>

17. Commitments and contingencies

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Contractual obligations	Less than one year	1 - 3 years	4 - 5 years	After 5 years
	\$'000	\$'000	\$'000	\$'000
Financial lease - land	56	131	161	327
Financial lease – corporate and medical offices	551	463	-	-
Loans	246	405	-	-
Deferred consideration	157	157	-	-
	1,010	1,156	161	327

In January 2019, the Corporation entered into an agreement with Dayacann SpA (“Dayacann”) whereby under the terms of the Dayacann Agreement (and the related agreements), the Corporation agreed to purchase the Dayacann Product (dried cannabis flower) cultivated by Dayacann in Chile, and Dayacann agreed to assist in the development of medicinal cannabis products extracted from Dayacann Product, with a goal to commercialize said products within two years of the date of the agreement. The agreement anticipated receiving the cannabis cultivation permit in February 2019 whereas the permit was received by Dayacann in December 2019, approximately 10 months later than was expected. Considering the permitting delay, together with the concurrent ever worsening political unrest in Chile, the Corporation believes there are likely to be further delays to the development of the cannabis regulatory framework and commercialization of medical cannabis products in Chile. The Corporation, has spent \$170,000 towards the \$1,714,000 commitment as per the agreement, and communicated its decision to end unilaterally the agreement with Dayacann on January 5, 2020. According to the terms of the contract and the termination letter no further payments of compensation should be made in favour of Dayacann from that date. During 2021 no further discussions were held between parties.

In March 2020, a lawsuit was filed in Uruguay against one of the Corporation’s subsidiaries and other defendants unrelated to the Corporation, claiming certain finder’s fees in connection with the acquisition of NettaGrowth and Dormul by the Corporation in June 2019. The Corporation 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 Corporation’s potential liability in the litigation, if any.

18. Supplemental information

	For the six months ended June 30	
Change in non-cash working capital balances:	2022	2021
	\$'000	\$'000
Accounts receivable	(1,602)	(664)
Inventory and biological assets	(53)	(757)
Prepaid expenses and other current assets	625	(578)
Accounts payable and accrued liabilities	2,383	518
Total change in non-cash working capital	1,353	(1,481)

19. Subsequent Events

On August 2nd 2022, the corporation completed the acquisition of 100% of common shares of Pharmadrug Production GMBH (“Pharmadrug GMBH”). Pharmadrug GMBH became a consolidated subsidiary of Khiron Life Sciences Corp on this date. Pharmadrug is a manufacturer and wholesaler of medicinal products and active pharmaceutical ingredients, as well as holding a license to handle narcotics in Germany. The following table summarizes the consideration transferred to acquire Pharmadrug in Canadian dollars:

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Common Shares (5,968,750)	\$798,618
Promissory Note	\$947,137

At the date of acquisition, the assets and liabilities of Pharmadrug netted off to near zero, so the Company expects to allocate the full purchase price of approximately \$1,745,755 to goodwill and intangibles. This is subject to completion of the Company's fair valuation exercise of net identifiable assets acquired as at the acquisition date and the identification and valuation of the intangible assets acquired. The calculation of goodwill will represent management's assessment of future potential synergies and growth that does not meet the definition for separate recognition.