



Khiron Life Sciences Corp.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and reviewed by the Audit Committee and Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

Khiron Life Sciences Corp.

Condensed Interim Consolidated Statements of Financial Position

(expressed in Canadian Dollars)

Unaudited

	Note	September 30 2022 \$'000	December 31 2021 \$'000
ASSETS			
Current assets			
Cash	3	1,938	8,923
Accounts receivable	4	4,538	2,880
Inventories and biological assets	5,6	9,814	9,454
Prepaid expenses and other current assets		2,037	2,517
Total current assets		18,327	23,774
Non-current assets			
Property, plant and equipment	7	13,145	13,557
Intangible assets	8	867	868
Goodwill	8	6,114	4,075
Total assets		38,453	42,274
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		6,757	4,308
Current portion of deferred consideration		1,079	104
Current portion of long-term debt and lease liabilities	9, 9.1	1,226	1,522
Warrant liability	10	549	1,783
Total current liabilities		9,611	7,717
Non-current liabilities			
Deferred consideration		139	209
Long-term debt and lease liabilities	9, 9.1	1,338	705
Deferred tax liabilities		261	313
Total liabilities		11,349	8,944
Shareholders' equity			
Share capital		151,868	146,449
Other reserves		13,942	13,580
Accumulated other comprehensive loss		(10,735)	(9,887)
Deficit		(127,971)	(116,812)
Total shareholders' equity		27,104	33,330
Total liabilities and shareholders' equity		38,453	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

	Note	For the three months ended		For the nine months ended	
		September 30		September 30	
		2022	2021	2022	2021
		\$' 000	\$' 000	\$' 000	\$' 000
Revenues					
Service revenues		1,780	2,283	5,622	6,465
Medical Cannabis		1,604	1,207	6,861	2,596
Wellness products		1	29	18	98
		3,385	3,519	12,501	9,159
Cost of sales					
Service revenues		(1,480)	(1,690)	(4,922)	(5,018)
Medical Cannabis		(523)	(129)	(1,814)	(286)
Wellness products		(1)	(7)	(1)	(25)
		2,004	1,826	(6,737)	(5,329)
Gross profit before fair value adjustments					
		1,381	1,693	5,764	3,830
Changes in fair value of inventory sold		(159)	(353)	(1,686)	(530)
Unrealized gain on changes in fair value of biological assets	6	431	473	1,423	1,901
Fair value (loss)/gain on biological assets		272	120	(263)	1,371
Gross profit					
		1,653	1,813	5,501	5,201
Expenses					
General and administrative costs	13	(4,403)	(5,182)	(13,752)	(17,236)
Selling, marketing and promotion		(540)	(835)	(2,010)	(1,883)
Research and development		(215)	(400)	(1,381)	(846)
Impairment (recovery) of other assets	4	(88)	1	(85)	(75)
Other (income) and expenses		62	183	204	230
Loss before finance costs, unrealized loss on warrants		(3,531)	(4,420)	(11,523)	(14,609)
Finance costs		(93)	(75)	(281)	(239)
Mix Foreign exchange (gain) or loss		(102)	(76)	(506)	(28)
Unrealized gain on warrants		275	1,235	1,235	1,235
Loss before income taxes		(3,451)	(3,336)	(11,075)	(13,641)
Income tax (expense)/recovery		(125)	(1)	(84)	14
Net loss		(3,576)	(3,337)	(11,159)	(13,627)
Other comprehensive loss:					
Foreign currency translation		(467)	21	(847)	(4,050)
		4,043	(3,316)	(12,006)	(17,677)
Comprehensive loss					
Loss per share – basic and diluted		0.02	0.02	0.06	0.09
Weighted average number of shares outstanding		214,528,399	177,028,889	193,584,414	159,687,691

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	2022	2021
		\$'000	\$'000
Operating activities			
Net loss before taxes		(11,075)	(13,641)
Adjustments for:			
Share-based compensation	11,12	975	2,568
Changes in fair value of inventory sold		(159)	(530)
Unrealized gain on fair value of biological assets	6	431	1,901
Depreciation and amortization		1,805	963
Impairment		85	-
Unrealized loss on warrants		(1,235)	(1,234)
Changes in non-cash working capital items:			
Accounts receivable		(1,793)	(911)
Inventories		65	(1,115)
Prepays and other assets		407	230
Accounts payable and accrued liabilities		648	(723)
Net cash used in operating activities		(9,846)	(15,234)
Investing activities			
Purchase of property, plant and equipment		(1,447)	(586)
Acquisition of intangible assets		(208)	(28)
Proceeds from disposition of property, plant and equipment		-	-
Net cash provided by investing activities		(1,655)	(614)
Financing activities			
Proceeds from share issuances		4,606	12,345
Share issuance costs		(743)	(1,343)
Proceeds from debt		735	169
Payment of lease liability		69	-
Repayment of long-term debt		(388)	(748)
Net cash provided by financing activities		4,279	10,243
Cash and cash equivalents, beginning of period		8,923	21,649
Net change in cash and cash equivalents		(7,222)	(5,424)
Effect of movements in exchange rates on cash held		237	(802)
Cash and cash equivalents, end of period		1,938	15,423

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	965,000	2,364	(2,364)	-	-	-
Issued pursuant to private placement		27,435,000	8,230	-	-	-	8,230
Share issuance expense		-	(1,343)	-	-	-	(1,343)
Fair value of share-based payments		-	-	2,568	-	-	2,568
Net loss and other comprehensive loss		-	-	-	(4,050)	(13,627)	(17,677)
Balance, September 30, 2021		179,117,068	146,332	13,943	(7,958)	(97,310)	55,006
Balance, December 31, 2021		179,262,068	146,449	13,580	(9,888)	(116,812)	33,329
Share issuance – RSUs exercised	12	1,159,411	742	(742)	-	-	-
Issued pursuant to private placement	11	30,750,000	4,606	-	-	-	4,606
Share issuance expense	11	-	(743)	-	-	-	(743)
Share Issuance – Acquisition		5,968,750	943	-	-	-	943
Share-based payments		-	-	975	-	-	975
Fair Value compensation warrants	10	-	(129)	129	-	-	-
Net loss and other comprehensive loss	11	-	-	-	(847)	(11,159)	(12,006)
Balance, September 30, 2022		217,140,229	151,868	13,942	(10,735)	(127,971)	27,104

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 nine months ended September 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 September 30, 2022, the Corporation has not yet achieved profitable operations and had a loss of \$11,158,996 for the nine months ended September 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 September 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 November 23, 2022.

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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.

3. Cash

	September 30	December 31
	2022	2021
	\$'000	\$'000
Cash in bank	1,938	3,940
Cash held in legal trust	-	4,983
Cash and cash equivalents	1,938	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

	September 30	December 31
	2022	2021
	\$'000	\$'000
Taxes receivable, commodity and other	157	65
Trade and other receivables	4,381	2,815
Accounts receivable	4,538	2,880

As at September 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 \$417,427 (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 September 30, 2022, the Corporation recorded impairment of other assets of \$24,927 (December 31, 2021 Corporation recorded an impairment of other assets of \$1,246,216). The total impairments of other assets recognised in the nine months ended September 30, 2022 related to receivables is \$38,023.

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5. Inventories

	September 30 2022	December 31 2021
Raw materials	\$'000 293	\$'000 417
Work-in-progress	8,556	8,230
Finished goods	164	161
Supplies	534	329
	9,549	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	1,039
Unrealized gain on changes in fair value of biological assets	1,291
Transferred to inventory upon harvest	(2,376)
Net write-off of biological assets	(14)
Effect of foreign exchange	8
Balance, September 30, 2022	265

As at September 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 13 weeks (2021 – 13 weeks) from propagation to harvest. As of September 30, 2022, the weighted average fair value less cost to sell a gram of dried cannabis was \$1.27 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 and nine months ended September 30, 2022, the Corporation's biological assets produced 354 and 1,946 kilograms of dried cannabis (three and nine months ended September 30, 2021 – 807 and 1,967 kilograms), respectively. The Corporation estimates the harvest yields for cannabis at various stages of growth. As at September 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 September 30, 2022, the weighted average stage of growth for the biological assets was 61% (December 31, 2021 – 49%).

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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 September 30, 2022.

Significant estimates and assumptions	Units	Input		5% Sensitivity		Impact on fair value (\$'000)	
		Sept-22	Sept-21	Sept-22	Sept-21	Sept-22	Sept-21
Fair value less cost to sell of dry flower	\$/gram	1.27	1.77	0.06	0.08	13	24
Yield per plant	Grams/Plant	30	35	1.5	1.75	13	24
Grow cycle	Days	93	87	4.7	4.35	24	13
Margin allocation to cultivation	%	33%	33%	1.70%	1.70%	6	15

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.

Cost	Land \$'000	Buildings and leasehold improvements \$'000	Plant and equipment \$'000	Office and medical equipment \$'000	Capital work-in-progress \$'000	Right of use assets \$'000	Total \$'000
December 31, 2021	1,090	9,287	1,777	2,598	949	2,530	18,231
Additions related to operations and Transfers	228	(494)	929	155	-	826	1,644
Additions related to Acquisitions	-	-	-	11	-	-	11
Disposals	-	-	(121)	(16)	-	-	(137)
Foreign currency translation	(36)	(200)	(76)	(66)	56	(49)	(371)
September 30, 2022	1,282	8,593	2,509	2,682	1,005	3,307	19,378

Accumulated

Depreciation

December 31, 2021	-	(1,678)	(455)	(699)	(750)	(1,092)	(4,674)
Charge for the period	-	(624)	(172)	(296)	-	(613)	(1,705)

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Foreign currency translation	-	62	72	31	(60)	41	146
September 30, 2022	-	(2,240)	(555)	(964)	(810)	(1,664)	(6,233t)

Net Book Value							
December 31, 2021	1,090	7,609	1,322	1,899	199	1,438	13,557
September 30, 2022	1,282	6,353	1,954	1,718	195	1,643	13,145

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

Cost	Customer				Total
	Relationships	Brands	Licenses	Goodwill	
	\$'000	\$'000	\$'000	\$'000	\$'000
December 31, 2021	462	568	14,040	4,075	19,145
Additions (transfer)	-	-	212	-	211
Additions (Acquisitions)	-	-	-	2,114	2,114
Foreign currency translation	(11)	(14)	186	(75)	86
September 30, 2022	451	554	14,438	6,114	21,557

Accumulated Amortization					
	Relationships	Brands	Licenses	Goodwill	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
December 31, 2021	(228)	-	(13,974)	-	(14,202)
Charge for the period	(59)	-	(41)	-	(100)
Addition (transfer)	-	-	(91)	-	(91)
Foreign currency translation	5	-	(188)	-	(183)
September 30, 2022	(282)	-	(14,294)	-	(14,576)

Net book value					
	Relationships	Brands	Licenses	Goodwill	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
December 31, 2021	234	568	66	4,075	4,943
September 30, 2022	169	554	144	6,114	6,981

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	September 30, 2022	December 31, 2021
			\$'000	\$'000
Lease liabilities	10.96%	2022-2030	1,060	1,492
Lease liabilities	11.75%	2024	423	-
Lease liabilities	8.34%	2025	264	-
Loan	9.00%	January 15, 2026	414	505

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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
Loan	8.06%	July 21, 2022	-	28
Loan	7.86%	March 14, 2023	43	-
Loan	4.73%	July 22, 2024	104	151
Loan	23.87%	February, 2023	152	-
Loan	23.57%	February, 2023	76	-
Loan	23.21%	August, 2023	28	-
			2,564	2,226
Current portion			1,226	1,522
Non-current portion			1,338	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 September 30, 2022, of approximately 4.6%, 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	836
Lease Payments	(713)
Interest expense	140
Foreign currency	(7)
As at September 30, 2022	1,748
Current portion	760
Long-term	988

10. Share Capital and Warrants

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

Exercise Price	Outstanding as at September 30, 2022	Expiry Date	Remaining Life (years)
\$ 0.75	27,435,000 a	November 26, 2025	3.16

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0.75	32,200,000	a	November 26, 2025	3.16
0.45	1,932,000	b	November 26, 2022	0.16
0.20	30,705,000	a	June 10, 2024	1.70
0.15	2,149,350	c	June 10, 2024	1.70
0.55	94,421,350			2.59

- 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.
- 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

- 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. 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, September 30, 2022	94,421,350	\$0.55

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.

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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 September 30, 2022 the warrants' market price was \$0.02 (December 31, 2021 \$0.065).

Nine-months period ended September 30, 2022	Number of Warrants	Amount (\$'000)
Opening balance December 31, 2021	27,435,000	1,783
Fair value gain on warrant liability		1,234
Ending balance September 30, 2022	27,435,000	549

11. Stock options

The Corporation recorded share-based compensation expense related to stock options of \$232,056 and \$285,203 for the three and nine months ended September 30, 2022 respectively (2021 recorded expenses of \$140,515 and \$816,463), to the condensed interim consolidated statements of loss and comprehensive loss.

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

Grant Date	Expiry Date	Exercise Price	Remaining Contractual Life (years)	Number of Options outstanding	Number of Options Exercisable
Oct 12, 2017	Oct 12, 2022	\$ 1.00	0.03	100,000	100,000
May 23, 2018	May 23, 2023	\$ 1.40	0.64	100,000	100,000
May 31, 2019	May 31, 2024	\$ 3.25	1.67	325,000	325,000
May 31, 2021	May 31, 2026	\$ 0.70	3.67	141,000	70,500
May 31, 2021	May 31, 2026	\$ 0.75	3.67	800,000	800,000
November 23, 2021	November 23, 2026	\$ 0.75	4.15	1,465,000	721,666
August 25, 2022	August 25, 2032	\$ 0.15	9.91	4,871,000	1,690,328
				7,802,000	3,807,494

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. During the three months ended September 30, 2022 company granted 4,871,000 new stock options as part of its compensation plan.

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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
Expired	(450,000)	\$1.00
Forfeited	(2,399,167)	\$2.18
Granted	4,871,000	\$0.15
Outstanding, September 30, 2022	7,802,000	\$0.49

12. Restricted share units

The Corporation recorded share-based compensation expense related to the Restricted share units (RSUs) of \$6,454 and \$600,627 for the three and nine months ended September 30, 2022 (2021 - \$394,653 and \$1,771,974) to the condensed interim consolidated statements of loss and comprehensive loss.

The following table shows the RSUs outstanding and exercisable as at September 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	0.21	1,011,500	1,011,500
November 25, 2019	December 15, 2022	0.21	1,430,000	1,475,000
August 26, 2020	December 15, 2023	1.21	1,100,000	975,000
September 10, 2020	December 15, 2023	1.21	600,000	400,001
February 8, 2021	December 15, 2024	2.21	238,688	-
May 31, 2021	December 15, 2024	2.21	1,483,800	1,032,550
November 23, 2021	December 15, 2024	2.21	899,000	290,000
August 25, 2022	December 15, 2025	3.21	687,500	229,166
			7,540,488	5,413,217

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	(1,159,411)
Granted	887,500
Forfeited	(281,399)
Outstanding, September 30, 2022	7,540,488

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On August 25th, 2022 company granted 687,500 RSUs valued at \$0.135 which is the Corporation's common share price on the grant date.

During the Q3, 2022 708,994 RSUs were exercised.

13. General and administrative costs

	For the three months ended		For the nine months ended	
	2022	Sept 30 2021	2022	Sept 30 2021
	\$'000	\$'000	\$'000	\$'000
Salaries	1,969	1,958	6,208	6,826
Professional fees	701	89	2,137	734
Consulting	161	104	626	739
Investor relations	9	289	381	617
Travel and development	44	85	145	152
Corporate governance	43	775	650	2,653
Office and general	811	1,145	1,541	2,292
Depreciation and amortization	336	202	1,087	654
Share-based compensation expense	328	535	976	2,568
	4,402	5,182	13,752	17,235

14. Loss per share

	For the three months ended		For the nine months ended	
	2022	Sept 30, 2021	2022	Sept 30, 2021
Net loss (\$'000)	3,576	3,337	11,159	13,628
Weighted average number of common shares outstanding - basic	214,528,399	177,028,889	193,584,414	159,687,691
Effect of dilutive securities	-	-	-	-
Weighted average number of common shares outstanding - dilutive	214,528,399	177,028,889	193,584,414	159,687,691
Loss per share – basic and diluted	\$0.02	\$0.02	\$0.06	\$0.09

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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Unaudited

	For the three months ended		For the nine months ended	
	Sept 30		Sept 30	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Management fees and salaries	399	1,750	1,219	4,484
Share-based compensation	196	390	638	2,198

As at September 30, 2022 \$41,314 (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 \$66,329 and \$376,678 for the three and nine months ended September 30, 2022 respectively (2021 - \$58,714 and \$106,667).

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

	September 30	December 31
	2022	2021
	\$'000	\$'000
Property, plant and equipment:		
Canada	-	-
Europe	35	16
Latin America	13,110	13,541
	<u>13,145</u>	<u>13,557</u>
Non-current assets:		
Canada	-	-
Europe	2,734	16
Latin America	17,392	18,484
	<u>20,126</u>	<u>18,500</u>
Total assets:		
Canada	359	6,307
Europe	4,601	2,135
Latin America	33,493	33,832
	<u>38,453</u>	<u>42,274</u>

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17. Commitments and contingencies

Contractual obligations	Less than one year	1 - 3 years	4 - 5 years	After 5 years
	\$'000	\$'000	\$'000	\$'000
Financial lease – land	56	131	162	295
Financial lease – corporate and medical offices	704	400	-	-
Loans	466	350	-	-
Deferred consideration	1,079	139	-	-
	2,305	1,020	162	295

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.

In August 2022, the Corporation completed the acquisition of PharmaDrug GMBH. On February 21, 2020, Thor Investments GmbH (“Thor Investments”) filed a lawsuit with Pharmadrug for a repayment of a loan in the amount of €34,222 plus interest. The loan with Thor Investments dates back to March 2019.

18. Supplemental information

	For the nine months ended Sept 30	
Change in non-cash working capital balances:	2022	2021
	\$'000	\$'000
Accounts receivable	(1,793)	(911)
Inventory and biological assets	65	(1,115)
Prepaid expenses and other current assets	407	230
Accounts payable and accrued liabilities	648	(723)
Total change in non-cash working capital	(673)	(2,519)

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19. PharmaDrug Acquisition

On August 2, 2022, the Company completed the acquisition of Pharmadrug Production GMBH (Pharmadrug), a company licensed for manufacturing and distributing in Germany for a total purchase price of \$1,916,856. The total consideration includes the issuance of 5,968,750 shares valued at \$0.16, and a promissory note of \$974,137 payable one year post acquisition. At the date of acquisition, the Company acquired necessary information to determine the fair value of net identifiable assets acquired as at the acquisition date. Based on the acquisition date, the initial purchase price was allocated on a provisional basis to the fair value of net identifiable assets based on the Company's best estimate of fair value. The preliminary calculation of goodwill represents management's assessment of future potential synergies and growth that does not meet the definition for separate recognition.

Common shares issued	942,719
Deferred Consideration	974,137
Total Consideration	1,916,856

Net Identifiable assets

Cash	12,275
Accounts receivables	28,174
Intangible assets	3,151
Fixed assets	10,425
Inventory	27,412
Other assets	27,225
Intercompany Payables	(775,516)
Trade payables	(165,302)
Other liabilities	(101,379)
Net Liabilities acquired	(933,535)

Purchase price allocation

Net Liabilities Acquired	(933,535)
Intercompany loan	736,300
GoodWill	2,114,089
Total Consideration	1,916,854

20. Subsequent Events

No subsequent events have been occurred since the ending date for this financial statement presentation until their approval November 23, 2022.