Khiron Life Sciences Corp.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2019

DATED June 30, 2020

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ABOUT THIS ANNUAL INFORMATION FORM

In this annual information form ("**AIF**" or "**Annual Information Form**"), unless the context otherwise requires, the "**Company**" or "**Khiron**" refers to Khiron Life Sciences Corp. together with its subsidiaries, on a consolidated basis. References to "Adent" refer to the Company prior to the completion of the QT (as defined herein). All financial information in this Annual Information Form is stated in Canadian dollars, using International Financial Reporting Standards as issued by the International Accounting Standards Board.

This AIF applies to the business activities and operations of the Company for the year ended December 31, 2019. Unless otherwise indicated, the information in this AIF is given as of December 31, 2019**.**

This AIF contains company names, product names, trade names, trademarks and service marks of the Company and other organizations, all of which are the property of their respective owners.

CAUTIONARY NOTES

Forward-Looking Statements

This AIF contains forward-looking statements or information (collectively "**forward-looking statements**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. The forward-looking statements are contained principally in the sections titled "*Description of the Business*" and "*Risk Factors*".

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues", "plan", "believe", "aim", "seek" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on current expectations and projections about future events and financial trends that they believe may affect the Company's financial condition, results of operations, business strategy and financial needs, as the case may be.

Forward-looking statements include, among other things, statements relating to:

- the Company's business objectives and milestones and the anticipated timing of execution;
- the accretive benefits to the business of the Company of any recently completed and proposed transaction involving the Company;
- the performance of the Company's business and operations;
- the intention to grow the business, operations and potential activities of the Company;
- the competitive and business strategies of the Company;
- the Company's anticipated operating cash requirements and future financing needs; the anticipated future gross revenues and profit margins of the Company's operations;
- the Company's expectations regarding its revenue, expenses and operations;
- the Company's intention to build a brand and develop cannabis products and cosmetics targeted to specific segments of the market;
- the ongoing and proposed expansion of the Company's facilities, services, including expansions to it facilities, and their costs;
- the current political, legal and regulatory landscape surrounding medical and recreational cannabis and expected developments in any jurisdiction in which the Company operates or plans to operate;
- the applicable laws, regulations and any amendments thereof;
- medical benefits, viability, safety, efficacy and dosing of cannabis;
- the Company's Colombian and international expansion plans;
- expectations with respect to the advancement and adoption of new product lines and ingredients;
- the acceptance by customers and the marketplace of new products and solutions;
- ability to attract new customers and develop and maintain existing customers;

- ability to identify and maintain suppliers of active cannabis and non-cannabis materials in the jurisdictions in which it operates or plans to operate;
- expectations with respect to future production costs and capacity;
- expectations with respect to the renewal and/or extension of the Company's permits and licenses;
- the ability to protect, maintain and enforce the Company's intellectual property rights;
- ability to successfully leverage current and future strategic partnerships and alliances;
- the ability to attract and retain personnel;
- anticipated labour and material costs;
- the Company's competitive condition and expectations regarding competition, including pricing and demand expectations and the regulatory environment in which the Company operates; and
- anticipated trends and challenges in the Company's business and the markets and jurisdictions in which the Company operates.

Forward-looking statements are based on certain key assumptions and analyses made by the Company considering its experience and perception of historical trends, current conditions and expected future developments and other factors the Company believes are appropriate and are subject to risks and uncertainties. Although management believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, shareholders and prospective purchasers of the Company's securities should not place undue reliance on these forward-looking statements. The above list of forward-looking statements is not exhaustive and whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to known and unknown risks, uncertainties, assumptions and other factors.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

Certain of the forward-looking statements contained herein concerning the medicinal cannabis, extracts and cosmetic industry, the general expectations of the Company related thereto, and the Company's business and operations are based on estimates prepared by the Company using data from publicly available sources, as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While the Company is not aware of any misstatement regarding any data presented herein, the current medical marijuana, extracts and cosmetic industry involve risks and uncertainties and are subject to change based on various factors. It is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. **Readers are cautioned that actual future results may differ materially from management's current expectations and the forward-looking statements contained in this AIF are expressly qualified in their entirety by this cautionary statement. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this AIF, please see "*Risk Factors*".**

DEFINITIONS AND GLOSSARY OF TERMS

The following is a glossary of certain general terms used in this Annual Information Form.

"Adent" means Adent Capital Corp., prior to the completion of the QT;

"**Adent SubCo**" means 10546534 Canada Ltd., a wholly-owned subsidiary of Adent incorporated under the CBCA and formed for the purposes of effecting the QT;

"Affiliate" means a company that is affiliated with another company as described below:

A company is an "**Affiliate**" of another company if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same Person.

A company is **"controlled"** by a Person if:

(a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person; and

(b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

(a) a company controlled by that Person; or

(b) an Affiliate of that Person or an Affiliate of any company controlled by that Person;

"Agency Agreement" means the agency agreement dated September 6, 2018 between Khiron and Canaccord Genuity Corp., as lead agent, together with GMP Securities L.P., Sprott Private Wealth LP and Cormark Securities Inc., made pursuant to the September 2018 Offering.

"Amalgamation" means the amalgamation of Adent SubCo and Khiron PrivateCo in accordance with the provisions of section 181 of the CBCA and completed May 16, 2018;

"Amalgamation Agreement" means the amalgamation agreement entered into between Adent, Adent SubCo and Khiron PrivateCo governing the terms of the Amalgamation;

"ANVISA" means the Brazilian Health Regulatory Agency;

"April 2018 Private Placement" means the private placement of 905,000 units of Khiron PrivateCo at a price of $1.00 per unit for gross proceeds of $905,000, completed April 4, 2018. Each unit consisted of one Khiron Share and one Khiron warrant, with each warrant being exercisable into one Khiron Share at a price of $1.20 until May 24, 2020, subject to adjustment and acceleration;

"August 2017 Private Placement" means Khiron PrivateCo's private placement of 4,270,281 units at a price of $0.70 per unit for gross proceeds of $2,989,196 that closed on August 24, 2017. Each unit consisted of one Khiron PrivateCo common share and one-half of one Khiron PrivateCo warrant. Each whole Khiron PrivateCo warrant is exercisable for one Khiron Share at a price of $1.05 until May 24, 2020, subject to adjustment. Subscribers of the August 2017 Private Placement received additional Khiron PrivateCo common shares equal to 15% of their initial subscription amount as Khiron failed to complete a liquidity event within 7 months of the closing date;

"August 2017 Warrant Indenture" means the warrant indenture dated August 24, 2017 entered into in connection with the August 2017 Private Placement governing the terms of warrants issued thereunder;

"BCBCA" means the *Business Corporations Act* (British Columbia), and regulations thereunder, as amended;

"Board" means the board of directors of Khiron;

"CBCA" means the *Canada Business Corporations Act*, and regulations thereunder, as amended;

"CBD" means cannabidiol;

"COFEPRIS" means Mexico's Federal commission for the Protection Against Sanitary Risk;

"CPC Escrow Agreement" means the escrow agreement dated May 22, 2012 between Adent, the Escrow Agent and certain shareholders of Adent;

"Cultivation Facility" means the fully integrated (cultivation to extraction), GMP compliant facility constructed on the Leased Lands for cultivating High- and Low-THC medicinal cannabis;

"Dayacann" means Dayacann SpA;

"Dayacann Agreement" means the strategic commercial alliance agreement dated January 18, 2019 between Dayacann and the Company;

"Dayacann Transaction" means both of the Dayacann Agreement and the Fundacion Agreement;

"DIGEMID" means Peru's Directorate General of Drug Supplies and Drugs;

"Dormul" means Dormul S.A.;

"Escrow Agent" means TSX Trust Company;

"February 2019 Offering" is defined at *"General Development of the Business – Events Following the QT"*;

"February 2019 Underwriting Agreement" means the underwriting agreement dated February 12, 2019 between Khiron and Canaccord Genuity Corp. and BMO Nesbitt Burns Inc., as co-lead underwriters and joint bookrunners, together with Cormark Securities Inc., made pursuant to the February 2019 Offering;

"Final Exchange Bulletin" means the TSXV bulletin issued on May 22, 2018 and evidencing the final TSXV acceptance of the QT;

"FNE" means the Colombian National Narcotics Fund (Fondo Nacional de Estupefacientes)

"Fundacion" means Fundacion Daya;

"Fundacion Agreement" means the strategic alliance agreement dated January 18, 2019 between Fundacion and the Company;

"Free Trade Agreement" means the August 2011 Free Trade Agreement between Canada and Colombia as defined in "*Risk Factors – Risks Relating to the Company's Business and Operations – Risks Inherent in Rural Real Estate*";

"GEP" means the Colombian Good Elaboration Practices certified in accordance with the guidelines set out in Decree 2200 of 2005 and INVIMA Resolution 444 of 2008;

"GMP" means the Colombian Good Manufacturing Practices for pharmaceutical laboratories certified in accordance with the guidelines set out in Decree 549 of 2001 and INVIMA Resolution 01087 of 2001;

"High-THC" when used in regards to medicinal cannabis, means psychoactive cannabis containing more than 1% THC;

"HSEQ" means health, safety, environment and quality;

"ICA" means the Colombian Agricultural Institute;

"IFRS" means International Financial Reporting Standards;

"ILANS" means ILANS S.A.S., formerly Jemarz S.A.S., a subsidiary of the Company, jointly owned between the Company (78%) and Khiron Colombia (22%), incorporated under the laws of Colombia;

"**ILANS Agreement"** means the share purchase agreement dated October 22, 2018, between the Company and the seller of Jemarz;

"Insider" if used in relation to an issuer, means:

(a) a director or senior officer of the company;

(b) a director or senior officer of the company that is an Insider or subsidiary of the company;

(c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the company; or

(d) the company itself if it holds any of its own securities;

"INVIMA" means the Colombia National Food and Drug Surveillance Institute (Instituto Nacional de Vigilancia de Medicamentos y Alimentos), the Colombian food and drug regulator;

"Jemarz" means Jemarz S.A.S., now, ILANS S.A.S.;

"Khiron" or **"Company"** means Khiron Life Sciences Corp. (formerly Adent), a BCBCA corporation;

"Khiron Colombia" means Khiron Colombia S.A.S., a wholly-owned subsidiary of Khiron, incorporated under the laws of Colombia;

"Khiron Europe" means Khiron Europe GmbH, a wholly-owned subsidiary of Khiron, incorporated under the laws of Germany;

"Khiron Peru" means Khiron Peru S.A., a wholly-owned subsidiary of Khiron, incorporated under the laws of Peru;

"Khiron PrivateCo" means privately held Khiron Life Sciences Corp., a CBCA corporation, existing prior to the completion of the Amalgamation;

"Khiron Shares" means common shares in the capital of Khiron;

"Khiron SubCo" means Khiron Life Sciences Corp., a wholly-owned subsidiary of the Company existing under the CBCA and formed from the Amalgamation;

"Leased Lands" means up to 17 hectares of land in the Municipality of Piedras, in the Department of Tolima, located near Ibagué, 3 hours by road from Bogotá, on which Khiron is cultivating and processing medicinal cannabis, identified with plot certificate 351-2361;

"Low-THC" when used in regards to medicinal cannabis, means non-psychoactive cannabis containing less than 1% THC;

"March 2017 Private Placement" means the private placement of 8,000,000 Khiron PrivateCo common shares at a price of $0.25 per share for gross proceeds of $2,000,000, the final tranche of which closed on April 12, 2017. Subscribers of the March 2017 Private Placement received additional Khiron PrivateCo common shares equal to 10% of their initial subscription amount as Khiron failed to complete a liquidity event within 12 months of the closing date.

"**May 2019 Offering**" is defined at "*General Development of the Business – Events Following the QT*";

"May 2019 Underwriting Agreement" means the underwriting agreement dated May 10, 2019 between

Khiron and Canaccord Genuity Corp. and BMO Nesbitt Burns Inc., as co-lead underwriters and joint bookrunners, together with together with AltaCorp Capital Inc. and Scotia Capital Inc., made pursuant to the May 2019 Offering;

"Ministry of Agriculture" means the Colombian Ministry of Agriculture and Rural Development;

"Ministry of Justice" means the Colombian Ministry of Justice and Law;

"National System of Protected Areas" has meaning given in "*Risk Factors – Risks Relating to the Company's Business and Operations – Protected Areas Established by the National System of Protected Areas*";

"Netta" means NettaGrowth International Inc., a BCBCA corporation, acquired by the Company pursuant to the Netta Transaction "*Development of the Business – Events Following the QT*"

"**Netta SPA**" and "**Netta Transaction**" have the meanings given in "*Development of the Business – Events Following the QT – January 1, 2019 – December 31, 2019*."

"NEX" means the NEX board of the TSXV;

"Person" includes a corporation, individual, partnership, trust, fund, an association, syndicate, organization or other organized group of persons, whether incorporated or not, and an individual or other person in its capacity as a trustee, executor, administrator or personal or other legal representative;

"QT" means the reverse takeover of the Company (formerly Adent) by Khiron PrivateCo completed May 16, 2018, which constituted the Company's 'Qualifying Transaction' pursuant to TSXV policy 2.4.

"QT Agency Agreement" means the agency agreement dated January 12, 2018 between Adent, Khiron PrivateCo, Canaccord Genuity Corp. and Eight Capital entered into in connection with the QT Financing;

"QT Broker Warrants" means the 786,100 non-transferrable broker warrants issued in connection with the QT Financing;

"QT Definitive Agreement" means the definitive business combination agreement dated December 22, 2017 between Adent and Khiron PrivateCo pursuant to which the parties agreed to complete the Amalgamation on the terms and conditions set forth therein;

"QT Financing" means the private placement offering by Khiron PrivateCo of 11,230,000 Subscription Receipts, completed on January 12, 2018 pursuant to the QT Agency Agreement and the Subscription Receipt Agreement;

"QT Warrant Indenture" means the warrant indenture entered into at closing of the QT Financing governing the terms of issuance and exercise of the warrants to be issued upon conversion of the Subscription Receipts;

"RSU" means a restricted share unit of the Company issued pursuant to the RSU Plan;

"RSU Plan" means the amended and restated restricted share unit incentive plan of the Company approved by shareholders at the meeting held on May 31, 2019;

"September 2018 Offering" is defined in *"General Development of the Business - Events Following the QT";*

"Stock Option" means a stock option of the Company issued pursuant to the Stock Option Plan;

"Stock Option Plan" means the amended and restated stock option plan of the Company approved by shareholders at the meeting held on May 31, 2019;

"Subscription Receipt Agreement" means the subscription receipt indenture dated January 12, 2018 between Adent, Khiron PrivateCo, Canaccord Genuity Corp. and the TSX Trust Company, as Subscription Receipt agent, as amended or supplemented from time to time;

"Subscription Receipts" means the subscription receipts of Khiron PrivateCo issued pursuant to the QT Financing and Subscription Receipt Agreement at an issue price of $1.00 per Subscription Receipt, each Subscription Receipt being convertible into one unit consisting of one Khiron PrivateCo common share and one Khiron PrivateCo warrant exercisable at a price of $1.20 until May 24, 2020, subject to adjustment and acceleration. Upon satisfaction of certain escrow release conditions upon completion of the QT, each Subscription Receipt was converted, for no additional consideration, into one Khiron Share and one Khiron warrant exercisable on the terms noted above;

"Subsidiary" includes, with respect to any person, company, partnership, limited partnership, trust or other entity, any company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person, company, partnership, limited partnership, trust or other entity;

"THC" means tetrahydrocannabinol;

"TSXV" or **"Exchange"** means the TSX Venture Exchange; and

"Value Escrow Agreement" means the Exchange Form 5D Tier 2 Value Security Escrow Agreement entered into in connection with the completion of the QT between the Company, the Escrow Agent and certain Khiron shareholders.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was originally incorporated under the BCBCA on May 16, 2012 under the name "Adent Capital Corp.", and its common shares were listed for trading on the TSXV under the symbol "ANT.P" on October 23, 2012, as a capital pool company pursuant to TSXV Policy 2.4 – *Capital Pool Companies* (the "**CPC Policy**"). On January 22, 2015, trading of the Company's common shares was transferred to the NEX board of the TSXV under the symbol "ANT.H".

On October 24, 2017, trading in the common shares of the Company was halted pending completion of the QT with Khiron PrivateCo pursuant to the CPC Policy.

On May 15, 2018, the Company amended its articles to consolidate its outstanding common shares on an 8 for 1 basis and to change its name from "Adent Capital Corp." to "Khiron Life Sciences Corp.". On May 16, 2018, Adent SubCo amalgamated with Khiron PrivateCo, which transaction constituted the Company's QT pursuant to the CPC Policy. Following completion of the QT, the Khiron Shares resumed trading on the TSXV on May 24, 2018 under the symbol "KHRN".

On August 15, 2018, Khiron Shares commenced trading on the OTCQB® Venture Market under the symbol "KHRNF". Khiron subsequently upgraded to the OTCQX® Best Market on March 26, 2020. Khiron's shares are also traded on the Frankfurt Stock Exchange under the symbol "A2JMZC".

Khiron's registered office is located at 2300-550 Burrard Street, Vancouver, BC, V6C 2B5. The Company's telephone number is 705-527-3564 and its corporate website is www.khiron.ca.

Intercorporate Relationships

The following table summarizes the Company's corporate structure as at the date of this AIF, including the principal subsidiaries of the Company, together with the governing law and the percentage of voting securities beneficially owned by the Company.

Subsidiary	Ownership	Jurisdiction
Khiron Life Sciences Corp. (Canada)	100% owned by Khiron Life Sciences Corp. (BC)	Canada
Khiron Colombia S.A.S.	100% owned by Khiron Life Sciences Corp. (Canada)	Colombia
ILANS S.A.S.	78% owned by Khiron Life Sciences Corp. (BC) 22% owned by Khiron Colombia S.A.S.	Colombia
NettaGrowth International Inc.	100% owned by Khiron Life Sciences Corp. (BC)	British Columbia
Dormul S.A.	100% owned by NettaGrowth International Inc.	Uruguay
Prosel S.A.	100% owned by Dormul S.A.	Uruguay
Khiron Chile S.p.A.	100% owned by Khiron Life Sciences Corp. (BC)	Chile
Khiron Life Sciences Spain S.L.	100% owned by Khiron Life Sciences Corp. (BC)	Spain
Khiron Life Sciences UK Limited	100% owned by Khiron Life Sciences Corp. (BC)	England and Wales
Khiron Europe GmbH	100% owned by Khiron Life Sciences Corp. (BC)	Germany
Kuida Life Mexico S.A. de C.V.	99% owned by Khiron Colombia S.A.S. 1% owned by NAS I.P.S.[1]	Mexico
Khiron Peru S.A.	99% owned by Khiron Colombia S.A.S. 1% NAS I.P.S.	Peru
Khiron Life Sciences USA Inc.	100% owned by Khiron Life Sciences Corp. (BC)	Delaware

[1] NAS IPS is 100% owned by Khiron Colombia and is incorporated in Colombia

GENERAL DEVELOPMENT OF THE BUSINESS

Khiron is the dominant integrated medical cannabis company in Latin America. Khiron has core operations in Latin America, along with activity in North America and Europe, and is licensed in Colombia for the cultivation, production, domestic distribution, and international export of both THC and CBD medical cannabis. The Company delivers best in class regulatory compliance, is fully authorized to manufacture and fill prescriptions for High- and Low-THC cannabis in Colombia and has the first approved line of CBD cosmetic products on shelf in Colombia, and available in the US and the United Kingdom.

Events Prior to the QT

Prior to the QT, the Company was a capital pool company established under the policies of the TSXV. The Company did not own any assets other than cash or cash equivalents. The principal business of the Company was to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to acceptance by the TSXV so as to complete a 'Qualifying Transaction' in accordance with the policies of the TSXV. The following are highlights of Khiron PrivateCo and Khiron Colombia prior to the QT:

February 17, 2017 – December 31, 2017

On February 17, 2017, Khiron PrivateCo acquired all of the issued and outstanding shares of Chiron Inversiones S.A.S. ("**Chiron**"), a company incorporated under the laws of Colombia. Consideration for the acquisition included the issuance of 14,300,000 common shares in the capital of PrivateCo.

On April 12, 2017, Khiron PrivateCo completed the first tranche of the March 2017 Private Placement.

On April 26, 2017, Chiron changed its name to "Khiron Colombia S.A.S."

On August 24, 2017, Khiron PrivateCo completed the first tranche of the August 2017 Private Placement.

Between September 2017 and December 2017, Khiron was granted various licenses including the license for cultivation of Low-THC and High-THC medicinal cannabis; the cannabis derivatives manufacturing production license, allowing the production of cannabis extracts. Further, the Colombian government approved 7.2 hectares of land outside of Ibagué, Colombia for the cultivation of medicinal cannabis. These licenses would allow Khiron Colombia to cultivate Low- and High-THC medicinal cannabis, manufacture magistral preparations with Low-THC and High-THC cannabis and begin commercialization of medicinal cannabis, subject to the future receipt of GEP certification of its manufacturing laboratory, and receipt of quotas, where applicable. See "*Description of the Business – Foreign Operations – Colombia – Licenses*."

On December 22, 2017, Khiron entered into the agreement with Khiron PrivateCo with respect to the QT.

The QT

In connection with the QT, on January 12, 2018, Khiron PrivateCo completed the QT Financing, a brokered private placement offering of 11,230,000 Subscription Receipts at a price of $1.00 per Subscription Receipt for aggregate gross proceeds of $11,230,000. In accordance with their terms, the Subscription Receipts were automatically converted, without any additional consideration therefor or action on the part of the holders thereof, for 11,230,000 Khiron PrivateCo common shares and 11,230,000 Khiron PrivateCo warrants, which were then subsequently exchanged for securities of the Company on a 1 for 1 basis (post-consolidation). On April 4, 2018, Khiron PrivateCo completed the April 2018 Private Placement.

On May 16, 2018, the Company completed the QT with Khiron PrivateCo. The QT involved, among other things, (i) the amalgamation of the Company's wholly-owned subsidiary, Adent SubCo and Khiron PrivateCo; (ii) the consolidation of the Company's issued and outstanding common shares on an 8 for 1 basis; (iii) the exchange all of the issued and outstanding securities of Khiron SubCo for securities of the

Company; (iv) the reconstitution of the Company's management and Board; and (v) a change of name of the Company. The QT constituted the Company's 'Qualifying Transaction' pursuant to the CPC Policy.

In addition, following the Company's share consolidation and the Amalgamation, the Company issued, for no additional consideration, a total of (i) 34,915,823 common shares to Khiron PrivateCo shareholders in exchange for Khiron PrivateCo common shares on a 1 to 1 basis, (ii) 3,012,500 options of the Company in exchange for equivalent Khiron PrivateCo options, (iii) 4,327,448 warrants of the Company in exchange for equivalent Khiron PrivateCo warrants, and (iv) 786,100 broker warrants of the Company in exchange for equivalent QT Broker Warrants.

Immediately following the completion of the QT, a total of 46,852,073 common shares of the Company were issued and outstanding, of which existing Company shareholders (formerly Adent shareholders) held 706,250 common shares (representing 1.5% on a non-diluted basis), former Khiron PrivateCo shareholders held 34,915,823 common shares (representing 74.5% on a non-diluted basis) and former Subscription Receipt holders held 11,230,000 common shares (representing 24.0% on a non-diluted basis). Additionally, 15,557,448 warrants of the Company, 3,012,500 options and 786,100 QT Broker Warrants issued in connection with the QT were issued and outstanding.

As a result of the QT, the Company met the listing requirements for a "Tier 2" issuer on the TSXV. On May 22, 2018, Khiron received final listing approval from the TSXV, and the Khiron Shares resumed trading on the TSXV on May 24, 2018 under the new ticker symbol "KHRN". As a result of the QT, the Company's financial year end changed from May 31 to December 31.

Events following the QT

On May 28, 2018, Khiron Colombia was registered by ICA as an agronomical unit, which enabled the Company to begin registering its cannabis strains. The ICA completed a site inspection of Khiron Colombia's facility and verified the site as ready for commercial production.

During May and June 2018, Khiron Colombia received approvals from INVIMA to commercialize CBD-based cosmeceutical products for skin and body care for Colombian domestic sale and export. As a result, Khiron became the first company to receive approvals from INVIMA for such products. These products form part of Khiron's wellness business unit under the Company's Kuida™ brand, which is targeted to consumers seeking innovative and premium products from natural sources.

On June 26, 2018, Khiron appointed Chris Naprawa to the position of President. Mr. Naprawa was formerly a Partner at Sprott Capital Partners, Head of Equity Sales at Macquarie Canada, Head of Equity Sales and Trading at Dundee Securities, and Managing Director at Primary Capital.

On July 17, 2018, Khiron appointed Vicente Fox to its Board. Mr. Fox is the former CEO of Coca Cola Mexico, former President of Mexico and a significant advocate for the legalization of cannabis in Mexico.

On August 15, 2018, the Khiron Shares commenced trading on the OTCQB under the symbol "KHRNF".

On September 12, 2018, the Company completed a marketed short form prospectus offering of 14,375,000 Khiron Shares at $0.90 per share for aggregate gross proceeds of $12,937,500. The Company also issued compensation warrants to the agents to purchase up to an additional 1,006,250 Khiron Shares at $0.90 per share for a period expiring September 12, 2020 (the "**September 2018 Offering**").

In September 2018, the Company launched Kuida™, the first CBD-based cosmetic brand in Colombia. Khiron recognized first sales in October 2018 of seven wellness products in Colombia with production and sale authorization from INVIMA.

On October 2, 2018, the Company announced that it had secured multi-channel distribution agreements for its Kuida skincare products with leading Colombian cosmeceutical distributors, including with Farmatodo and Farmalisto, each a leading retail and digital drugstore in Colombia.

On November 15, 2018, the Company announced that it had received $14,007,000 from the exercise of warrants following the accelerated expiry previously announced on October 25, 2018. A total of 11,672,250 warrants were exercised at a price of $1.20 per warrant, representing 96% of the warrants subject to the accelerated expiry.

On November 30, 2018, the Company, through the acquisition of Jemarz, acquired the Latin American Institute of Neurology and the Nervous System ("**ILANS**"), a health service network provider in Colombia, for an initial consideration of $1,393,000 in cash and 1,400,000 common shares of the Company (valued at $1.48 per share as at the date of acquisition). Under the terms of the ILANS Agreement, cash payments totaling $3,130,242 million were to be paid in four instalments over a 24-month period, of which $1,800,000 was paid by February 28, 2019. The Company had also agreed to an earn-out payment of up to $5 million payable upon the satisfaction of certain conditions on or before December 3, 2020. On May 31, 2019, the ILANS Agreement was amended. A final cash payment of $937,873 was made and the remaining cash payment of $1,330,242 and the earn-out payment were eliminated.

January 1, 2019 to December 31, 2019

On January 18, 2019, the Company entered into the Fundacion Agreement, under which the Company and Fundacion Daya would cooperatively develop and conduct clinical trials and academic activities aimed at educating the Chilean market on the use of medicinal cannabis products. Under the terms of the Fundacion Agreement, Fundacion Daya agreed to conduct clinical studies on two or more medicinal cannabis products capable of being commercialized under Chilean regulations, and targeting various medical conditions and symptoms as chosen by the Company. The clinical trials were to be fully funded by the Company. The Company spent US$412,500 towards the US$1 million commitment stipulated under the Fundacion Agreement. In March 2020, the Company terminated the Fundacion Agreement to focus its resources in other countries where cannabis regulatory frameworks are advancing on a timelier basis. A final settlement amount of US$20,000 was paid with no further obligations remaining.

On January 18, 2019, the Company entered into the Dayacann Agreement, under which the Company and Dayacann, a Chilean company dedicated to cultivate and process cannabis with medicinal purpose, agreed to cooperate in cultivating, manufacturing and commercializing medical cannabis products in Chile. Under the terms of the Dayacann Agreement (and the related agreements), the Company agreed to purchase one tonne of dried cannabis flower (the "**Dayacann Product**") cultivated by Dayacann in Chile, and Dayacann agreed to assist in the development of medicinal cannabis products extracted from the Dayacann Product, with a goal to commercialize said products within two years of the date of the agreement.

On February 28, 2019, the Company completed a bought deal short form prospectus offering of 13,110,000 Khiron Shares at $2.20 per share for aggregate gross proceeds of $28,842,000 (the "**February 2019 Offering**"). The Company also issued compensation warrants to the underwriters to purchase up to an additional 786,600 Khiron Shares at $2.20 per share for a period expiring February 28, 2021.

On March 14, 2019, the Company announced that it had entered into a definitive agreement with Dixie Brands Inc. ("**Dixie**") relating to a joint venture (the "**JV**") to be carried out under a new company called Dixie Khiron JV Corp. 50% owned by each of Dixie and Khiron Colombia. The purpose of the JV was to introduce Dixie's portfolio of more than 100 cannabis-infused products throughout Latin America, and to manufacture and distribute Kuida™ CBD-based cosmeceuticals in the US.

On April 9, 2019, the Company announced that entered into an agreement to acquire 100% of Netta (the "**Netta SPA**"), which at the time of the closing owned all the shares of Dormul, for 8,498,821 Khiron Shares to the shareholders of Netta (the "**Netta Transaction**"), and a finder's fee of 420,000 Khiron Shares. Dormul had obtained the first license to produce medical cannabis with THC for commercialization in Uruguay. On June 19, 2019, the Company completed the Netta Transaction through the issuance of 8,498,821 common

shares of the Company valued at $1.61 per share. The acquisition provides the Company with cultivation capacity in Uruguay of up to 120 tonnes and 170,000 plants through licenses held by Dormul. These licenses provide the potential for the Company to both distribute locally in Uruguay and export cannabis flower, as a complement to the Company's extract-only medical market of Colombia.

On May 28, 2019, the Company announced the closing of a bought deal, short form prospectus offering of 9,914,150 Khiron Shares at a price of $2.90 per share for aggregate gross proceeds of $28,751,035 (the "**May 2019 Offering**"). The underwriters received a cash commission equal to 6% of the gross proceeds of the May 2019 Offering and compensation options equal to 6% of the Khiron Shares sold pursuant to the May 2019 Offering, exercisable at $2.90 per share for a period expiring May 28, 2021.

In June 2019, the Company completed the construction of and commenced operations at its Cultivation Facility in Colombia. The facility includes an 80,000 square foot greenhouse that includes areas for mother plants and cloning, a 14,000 square foot GMP-compliant post-harvest facility, processing areas for drying and extraction operations, state of the art physical-chemical and microbiological laboratories, storage vaults and administrative offices.

On June 14, 2019, the Company announced the appointment of Wendy Kaufman as CFO, effective July 2, 2019, to replace Darren Collins who resigned as CFO to pursue other interests. Ms. Kaufman is a Chartered Professional Accountant with over 20 years of international financial experience in various executive roles in the mining sector.

In August 2019, the Company's Uruguayan subsidiary, Dormul, initiated pre-clinical medical cannabis studies with the Universidad de la República of Uruguay and Institut Pasteur de Montevideo. These studies, which have been approved by the IRCCA (Instituto de Regulación y Control del Cannabis - the Regulatory Cannabis State Authority of Uruguay), will focus on the effects of three licensed Khiron strains targeting inflammation, oxidative and nervous system disorders.

On August 14, 2019, the Company announced its planned expansion into Europe with two executive appointments in Germany. Effective October 1, 2019, Tejinder Virk was appointed to the role of President, Khiron Europe, and Franziska Katterbach was appointed to the role of Chief Legal Counsel, Khiron Europe. The Company is evaluating multiple entry routes to establish sustainable and profitable businesses with continental Europe, including but not limited to, supply agreements and distribution partnerships for Khiron branded products.

In September 2019, the Company's subsidiary, Dormul, initiated construction of the cultivation and processing facility in Juan Lacaze, Uruguay, breaking ground in October 2019.

In October 2019, the Company's subsidiary, Khiron Peru, which is licensed as a pharmaceutical establishment, received Good Storage Practices certification required for cannabis import and commercialization activities.

On November 4, 2019, the Company announced changes to its Board with the resignation of Mark Monaghan, and the appointment of Deborah Rosati, FCPA, FCA, ICD.D. to the Board.

On November 19, 2019, the Company announced that it would be the exclusive Latin American provider of cannabis medicines to Project Twenty21 in the United Kingdom. Project Twenty21 is Europe's first and biggest national medical cannabis registry, launched on November 7, 2019 at the Royal College of Psychiatrists in London. The project will enroll 20,000 patients by the end of 2021, creating the largest body of evidence for the efficacy of medical cannabis, with an aim to persuade UK policy makers that medical cannabis should be as widely available, and affordable, as other approved medicines.

On November 25, 2019, the Company announced that its subsidiary, Khiron Colombia, had been granted commercial quotas by the Colombian Technical Quotas Group ("**TQG"**), which allow the cultivation and

commercialization of up to 560 kg – or approximately, 65,000 units – of psychoactive, High-THC medicinal cannabis in 2019.

On November 29, 2019, the Company announced the resignation of director and Chair of the Board, Sidney Himmel. CEO Alvaro Torres was appointed as Interim Board Chair. Deborah Rosati was appointed to replace Mr. Himmel as Chair of the Audit Committee.

In December 2019, Dayacann was granted the cultivation permit contemplated under the Dayacann Agreement to have been received in February 2019 - approximately 10 months later than expected. In light of the permitting delay, the concurrent, worsening political unrest in Chile and delays in the development of the cannabis regulatory framework by the Chilean government, the Company does not expect that commercialization of medical cannabis products in Chile will be possible during the 2020 calendar year. The Company is currently in discussions with Dayacann on how to move forward with the agreement, considering the significant delays in the receipt of the permits and the commercial feasibility of the Dayacann Product in terms of cost and timing. In 2019, the Company spent US$120,000 towards the US$1.2 million commitment stipulated under the Dayacann Agreement.

January 1, 2020 to June 20, 2020

In January 2020, the Company opened Zerenia™, an integrative medical care clinic designed to treat “body, mind and spirit” with medical cannabis and other services. The clinic increases Khiron's clinical capacity by 75% and forms part of the Company's patient acquisition strategy as it begins filling medical cannabis prescriptions in Colombia. Zerenia offers a person-centered integrated care model, combining traditional and complementary medicine, with evidence-based treatments and high standards of professional practice. Services are delivered across multiple clinical units which include: pain management, mental health, surgical, neurology and dentistry. These services are supported by rehabilitation, complementary medicine and diagnostic technology, involving programs for managing multiple symptoms in different pathologies. Zerenia is located in Bogota's city centre and builds on the integration and growth of the ILANS clinics.

In February 2020, the Company commenced a Normal Course Issuer Bid (“**NCIB”**) pursuant to which the Company may repurchase, for cancellation, up to 5,830,615 Khiron Shares, representing approximately 5% of the Company's presently issued and outstanding Shares. To date, Khiron has re-purchased and cancelled, 511,500 shares of the Company pursuant to the NCIB.

On February 26, 2020, the Company announced that it had received commercial cultivation quotas from the TQG, to cultivate 9.3 tons of psychoactive cannabis for national and export purposes in 2020, representing 17% of Colombia's total production quota for 2020. Out of the total of 9.3 tons, 50% is designated for Colombian domestic distribution, while 50% is designated for international export purposes to countries that include Peru, Uruguay and Brazil. The Company was subsequently granted quotas from TQG on March 1, 2020, which authorize the Company to manufacture High-THC, whole-plant extracts of cannabis for both domestic distribution and international export. The Company's cultivation and laboratory facilities in Ibague, Colombia have remained fully operational during the COVID-19 pandemic, under an exemption from the Government of Colombia as an essential service.

In March 2020, the Company entered into an agreement with Tecnologico de Monterrey (Monterrey Institute of Technology) in Mexico, a leading University ranked third in Latin America, bringing science-based online medical cannabis education to an initial group of up to 1,500 healthcare practitioners.

On March 5, 2020, the Company announced that Khiron Peru had entered into an exclusive 2-year agreement with Farmacia Universal S.A.C., a leading pharmacy chain and manufacturing laboratory based in Lima, Peru, to manufacture and distribute Khiron-branded medical cannabis magistral preparations. Khiron Peru is a registered pharmaceutical establishment and is one of the first cannabis companies in the country to have received GSP certification from DIGEMID. The Company expects to begin sales in Peru once it obtains its import license from DIGEMID and Farmacia Universal S.A.C. receives authorization for commercialization from DIGEMID.

In March 2020, Khiron became the first company to commercialize medical cannabis in Colombia. On March 20, 2020, the Company received GEP certification. As a result, the Company was fully authorized to manufacture High- and Low-THC magistral preparations in Colombia and to dispense prescriptions of full-spectrum, high CBD formulations.

Following an announcement on March 9, 2020 by Dixie to merge with BR Brands, LLC, the Company and Dixie mutually agreed to terminate the JV agreement. Khiron plans to distribute its Kuida products in the US through its recently incorporated subsidiary, Khiron Life Sciences USA Inc.

Following the announcement of the new Brazilian regulatory framework that came into effect on March 10, 2020 that, among other things, prohibits the import of all parts of the cannabis plant, (including dried flower) and only permits the import of fully manufactured extracts or formulated products of cannabis, the nature, capabilities and size of the Juan Lacaze operations in Uruguay are being re-assessed. The Company's authorization from the Colombian TQG for the commercialization of medical use High-THC cannabis for domestic and export purposes, make it possible to supply the Brazilian market from Colombia. Subsequently, the Company decided to suspend construction based on the Company's analysis of Brazil's new cannabis regulations and a review of the Company's optimal allocation of capital resources. In addition, construction has been postponed as part of a broader initiative by the Company to preserve cash in light of the economic impacts of the COVID-19 pandemic. The licenses associated with the Juan Lacaze cultivation site remain in good standing.

On April 22, 2020, Khiron announced that it had entered into a sales and distribution agreement with Locatel Colombia S.A.S. ("**Locatel**"), a pharmacy, healthcare products, and medical equipment retailer with a database of over 2 million patients to bring Khiron's medical cannabis products to Locatel's stores in Bogota and Cartagena.

On May 20, 2020, the Company announced that it had received authorization from the FNE for the sale of High-THC medical cannabis. With this authorization Khiron became the first and, as of the date of the AIF, the only company fully authorized to manufacture and sell High-THC medical cannabis in Colombia. High-THC medicinal cannabis prescriptions under the FNE authorization are being filled through the Company's fully owned ILANS clinics which are in receipt of High-THC dispensary authorization. Distribution by Khiron's Colombian pharmacy partners is anticipated in Q3 2020, subject to the receipt of dispensing authorization.

On June 12, 2020, the Company announced a change to its Board with the resignation of Michael Beck and the appointment of Chris Naprawa to the Board and as Chairman of the Board, following the resignation from Chris Naprawa as President of the Company

Covid-19 Impact on the Development of the Business

The World Health Organization has declared a pandemic stemming from the coronavirus disease ("**COVID-19**"). For the time being and until economies stabilize, Khiron has defined its strategic approach during this global crisis as follows:

- prioritizing the physical and mental health of its employees and health professionals;
- prudent cash management by limiting global expansion and altering marketing efforts to focus on the already established markets of the Company;
- ensuring continuity of health services and treatment of patients, following safety guidelines;
- maintaining continuity of production operations in Colombia and the ensuing supply chain; and
- building a strong strategic position in the medical cannabis space and ensuring sales growth in Colombia and sales entry into new markets in the UK, Peru and Brazil.

On March 22, 2020, the Colombian government issued Decree 457 declaring a national quarantine (currently in force until July 15, 2020). In this decree and subsequent regulations, the government listed what it considers to be essential services that can remain in operation during the crisis. Khiron applied for and received the essential service exemption for its cultivation site, laboratory facilities and health centres

in Colombia. As a result, the Company continues to employ all its employees and doctors but has implemented several cost-saving measures including pay reductions and reductions in employee benefits.

With all approvals received to sell medical cannabis in Colombia, significant quotas awarded to the Company to harvest and manufacture High-THC cannabis, along with an established patient network and growing demand for medical cannabis products, the Company's core focus will be on its higher-margin, medical businesses where revenue growth has the greatest potential and immediate impact.

The Company's health centres are currently the only locations in Colombia where medical cannabis can be dispensed and most of the Company's locations remain open. Certain invasive procedures were suspended (e.g. neurosurgeries) until May 26, and measures are in place to ensure adequate spacing of appointments and patients in clinic waiting areas. The Company has also introduced a teleconsultation service, leveraging its medical team and existing patient network to meet essential patient needs during the COVID-19 pandemic. From an initial beta launch, the Company anticipates rapidly expanding services across its entire patient network amidst the growing acceptance of telemedicine services. This method of delivering services will allow the Company to move swiftly to continue to deliver clinical services and prescriptions for medical cannabis and other drugs directly to patients. Several third-party payers have already approved teleconsultation services to be covered under their insurance programs. Between the teleconsultations, in-person visits to the clinics and in-home visits, the Company is able to provide care to as many patients as possible in Colombia.

The Company will continue its assertive efforts to enter into countries such as the UK, Peru and Brazil, and leverage its Colombian expertise to prescribe, sell and distribute medical cannabis, but with COVID-19 there may be regulatory delays and other barriers to entry until the pandemic is concluded. Brazil has been one of the countries hardest hit by the COVID-19 pandemic and this is expected to delay the commencement of operations in that market.

Physician education on the benefits and application of cannabinoid therapies is an important element of building awareness for the Khiron brand of cannabis products. A shift to virtual and digital platforms has been a key tactical change in the Company's strategy for marketing medical products. One such initiative being the agreement the Company entered into with Tecnologico de Monterrey in Mexico.

Sales of the Company's wellness product line have been impacted by the COVID-19 crisis and the follow-on of store closures and economic instability. As a result, the Company has delayed the launch of the new Kuida™ product lines and significantly limited marketing efforts in the US and UK. The focus on marketing and sales globally will be through digital strategy and on-line platforms. In the meantime, the Company continues to uncover new distribution networks globally for launch of the wellness product line once stores re-open while looking to alternative distribution methods, such as direct sales.

DESCRIPTION OF THE BUSINESS

General Summary

Khiron's objective is to become the global leader in creating high quality cannabis derived medical and wellbeing products for sale around the world. Khiron's mission is to improve the quality of life of patients and consumers through the applied use of medical cannabis. With core operations in Latin America the Company's strategy focuses on achieving first mover advantage in the Latin American market of over 620 million people and is evolving its strategy towards global expansion. The Company's wholly owned subsidiary, Khiron Colombia, is licensed in Colombia for the cultivation, production, domestic distribution, and international export of both THC and CBD medical cannabis. The Company delivers best in class regulatory compliance, is fully authorized to manufacture and fill prescriptions for High-THC and Low-THC medical cannabis in Colombia, and has an approved line of CBD cosmetic products on shelf in Colombia and available in the United States of America ("**US**") and the United Kingdom ("**UK**").

Products and Services

The Company has three operating segments:

(1) Medical cannabis products, in which the Company grows, produces and sells branded products and services to patients with medical conditions where cannabis can be an acceptable, proven option;

(2) Health services, where ILANS operates its own network of medium complexity health centres (operating under the ILANS and Zerenia™ banners) offering a suite of health, medical and surgical services in alignment with insurance company partners; and

(3) Wellbeing products, focused on delivering the benefits of CBD and hemp across an array of various branded consumer packaged goods, such as its Kuida™ cosmetics line.

The Company leverages its branded product market experience, scientific expertise, agricultural advantages and educational platforms to introduce its products and services across markets in Latin America, Europe, and the US.

Medical cannabis products

With a focused regional strategy and patient oriented approach, the Company combines global scientific expertise and educational initiatives to drive prescription and brand loyalty to address priority medical conditions such as chronic pain, epilepsy, depression, sleep disorders and anxiety, amongst others. Khiron's medical cannabis strategy is focused on leveraging the complete value chain from plant to patient, including the following key drivers:

- *Strain Selection*: Obtaining clinically-validated strains for the optimization of efficient production of cannabinoids and other phytochemicals;

- *Cultivation*: Developing standard operating procedures to increase yields and consistency, while implementing sustainable cultivation standards and leading site security standards;

- *Product*: Developing medically endorsed products based on scientific research, and manufacturing these products in accordance with GMP to ensure quality, consistency and long-term stability;

- *Physician Engagement*: Engaging with the medical community to develop medications for specific indications. Continuously working with healthcare professionals to provide the latest training and information on medicinal cannabis;

- *Medical and Scientific Research and Development*: Participating in research studies with leading health organizations to understand and validate the benefits of medicinal cannabis; and,

- *Patient-Focus*: Working with healthcare professionals to offer patients an alternative to existing medications. Developing meaningful relationships with patients by offering them information, support, and learning resources through outreach channels.

<u>Latin America</u>

From its primary operations in Colombia and a presence in countries across the region, Khiron is positioned to be a leading, established player in the Latin American market. The Company's current focus for developing and commercializing medical cannabis product is predominantly in Colombia, Peru and Brazil. The regional strategies are described below.

Colombia

In November 2019, Khiron Colombia was granted supplementary commercial quotas to cultivate, harvest and transform dry cannabis flower between the period of November 2019 and December 2019. The dry flower harvested under the November 2019 quotas may be used to prepare cannabis extract which may be sold during 2020. Khiron Colombia also received its ordinary 2020 commercial cultivation quotas from the Colombian Technical Quotas Group (TQG), to cultivate 9.2 million tonnes of psychoactive cannabis plants in 2020 utilizing the 22 strains already registered with the ICA's National Cultivar Registry. This quota represents 17 percent of Colombia's total production quota for 2020. Khiron Colombia was then further approved to manufacture the psychoactive whole plant extract for both export and domestic purposes. Fifty percent of the quota is for Colombian domestic use and the remaining 50 percent export quota allows for international distribution to countries such as Peru, Uruguay and Brazil.

Effective March 20, 2020, Khiron Colombia has all licenses and certifications in Colombia to manufacture High-THC and low-THC cannabis magistral preparations. Magistral preparations are custom formulations prescribed by physicians according to the individual needs and symptoms of patients and prepared as prescribed by a certified pharmaceutical establishment using cannabis derivatives. As of March 2020, Khiron Colombia was legally authorized to fill prescriptions for, and sell Low-THC medicinal cannabis, making it the first licensed producer authorized to sell medical cannabis in Colombia. As of May 20, 2020, Khiron Colombia was legally authorized to fill prescriptions for, and sell High-THC medicinal cannabis following authorization from the FNE.

The Company commenced commercial sales of Low-THC medical cannabis in March 2020 and commenced first commercial sales of High-THC medical cannabis in May 2020, through its health centres. The Company is also implementing a series of actions to improve patient access to medicinal cannabis such as launching a teleconsultation platform at its health centres in Colombia to provide virtual services to patients across Colombia. The Company has also established home-delivery service for patients to conveniently receive prescriptions from Khiron's health centres.

Khiron's health centres encompass physicians who have been educated and trained in medical cannabis and will serve as a primary distribution channel for the Company (see ***Education and awareness***). Commercial agreements were initiated with over 900 pharmacies across Colombia in anticipation of impending medical cannabis sales. In April 2020 the Company entered into a sales and distribution agreement with Locatel, a pharmacy, healthcare products, and medical equipment retailer with a database of over 2 million patients. Khiron's Low-THC magistral preparations will be available immediately through Locatel stores across Colombia's largest urban centres. Locatel will also be able to dispense prescriptions for High-THC cannabis once its pharmacies are licensed by the FNE.

Peru

In Peru, only licensed pharmaceutical establishments that have received GSP certification are authorized to participate in wholesale import and commercialization of cannabis products. Khiron Peru currently holds the necessary pharmaceutical establishment license and is one of the first cannabis companies in the country to have received GSP certification from DIGEMID, as well as its import license.

Khiron Peru intends to import the whole cannabis plant extract from Khiron Colombia and has entered into an exclusive 2-year agreement with Farmacia Universal S.A.C. of Peru, a leading pharmacy chain and manufacturing laboratory based in Lima, to manufacture and distribute Khiron-branded medical cannabis products in Peru. On March 13, 2020, the Company obtained the import license from DIGEMID which allows the Company to import and commercialize medical cannabis derivatives. Farmacia Universal S.A.C. has received GSP certification but still requires authorization for commercialization from DIGEMID. Once this final authorization is received and High-THC import quotas are received from the Peruvian authorities the Company expects to begin sales in Peru.

Brazil

Khiron Colombia has received authorization from ANVISA for its cannabis-based products to be imported by patients into Brazil for personal use under a medical prescription. This authorization will enable Khiron Colombia to apply for a permit to export the product from Colombia. The export of cannabis-based products to Brazil under the personal importation regulations is conditional on receipt of the export permits and TSXV approval.

In April 2020, the Company entered into an agreement with Medlive S.A.S. ("**Medlive**"), a leading marketer and distributor of pharmaceutical products to clinics, hospitals and pharmacies in southern Brazil. The Company's medical cannabis products will be marketed through the Medlive network of doctor's offices, clinics, hospitals and governmental institutions. Physicians in Medlive's extensive network will receive medical education and training related to Khiron's products.

United Kingdom and Europe

With an eye for European expansion, Khiron Colombia has also entered into an agreement to be the exclusive Latin American provider of cannabis medicines to Project Twenty21 in the UK. Project Twenty21, Europe's first and biggest national medical cannabis registry, was launched on November 7, 2019 at the Royal College of Psychiatrists in London. The project will enrol 20,000 patients into clinical trials by the end of 2021, creating the largest body of evidence for the effectiveness and tolerability of medical cannabis. The goal of Project Twenty21 is to persuade UK policy makers that medical cannabis should be as widely available, and affordable, as other approved medicines.

In April 2020, Khiron branded European Union GMP (Good Manufacturing Practices) medical cannabis became available for prescription from doctors and clinics participating in Project Twenty21 and in May 2020, Khiron received its first medical cannabis prescriptions.

The Company is evaluating multiple entry routes to establish sustainable and profitable businesses with continental Europe, including but not limited to, supply, licensing and distribution partnerships for Khiron branded, flexibly sourced, third-party medical cannabis products from multiple countries, with an aim to optimize for quality, speed to market and economics. In June 2020, the Khiron Europe entered into an agreement with Nimbus Health, a pharmaceutical wholesaler that is licensed for the distribution and import of medical cannabis. Nimbus Health will supply Khiron branded EU GMP medical cannabis in Germany.

Research and development

Khiron has collaborated with leading health organizations to understand and validate the benefits of medical cannabis in Colombia, Uruguay and Chile. Initiatives undertaken in 2019 are described below:

- In January 2019, the Company entered into the Fundacion Agreement, under which the Company and Fundacion Daya would cooperatively develop and conduct clinical trials and academic activities aimed at educating the Chilean market on the use of medicinal cannabis products. Under the terms of the Fundacion Agreement, Fundacion Daya agreed to conduct clinical studies on two or more medicinal cannabis products capable of being commercialized under Chilean regulations, and targeting various medical conditions and symptoms as chosen by the Company. The clinical trials were to be fully funded by the Company. The Company spent US$412,500 towards the US$1 million commitment stipulated under the Fundacion Agreement. In March 2020, the Company terminated the Fundacion Agreement to focus its resources in other countries where cannabis regulatory frameworks are advancing on a timelier basis. A final settlement amount of US$20,000 was paid with no further obligations remaining.

- In April 2019, the Company entered into a multi-year agreement with Centro Dermatológico Federico Lleras Acosta ("**CDFLLA**"), a leading Latin American dermatological institution, to jointly conduct medical cannabis research and host educational activities focusing on skin conditions and symptoms. CDFLLA focuses on assessing the effectiveness of using medical cannabis for dermatological conditions defined in three main lines of research: melanoma, keratinocytes and mycobacterial growth. The lines of research mark important progress towards the identification and validation of cannabis as a potential therapy for certain medical skin conditions. The clinical evaluations aim to identify the effectiveness of CBD in modulating inflammatory responses in certain melanoma cells and in keratinocytes, whose primary function is to form a barrier against environmental damage, with the possibility to establish potential therapeutic uses in some dermatological conditions.

- In August 2019, Dormul initiated pre-clinical medical cannabis studies with the Universidad de la República of Uruguay and Institut Pasteur de Montevideo. These studies, which have been approved by the IRCCA (Instituto de Regulación y Control del Cannabis - the Regulatory Cannabis State Authority of Uruguay), will focus on the effects of three licensed Khiron strains targeting inflammation, oxidative and nervous system disorders.

Education and awareness

Khiron has been building brand awareness in Latin America through education of healthcare professionals. In the domestic market of Colombia and elsewhere in Latin America, Khiron has built partnerships with some of the region's most respected medical associations and universities. As a result of these initiatives, Khiron is building a regional network of medical prescribers that will serve as the primary distribution channel for medical cannabis. Initiatives undertaken in 2019 and 2020 are described below:

- In July 2019, the Company was the sole cannabis company to participate in the XLIV International Course of Internal Medicine conference in Monterrey, Mexico. The conference hosted over 2,000 physicians and medical specialists to discuss medical cannabis developments and knowledge.

- In August 2019, Khiron Colombia entered into an exclusive endorsement agreement with the Colombian Association of Gerontology and Geriatrics (CAGG), a scientific and professional association dedicated to the advancement of health and social services for aging population and geriatric patients at all levels of care. The endorsement agreement provides the Khiron Colombia medical leadership team access to CAGG's annual congress and outreach programs.

- Through 2019, Khiron participated in more than 30 medical events around Latin America geared towards educating physicians on the use and benefits of medical cannabis.

- In January 2020, Khiron Peru entered into an agreement with Universidad Peruana Cayetano Heredia, a university in Lima, Peru, to sponsor workshops and remote talks for the university's international course on medicinal use of cannabis.

- In March 2020, entered into an agreement with Tecnologico de Monterrey (Monterrey Institute of Technology) in Mexico, a leading University ranked third in Latin America, bringing science-based online medical cannabis education to an initial group of up to 1,500 healthcare practitioners.

Cultivation

Khiron's strategy to become a global leader in creating high quality medical products requires high quality inputs through the entire value chain, starting with cultivation and culminating in the production of high-quality cannabinoids and other phytochemicals. The Company plans to supply the demand for medical cannabis products in Colombia and internationally from its own cultivation, extraction, and analysis facilities near Ibagué, Colombia. As demand grows and cannabis regulation advances globally, the Company will explore alternatives for cannabis supply on a country by country basis.

Colombia

In June 2019, the Company completed the construction of and commenced operations at its cultivation, extraction, and analysis facilities near Ibagué, Colombia. The facility includes an 80,000 square foot greenhouse that includes areas for mother plants and cloning, a 14,000 square foot GMP-compliant post-harvest facility, processing areas for drying and extraction operations, state of the art physical-chemical and microbiological laboratories, storage vaults and administrative offices. Plans to construct a new mother plant greenhouse and newer, improved production greenhouses to complement the initial 80,000 square foot greenhouse are currently underway. In addition to the additional cultivation capacity, the new greenhouse designs are expected to improve control of climatic conditions and ventilation, lower energy costs, and improve control of pests and microorganisms and overall quality of the crop.

Uruguay

On June 19, 2019, the Company completed the acquisition of Netta and its wholly-owned subsidiary Dormul through the issuance of 8,498,821 common shares of the Company valued at $1.61 per share. The acquisition provides the Company with an additional cultivation capacity of up to 120 tonnes and 170,000 plants through licenses held by Dormul. These licenses provided the potential for the Company to both distribute locally and export cannabis flower, as a complement to the Company's extract-only medical market of Colombia.

In September 2019, the Company initiated construction of the cultivation and processing facility in Juan Lacaze, Uruguay, breaking ground in October. Subsequently, the Company decided to suspend construction based on the Company's analysis of Brazil's new cannabis regulations and a review of the Company's optimal allocation of capital resources. The nature, capabilities and size of the Juan Lacaze operations are being re-assessed considering the Brazilian regulatory framework that came into effect on March 10, 2020 that, among other things, prohibits the import of all parts of the cannabis plant, (including dried flower) and only permits the import of fully manufactured extracts or formulated products of cannabis.

In November 2019, the Company received authorization from the Colombia TQG for the commercialization of medical use High-THC cannabis for domestic and export purposes, making it possible to supply the Brazilian market from Colombia. In addition, construction has been postponed as part of a broader initiative by the Company to preserve cash due to the economic impacts of the COVID-19 pandemic. The licenses associated with the Juan Lacaze cultivation site remain in good standing.

Chile

In January 2019, the Company entered into the Dayacann Agreement, under which the Company and Dayacann, a Chilean company dedicated to cultivate and process cannabis with medicinal purpose, agreed to cooperate in cultivating, manufacturing and commercializing medical cannabis products in Chile. Under the terms of the Dayacann Agreement (and the related agreements), the Company agreed to purchase one tonne of dried cannabis flower (the "**Dayacann Product**") cultivated by Dayacann in Chile, and Dayacann agreed to assist in the development of medicinal cannabis products extracted from the 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; however, the permit was not received by Dayacann until December 2019, approximately 10 months later than expected. In light of the permitting delay, the concurrent, worsening political unrest in Chile and delays in the development of the cannabis regulatory framework by the Chilean government, the Company does not expect that commercialization of medical cannabis products in Chile will be possible during the 2020 calendar year.

The Company is currently in discussions with Dayacann on how to move forward with the agreement, considering the significant delays in the receipt of the permits and the commercial feasibility of the Dayacann Product in terms of cost and timing. In 2019, the Company spent US$120,000 towards the US$1.2 million commitment stipulated under the Dayacann Agreement.

Health services

Khiron's health centres are responsible for leading Khiron's retail presence and access to doctors and patients in the Company's markets of interest. The health centre model will allow Khiron to gather patient data, which will be instrumental in the development of new formulations and products to address specific patient needs. The Company intends to develop the clinic strategy through a combination of organic growth and acquisitions. Consistent with the strategy, Khiron acquired ILANS, a neurological clinic with a network of around 120,000 patients in Colombia. The services provided by the ILANS health centres include medical and surgical treatments for neurological, psychiatric, urological and orthopedic diseases, amongst others. Using this distribution model for its medical products, the Company intends to commercialize branded cannabis products as well as leverage physician networks that will generate a significant patient base. Health centre physicians will conduct consultations and write prescriptions for patients.

In January 2020, the Company opened Zerenia™, an integrative medical care clinic designed to treat "body, mind and spirit" with medical cannabis and other services. The clinic increases Khiron's clinical capacity by 75% and forms part of the Company's patient acquisition strategy as it begins filling medical cannabis prescriptions in Colombia. Zerenia offers a person-centered integrated care model, combining traditional and complementary medicine with evidence-based treatments and high standards of professional practice. Services are delivered across multiple clinical units which include: Pain management, mental health, surgical, neurology and dentistry. These services are supported by rehabilitation, complementary medicine and diagnostic technology, involving programs for managing multiple symptoms in different pathologies. Zerenia is located in Bogota's city centre and builds on the growth of the ILANS neurological clinics.

Teleconsultation services were also launched on April 1, 2020, through the ILANS and Zerenia™ medical facilities. The Company is working closely with third party payers to ensure the program meets their insurance coverage requirements. This service complements the Company's existing home-delivery service, improving access to clinical services and medical cannabis to patients across Colombia, including to the Company's network of over 120,000 patients.

In the two most recently completed fiscal years, revenues from Khiron's Health Services business unit were $9,266,690 in 2019, accounting for 97% of the Company's revenue, and $795,716 in 2018, accounting for 89% of the Company's revenue.

Wellbeing products

Kuida cosmeceuticals, the first mass-market branded CBD skincare line in Latin America, is distributed at retail and online across Colombia, in permissive States in the US and in the UK. Kuida is the first brand in Colombia to develop cosmeceutical products based on the benefits of CBD. Kuida combines the best of both the natural and technological worlds, taking the CBD from cannabis and using highly specialized cosmetic active skin care ingredients turning them into CBDERM™, a unique technology that provides a potent antioxidant action on the skin. A total of eleven products comprise the range of facial and body care products, including anti-aging, hydration and daily skin care. The products are currently manufactured, packaged and tested by a GMP certified, contract manufacturer of cosmetic products using natural CBD and other approved cosmetic ingredients, according to Khiron's proprietary master formulas.

Sales of Kuida in Colombia commenced in the last quarter of 2018 and is currently sold through over 300 points of sale. In August 2019, the Company announced that it had signed a distribution agreement with Grupo Éxito, Colombia´s leading retail group and one of the largest retailers in South America.

Sales were launched in both the UK and the US in Q4 2019 and Q1 2020, respectively. With respect to the sales in the US market, the Company, initially through Dixie Khiron JV, and subsequently through Khiron Colombia and its recently incorporated US company, Khiron Life Sciences (USA) Inc., is solely engaged in the business of hemp-based products as legalized under the 2018 Farm Bill.

Brand awareness through education is an important strategy in marketing the Kuida products and advancements in research which can demonstrate the benefits of CBD based products is also critical. In April 2019, the Company initiated a clinical research study in Latin America in developing new dermo cosmetic and dermatological product lines for the Kuida portfolio of products. The Company entered into a multi-year agreement with Centro Dermatológico Federico Lleras Acosta ("**CDFLLA**"), a leading Latin American dermatological institution, to jointly conduct medical cannabis research and host educational activities focusing on skin conditions and symptoms.

Specialized Skill and Knowledge

The Company's business requires specialized knowledge and technical skill around cannabis cultivation and processing in Colombia, clinical research, product formulation, quality assurance, GMP and GEP, procurement, logistics, and marketing and distributing of medicinal and wellness products, as well as medical expertise and clinic management. As a reporting issuer, Khiron's business also requires financial, legal and capital markets expertise for the operation of a publicly traded company. Khiron's management, Board, consultants and advisors have the required skill and knowledge across relevant markets in Latin America, North America and Europe, including professionals with experience and expertise in finance, legal and regulatory affairs, pharmaceutical and CPG industry, cultivation and agricultural science, capital and financial markets, controlled substances and drug enforcement.

Competitive Conditions

The market for medicinal cannabis in Colombia is characterized by a shortage of supply, unsatisfied patient demand, and few authorized producers. Although competition in the market is growing and Colombia offers an open process to apply for the licenses, Khiron is competitively positioned to satisfy the demand for medicinal cannabis given the management team's expertise in medical product branding, marketing, quality control and domestic market relationships.

Khiron will initially serve the Colombian cannabis market by selling magistral preparations. In doing so, Khiron will aim to develop brand recognition and establish its customer base. Management expects that its deep understanding of, and experience in, Colombia's regulatory framework, the agricultural and scientific processes necessary to develop high quality and consistent medicinal cannabis products, will allow Khiron to lead the Colombian medicinal cannabis marketplace.

The global cannabis industry is experiencing significant change as governments embrace regulatory reform, liberalizing the production and consumption of cannabis. It is possible that foreign corporations may enter the Colombian market as a result of Colombia's regulatory regime, creating the prospect of Colombia becoming a hub for future industry development. Khiron may face new competition for its magistral preparations from local laboratories with experience developing magistral preparations that partner with a licensed cannabis provider to offer similar products to Khiron's anticipated product line. In addition, current or new licensees unable to market or export extracts internationally may compete domestically with Khiron.

The Latin American cosmetics industry is one of the fastest growing across the world. Brazil, Mexico, Colombia and Chile are among the top markets in Latin America showing high growth rate in the cosmetics industry. The market is dominated by large multi-national brands; however, these markets are also receptive to home-grown companies with innovative products. Competition for branded mass market

cosmeceutical products may arise from local laboratories that have previously developed products with natural ingredients including cannabis-based CBD. Alternatively, foreign corporations may choose to undertake the Colombian licensing process in order to register competitive products and develop further opportunities in other Latin American jurisdictions.

Product Components

The sources of Khiron's inputs, raw materials and products include the following:

- **Seeds:** Khiron has entered into supply agreements with local providers in accordance with Colombian regulations for all seeds necessary to execute the cultivation process.

- **Water:** Khiron has drilled a well into an underground water reservoir that produces the inputs necessary to hydrate the plants. This water is treated and tested to ensure acceptable quality. Khiron does not anticipate any issue in continuing to secure water for its operations.

- **Soil:** Khiron secures soil for its cultivation from local providers. Colombia has an abundance of suitable soil due to its history of cultivating cut flowers. Khiron does not anticipate any issue in continuing to secure cultivation soil for its operations.

- **Fertilizers:** Khiron secures fertilizers from local providers. This includes NPK formulations needed by cannabis plants. Colombia has an abundance of fertilizers for cultivation due to its history of cultivating cut flowers. Khiron does not anticipate any issue in continuing to secure fertilizers for its operations.

- **Fuel:** Khiron utilizes diesel fuel to augment natural sunlight in the cultivation of cannabis plants. Although Colombia typically averages approximately 12 hours of sunlight per day, the vegetative stage of cultivation requires several hours of supplemental lighting to prevent the plants from flowering prematurely. Khiron secures diesel fuel from local providers and does not anticipate any issue in continuing to secure diesel fuel for its operations. In June 2020, the Company completed installation of a 2,600-panel solar park that will generate up to 700 kWh of electricity to power the approximately 40% of the Company's energy requirements for the Cultivation Facility.

- **CBD, Cosmetic Ingredients and Packaging Components:** Khiron sources CBD, cosmetic ingredients and packaging components from a global supply chain for manufacturing and packaging its Kuida cosmetics. Pharmaceutical grade components are sourced for packaging its cannabis extracts.

- **Kuida Products:** Khiron currently outsources the manufacturing and packaging of its Kuida cosmetics to a GMP manufacturer in Colombia for distribution in Colombia, UK and Spain. Khiron has also entered into a supply agreement with a European cosmetics manufacturer for future supply of the Company's CBD cosmetics in Europe.

- **Medicinal Cannabis:** Khiron's magistral preparations are manufactured by a third-party, GEP certified laboratory. Khiron-branded medicinal cannabis products supplied in Europe include products of third-party licensed producers in Europe, distributed by licensed wholesalers and distributors. Khiron Colombia has also received quotas that would enable the future supply of medicinal cannabis extracts from Colombia to the UK.

Intangible Properties

Khiron has recognized the importance of the intangible assets of the Company such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trademarks. Khiron's IP team coordinates the filing, prosecution and protection of intellectual property rights ("**IPRs**") in Colombia and other countries, as noted below.

Trademarks

Colombia

Khiron filed a trademark application on April 28, 2017 for "KHIRON LIFE SCIENCES CORP." which was approved by the Colombian Patent and Trademarks Office ("**PTO**") on October 30, 2017 by certificate 577310 of 2017 on Nice Class 5 (Pharmaceutical Products) in Colombia. Khiron's trademark registration remains valid until October 30, 2027, with an option to renew for an additional 10-year period.

A second trademark application was filed on September 5, 2017 for "KHIRON LIFE SCIENCES CORP." in Nice Class 44 (Medical Services) and approved by the Colombian PTO on March 14, 2018, remaining valid until March 14, 2028.

Khiron filed a trademark application on February 2, 2018 for "KHIRON KUIDA", which was approved by the Colombian PTO on October 12, 2018 by certificate 605131 of 2018 on Nice Class 1 (Chemicals for use in industry) 5 (Pharmaceutical Products) and 35 (Advertising) in Colombia. Khiron's trademark registration remains valid until October 12, 2028, with an option to renew for an additional 10-year period.

Khiron filed a trademark application on April 12, 2018 for "CBDERM", which was approved by the Colombian PTO on November 27, 2018 by certificate 609132 of 2018 on Nice Class 1 (Chemicals for use in industry), 3 (Cosmetics), 5 (Pharmaceutical Products) and 35 (Advertising) in Colombia. Khiron's trademark registration remains valid until November 27, 2028, with an option to renew for an additional 10-year period.

Khiron filed a trademark application on September 13, 2018 for "KUIDA CANNABIS COSMETICS" on Nice Class 1 (Chemicals for use in industry), 3 (Cosmetics), 5 (Pharmaceutical Products), 35 (Advertising) and 44 (Medical Services) in Colombia, which was approved by the Colombian PTO on May 12, 2020 by Resolution 204443 with an option to renew for an additional 10-year period. The issuance of the certificate is still pending.

Khiron filed a trademark application on September 18, 2018 for "KUIDA" on Nice Class 3 (Cosmetics) in Colombia, which was initially denied by the Colombian PTO by Resolution 3042 of March 22, 2019, due to the previous registration of "KHUDA" on Nice Class 25. On April 17, 2019, Khiron appealed the decision and on May 4, 2020, by Resolution 202923, the decision was revoked and the trademark "KUIDA" was granted until May 4, 2030 with an option to renew for an additional 10-year period. The issuance of the certificate is still pending.

Khiron filed a trademark application on September 27, 2018 for "KUIDA CANNABIS COSMECEUTICS" on Nice Class 1 (Chemicals for use in Industry), 3 (Cosmetics), 5 (Pharmaceutical Products), 35 (Advertising) and 44 (Medical Services) in Colombia. On December 27, 2018, the company KDX S.A.S filed an opposition against the trademark application based on its previous registration of "KUIDEX" on Nice Class 3 (Cosmetics). Khiron answered the opposition and on May 18, 2020, the Colombian PTO, by Resolution 21121, upheld Khiron´s arguments and granted the trademark application until May 18, 2030 with an option to renew for an additional 10-year period. The issuance of the certificate is still pending and the Resolution 21121 may still be appealed by KDX S.A.S.

Khiron filed a trademark application on October 7, 2019 for "KREDO, BIENESTAR DE ORIGEN" on Nice Class 3 (Cosmetics), 5 (Pharmaceutical Products), 29 (Oils and fats for food) and 30 (Coffee, tea, cocoa) in Colombia, which is currently under review by the Colombian PTO.

Khiron filed a trademark application on December 20, 2019 for "ZERENIA, CLINICA DE CUIDADO INTEGRADO" on Nice Class 44 (Medical Services) in Colombia, which is currently under review by the Colombian PTO, with opposition filed against the trademark application on February 27, 2020 by the company ZOETIS SERVICES LLC. The opposition was already answered by Khiron.

Chile

Khiron filed a trademark application on August 17, 2018 for "KHIRON LIFE SCIENCES CORP." on Nice Class 3 (Cosmetics), 5 (Pharmaceutical Products), 35 (Advertising), 42 (Scientific and Technological Services) and 44 (Medical Services) in Chile, which was approved by the Chilean Patent and Trademarks Office ("**PTO**") on August 07, 2019 by certificate 1303368. Khiron's trademark registration remains valid until August 7, 2029, with an option to renew.

Khiron filed a trademark application on August 17, 2018 for "KHIRON KUIDA" on Nice Class 1 (Chemicals for use in Industry), 3 (Cosmetics), 5 (Pharmaceutical Products), 35 (Advertising) and 42 (Scientific and Technological Services) in Chile, which was approved by the Chilean PTO on August 07, 2019 by certificate 1303369. Khiron's trademark registration remains valid until August 7, 2029, with an option to renew.

Khiron filed a trademark application on November 22, 2018 for "CBDERM", which was approved by the Chilean PTO on March 20, 2019 on Nice Class 1 (Chemicals for use in Industry), 3 (Cosmetics) and 5 (Pharmaceutical Products) in Chile. Khiron's trademark registration remains valid until March 26, 2029 with an option to renew.

Khiron filed a trademark application on June 20, 2019 for "KUIDA" on Nice Class 3 (Cosmetics) in Chile, which was approved by the Chilean PTO on December 20, 2019 by certificate 1312778. Khiron's trademark registration remains valid until December 20, 2029, with an option to renew.

Khiron filed a trademark application on September 17, 2019 for "ZERENIA" on Nice Class 44 (Medical Services) in Chile, which is currently under review by the Chilean PTO with opposition filed against the trademark application on January 13, 2020 by the company ZOETIS SERVICES LLC. The opposition was already answered by Khiron.

Khiron filed a trademark application on October 9, 2019 for "KREDO, BIENESTAR DE ORIGEN" on Nice Class 3 (Cosmetics), 5 (Pharmaceutical Products), 29 (Oils and fats for food) and 30 (Coffee, tea, cocoa) in Chile, which was approved by the Chilean PTO on January 27, 2020 by certificate 1315517. Khiron's trademark registration remains valid until January 27, 2030 with an option to renew.

Brazil

Khiron filed a trademark application on September 6, 2019 for "KHIRON LIFE SCIENCES CORP." in Nice Class 5 (Pharmaceutical Products) in Brazil, which is currently under review by the Brazilian Patent and Trademarks Office ("**PTO**").

Khiron filed a trademark application on September 6, 2019 for "CBDERM" on Nice Class 3 (Cosmetics) in Brazil, which is currently under review by the Brazilian PTO.

Khiron filed a trademark application on September 6, 2019 for "ZERENIA" on Nice Class 44 (Medical Services) in Brazil, which is currently under review by the Brazilian PTO.

Khiron filed a trademark application on September 6, 2019 for "KREDO, WELLNESS FROM THE SOURCE" on Nice Class 3 (Cosmetics), 5 (Pharmaceutical Products), 29 (Oils and fats for food) and 30 (Coffee, tea, cocoa) in Brazil, which is currently under review by the Brazilian PTO.

Peru

Khiron filed a trademark application on April 30, 2018 for "KHIRON LIFE SCIENCES CORP." which was approved by the Peruvian Patent and Trademarks Office ("**PTO**") on August 1st, 2018 on Nice Class 3 (Cosmetics), 5 (Pharmaceutical Products) and 35 (Advertising) in Peru. Khiron's trademark registration remains valid until August 1st, 2028, with an option to renew.

Khiron filed a trademark application on July 30, 2018 for “KHIRON KUIDA.” which was approved by the Peruvian PTO on October 16, 2018 on Nice Class 3 (Cosmetics), 5 (Pharmaceutical Products) and 42 (Scientific and Technological Services) in Peru. Khiron’s trademark registration remains valid until October 16, 2028, with an option to renew.

Khiron filed a trademark application on November 23, 2018 for “CBDERM”, which was approved by the Peruvian PTO on February 15, 2019 on Nice Class 1 (Chemicals for use in Industry), 3 (Cosmetics) and 5 (Pharmaceutical Products) by certificate 22866 in Peru. Khiron’s trademark registration remains valid until February 15, 2029 with an option to renew.

Khiron filed a trademark application on November 23, 2018 for “KUIDA CANNABIS COSMECEUTICS” on Nice Class 1 (Chemicals for use in Industry), 3 (Cosmetics) and 5 (Pharmaceutical Products) in Peru, which was approved by the Peruvian PTO on April 10, 2019 by certificate 00023813. Khiron’s trademark registration remains valid until April 10, 2029 with an option to renew.

Khiron filed a trademark application on September 3, 2019 for “ZERENIA” on Nice Class 44 (Medical Services) in Peru, which is currently under review by the Peruvian PTO.

Khiron filed a trademark application on October 9, 2019 for “KREDO, BIENESTAR DE ORIGEN” on Nice Class 3 (Cosmetics), 5 (Pharmaceutical Products), 29 (Oils and fats for food) and 30 (Coffee, tea, cocoa) in Peru, which was approved by the Peruvian PTO on December 20, 2019 by certificate 00025772. Khiron’s trademark registration remains valid from the above-mentioned date until December 20, 2029 with an option to renew.

Panama

Khiron filed a trademark application on April 27, 2018 for “KHIRON LIFE SCIENCES CORP.” on Nice Class 1 (Chemicals for use in Industry), 3 (Cosmetics), 5 (Pharmaceutical Products), 35 (Advertising) and 44 (Medical Services) in Panama, which is currently under review by the Panama PTO.

Ecuador

Khiron filed a trademark application on May 15, 2019 for “KHIRON KUIDA”, on Nice Class 5 (Pharmaceutical Products) in Ecuador, which is currently under review by the Ecuadorian Patent and Trademarks Office (“**PTO**”).

Khiron filed a trademark application on May 15, 2019 for “KHIRON”, on Nice Class 3 (Cosmetics) in Ecuador, which is currently under review by the Ecuadorian PTO.

Khiron filed a trademark application on September 23, 2019 for “KHIRON LIFE SCIENCES CORP.” on Nice Class 41 (Education) in Ecuador and approved by the Ecuadorian PTO on January 22, 2020. The issuance of the certificate is still pending. A second trademark application was filed on September 23, 2019 for “KHIRON LIFE SCIENCES CORP.” in Nice Class 44 (Medical Services) in Ecuador, which is currently under review by the Ecuadorian PTO.

Khiron filed a trademark application on September 23, 2019 for “CBDERM” on Nice Class 3 (Cosmetics) in Ecuador and approved by the Ecuadorian PTO on December 26, 2019. The issuance of the certificate is still pending.

Khiron filed a trademark application on September 23, 2019 for “ZERENIA”, on Nice Class 44 (Medical Services) in Ecuador, which is currently under review by the Ecuadorian PTO.

Uruguay

Khiron filed a trademark application on September 3, 2019 for "KHIRON LIFE SCIENCES CORP." in Nice Class 5 (Pharmaceutical Products) in Uruguay, which is currently under review by the Uruguayan Patent and Trademarks Office ("**PTO**").

Khiron filed a trademark application on September 3, 2019 for "KUIDA" and "CBDERM" on Nice Class 3 (Cosmetics) in Uruguay, which is currently under review by the Uruguayan PTO.

Khiron filed a trademark application on September 3, 2019 for "ZERENIA" on Nice Class 44 (Medical Services) in Uruguay, which is currently under review by the Uruguayan PTO with opposition filed against the trademark application by the company ZOETIS SERVICES LLC. The opposition has not been officially received.

Mexico

Khiron filed a trademark application on April 27, 2018 for "KHIRON LIFE SCIENCES CORP." which was approved by the Mexican Patent and Trademarks Office ("**PTO**") on July 10, 2018 on Nice Class 3 (Cosmetics) in Mexico. Khiron's trademark registration remains valid until April 27, 2028, with an option to renew.

Khiron filed a trademark application on August 1st, 2018 for "KHIRON KUIDA" which was approved by the Mexican PTO on October 24, 2018 on Nice Class 3 (Cosmetics) and Class 42 (Scientific and Technological Services) in Mexico. Khiron's trademark registration remains valid until August 1st, 2028 with an option to renew.

Khiron filed a trademark application on September 13, 2019 for "ZERENIA" on Nice Class 44 (Medical Services) in Mexico, which is currently under review by the Mexican PTO. Khiron filed a trademark application on October 8, 2019 for "KREDO, BIENESTAR DE ORIGEN" on Nice Class 3 (Cosmetics), 5 (Pharmaceutical Products), 29 (Oils and fats for food) and 30 (Coffee, tea, cocoa) in Mexico, which is currently under review by the Mexican PTO.

Europe

Khiron filed a trademark application on October 7, 2019 for "KHIRON LIFE SCIENCES CORP." in Nice Class 44 (Medical Services) in the European Union, which is currently under review by the European Union Patent and Trademarks Office ("**PTO**").

Khiron filed a trademark application on October 7, 2019 for "KUIDA" on Nice Class 3 (Cosmetics) in the European Union, which is currently under review by the European Union PTO.

Khiron filed a trademark application on October 7, 2019 for "CBDERM" on Nice Class 3 (Cosmetics) in the European Union, which was approved by the European Union PTO on February 4, 2020 by certificate 018133057.

Khiron filed a trademark application on October 7, 2019 for "ZERENIA" on Nice Class 44 (Medical Services) in the European Union, which is currently under review by the European Union PTO.

Khiron filed a trademark application on October 8, 2019 for "KREDO, WELLNESS FROM THE SOURCE" on Nice Class 3 (Cosmetics), 5 (Pharmaceutical Products), 29 (Oils and fats for food) and 30 (Coffee, tea, cocoa) in European Union, which is currently under review by the European Union PTO with opposition filed against the trademark application by the company DOUXMATOK LTD.

Confidentiality

Khiron's policy is to require all employees and third-party contractors to sign non-disclosure agreements and intellectual property assignments to protect confidential information regarding Khiron's core business products and services.

Seasonality

Khiron's Cultivation Facility is located in a warm, dry, tropical region of Colombia with a fairly consistent average daily temperature of 30ºC. We do not expect our business to be cyclical or seasonal due to the consistently warm weather suitable for year-round cultivation.

Environmental Protection

Environmental protection requirements in Colombia are governed mainly by legislation and regulations for environmental components (soil, water, air and biodiversity) that will be impacted in positive or negative contexts. After a detailed consultation, Khiron concluded that its Cultivation Facility has not previously been used for any intensive agricultural projects. The local environmental authority has not published any restriction for agricultural use of the site. Moreover, the land surrounding the cultivation site has been used to cultivate rice and therefore the area is cleared for agricultural production.

Khiron's HSEQ team is responsible for the identification, definition and measures for environmental controls and occupational health and safety. Khiron has developed a HSEQ management manual that includes all potential situations and measures. As part of its sustainability strategy, Khiron has implemented a strict environmental and social management system, which allows Khiron to systematically manage its environmental, social, health and safety matters. This integrated management system addresses:

- Environmental, social, and labour requirements, risks and impacts
- Monitoring water and soil quality in accordance with internal procedures and legal requirements
- Monitoring of water, fuel and electricity consumption
- Management and removal of ordinary waste, handled by the public waste management system
- Management and removal of hazardous waste, handled by private waste management contractors with environmental licenses
- Safety and health of workers and the community
- Contractors' HSEQ practices
- Performance indicators for monitoring HSEQ processes
- The preparation and response to possible emergencies and contingencies
- Communication with key stakeholders
- Management of complaints, non-conformities, and corrective actions

As an example of the Company's commitment to reducing its impact on the environment and reliance on fossil fuel, Khiron Colombia recently completed installation of a 2600-panel solar park at its cultivation site in Doima, Colombia, which is expected to significantly decrease its reliance on diesel fuel and generate up to 40% of its energy requirements for its cultivation operations.

Khiron has highly skilled HSEQ professionals focused on mitigation of workplace risks and environmental impacts associated with its operations. Moreover, Khiron has a training program for workers in the HSEQ field and training in first aid and fire response for all workers. The HSEQ team performs internal audits and identifies areas where improvement is needed.

Employees

As of December 31, 2019, Khiron had 348 employees. Khiron is in material compliance with all applicable labour laws.

Foreign Operations

Colombia

Khiron's core operations are in Colombia and are carried out through Khiron Colombia. As a cultivator of cannabis (both psychoactive and non-psychoactive) and manufacturer of cannabis products, the Company is substantially dependent on the licenses for cultivation, production and other regulatory activities, and quotas (for psychoactive cannabis), granted to Khiron Colombia.

Over the past 50 years, Colombia developed comprehensive regulation that took a hardline approach to narcotics and trafficking in response to the growing influence of international treaties and the efforts of governments to coordinate their drug policies. In the mid-1990s, Colombia decriminalized personal possession and consumption of cannabis under Judgment C-221 of 1994 of the Constitutional Court. While this represented a shift in approach by Colombian lawmakers, a constitutional amendment in 2009 reversed the effects of Judgment C-221 of 1994 and reinstated the prohibition on personal possession and consumption of narcotic or psychotropic substances, even on a personal dose basis, unless supported by a medical prescription.

Despite the constitutional amendment in 2009, Colombian cannabis legislation trended towards a preventative and rehabilitative approach. The Colombian Constitutional Court, through rulings SU-642 of 1998 and C-336 of 2008, among others, established that the right to the free development of personality, also known as the right to autonomy and personal identity, grants individuals the right to self-determination, the freedom and independence to govern his/her own existence and determine a lifestyle according to his/her own interests; provided, that the rights of others and the constitutional order are respected.

In January 2013, the Advisory Commission on Drug Policy (the "**Drug Policy Commission**") was established to provide recommendations on how legislation should treat criminal networks and citizen drug users, as well as the quantities to be considered as suitable personal amounts. In July 2014, the Drug Policy Commission issued an initial report submitted to the Ministry of Justice analyzing the conditions of drug use in Colombia and proposing guidelines to update the policy.

In May 2015, the Drug Policy Commission published its final report, which proposed a review of the drug policy in the country and made important recommendations, such as: (i) the creation of an agency for drug policy; (ii) measures to help reduce the risk to consumers; (iii) to rethink the fumigation involved with cultivation; (iv) regulation of medicinal cannabis; (v) alternative means to measure the success of policies against drugs; (vi) modernize the National Statute on Drugs and Psychoactive Substances; and (vii) to lead the global drug policy debate.

As a result of the final report of the Drug Policy Commission, the Colombian President approved and sanctioned Law 1787 of 2016 to regulate the use of cannabis for therapeutic purposes. The law, marked a new direction in the legislative approach to drugs. Law 1787 amended articles 375, 376 and 377 of the Colombian Criminal Code (the "**Criminal Code**") to remove sanctions against the medical and scientific use of cannabis used under a license granted by the relevant authorities. This amendment was required given that the Criminal Code expressly provided a general prohibition to the cultivation, conservation or financing of marijuana plantations among other related activities.

The following table summarizes regulations applicable to the cultivation, fabrication, import, export and use of cannabis in Colombia.

Regulation:	Regulates:
Law 1787 of 2016	Legalizes the use of Cannabis for medical and scientific purposes
Decree 613 of 2017 modifies Decree 780 of 2016	Regulates law 1787 establishing a licensing system and process, defines psychoactive and non-psychoactive cannabis and the quota system for psychoactive cannabis in accordance with Single Convention of Narcotics of 1961 and amendments
Resolution 577 of 2017 from the Ministry of Justice	Regulates the evaluation and control of the following licenses: a. Seed Use b. Cultivation of psychoactive plants (High-THC cultivation licence) c. Cultivation of non-psychoactive plants (Low-THC cultivation licence) Creates requirement for security protocol
Resolution 578 of 2017 from the Ministry of Justice	Regulates the cost of the following licences: a. Seed Use b. Cultivation of psychoactive plants (High-THC cultivation licence) c. Cultivation of non-psychoactive plants (Low-THC cultivation licence)
Resolution 579 of 2017 from the Ministry of Justice	Establishes that growers that cultivate on a half a hectare area (5,000 square meters) or less are considered small and medium growers and, therefore, may access technical advice, priority allocation of quotas and purchase of their production by the processor and requires that 10 percent of the total production of the processor must come from a small and medium producers.
Resolution 2892 of 2017 from the Ministry of Health	Regulates the evaluation and control of the Fabrication of Cannabis derivatives (High-THC Production Licence) Provides guidelines for appropriate security protocols for manufacturing cannabis derivatives including physical security, monitoring, detection, and incident reporting to authorities.
Resolution 2891 of 2017 from the Ministry of Health	Regulates the cost of the High-THC production Licence
Resolution 1478 of 2006 from the Ministry of Health	Regulation of the control, monitoring and surveillance of the import, export, processing, synthesis, manufacture, distribution, dispensing, purchase, sale, destruction and use of controlled substances, medicines or products containing them and on those which are State Monopoly
Decree 2200 of 2005 from the Ministry of Health	Regulates pharmaceutical services including the Magistral Preparations
Guidelines for the GEP certification for Magistral Preparations with Cannabis issued the 25 of October 2019 by INVIMA	Establishes the requirements for labs to obtain the GEP certification for the fabrication of Magistral Preparations with Cannabis derivatives

Licenses

The Ministries of Health, Justice, and Agriculture issued Decree 613 of 2017 to define the licenses that may be granted in respect of permissible activities related to medicinal cannabis including:

(i) production of cannabis derivatives;
(ii) use of seeds for planting;
(iii) planting of psychoactive cannabis plants; and
(iv) planting of non-psychoactive cannabis plants.

Khiron Colombia has obtained licenses in each of the above categories, required to conduct its operations. Licences are not transferable, exchangeable or assignable and are valid for five years and may be renewed for additional five-year terms upon request. Each of the Licenses is in good standing and has not expired. None of the Licenses are subject to any current, pending, or threatened regulatory actions.

License Type	**Status**	**Issued by**	**Key Requirements for Compliance, Maintenance, Renewal for all license types**
License to cultivate plants of Non-Psychoactive Cannabis	Obtained	Ministry of Justice	• Attending inspections; • Reporting suspicious activity; • Keeping up-to-date records; • Amending license withing 30 days of occurrence of certain fundamental changes; • Filing import and export declarations with the Ministry of Justice and FNE; • Compliance with security protocol; • Observing quotas; payment of applicable fees.
License to cultivate plants of Psychoactive Cannabis	Obtained	Ministry of Justice	
License to manufacture Cannabis Derivatives for a) national use, b) Scientific Research and c) export	Obtained	Ministry of Health	
License to Import non-psychoactive and psychoactive cannabis seeds	Obtained	ICA	
License to Export non-psychoactive and psychoactive cannabis seeds	Obtained	ICA	
License to produce non-psychoactive and psychoactive cannabis seeds	Obtained	ICA	

A detailed list of Khiron Colombia's current licenses required to conduct its operations in compliance with applicable laws is included in Schedule "**A**" to this AIF.

Magistral Preparations with Cannabis

Khiron produces a category of products known as magistral preparations with cannabis, regulated under Decree 613 of 2017 and Decree 2200 of 2005. Magistral preparations are customized prescription products that do not require a sanitary permit, as they are not mass market products with standardized characteristics but must be prepared by a licence holder in a laboratory that meets GEP Standards.

In order to sell and distribute such medicines in Colombia, it is necessary to comply with the Guidelines for the GEP certification for Magistral Preparations with Cannabis issued the 25 of October of 2019 by INVIMA. The Company is required to operate, or have an agreement with, a laboratory that is certified as complying with for GEP for Magistral Preparations with Cannabis. Khiron Colombia has a service contract with a third party laboratory that is GEP certified for magistral preparations with cannabis. In addition, magistral preparations with more than 1% of THC (High-THC) are also subject to applicable quotas, which are described below.

Quotas

Decree 613 of 2017 also sets out the requirements and criteria for the assignment of quotas for psychoactive cannabis plant cultivation, cannabis by-product production and other related activities. Cultivation Licenses are subject to quotas that limit the amount of crop that may be cultivated and the quantity of cannabis derivatives that may be manufactured. Non-psychoactive cannabis is not subject to the quota system.

Production of High-THC cannabis – is strictly regulated, involving a rigorous process that requires companies to register strains with ICA, complete product and stability testing, and prove legal demand for their products in order to receive commercial quotas. Khiron Colombia received quotas for both commercial cultivation and commercial fabrication from TQG in 2019. In 2020, Khiron Colombia has already received commercial cultivation quotas from TQG utilizing the 22 strains already registered with ICA. See "*Strain Registration*" below.

Quotas are granted by the Ministry of Justice and must be applied for on an annual basis by no later than April of the preceding year. For example, a licensee is required to apply for a quota by April 2019 for its 2020 quota. A quota is valid only in the year for which it was granted and may not be carried forward to future years. Quotas are granted on the basis of demand for the licensee's crop or products, not on the basis of a licensee's capacity. If a licensee's demand exceeds the quota initially granted, the licensee may apply for supplementary quotas.

Strain Registration

Khiron Colombia has 56 cannabis strains at various stages of the registration process. In order to secure quotas, a licensee's cannabis strains must undergo a defined registration process. Each strain, whether High- or Low-THC, must undergo agronomical evaluation by the Colombian Agricultural Institute (ICA). In order for strains be included in the National Registry of Cultivars, the following steps must be completed:

(i) Genetic Stabilization;
(ii) Agronomical Test;
(iii) Strain Registration Phase 1 (legal document that allows the licensee to enter a strain in the registry); and
(iv) Strain Registration Phase 2 (registry that allows the licensee to commercialize any cannabis product derived from the specific strain in the registry).

Khiron Colombia is also in the process of agronomical evaluation of 10 additional strains. Based on the yields of each strain, as determined by the agronomical testing, Khiron may decide to register fewer than the 56 available strains. The decision whether to complete the registration process for a strain will depend on a number of factors, including the cannabinoid profile, as determined by the agronomical testing, and the Company's intended uses. An additional 24 strains are available for testing and registration if required. Tables showing Khiron Colombia's strains and their registration status are included in Schedule "**B**".

Cosmetic Regulation

The Company's business also includes the manufacturing and commercialization of CBD-based cosmetics in Colombia. Cosmetic products in Colombia are regulated by decisions issued by the Andean Community of Nations. The relevant regulations in health regulatory matters for Cosmetic Products are the following:

- Decision 516 of 2002 of the Andean Community of Nations establishes a common substantive regulation regarding Health Law for Cosmetic Products in the Andean Community countries (Bolivia, Colombia, Ecuador and Peru) and national norms that complement it (provided they do not contradict it or establish additional or contrary requirements)
- Decree 219 of 1998, which regulated the quality and monitoring of Cosmetic Products
- Law 9 of 1979, which establishes the general framework for health surveillance and control

In Colombia, cosmetics must undergo a registration process called Compulsory Sanitary Notification (NSO), which is overseen by INVIMA, prior to the commercialization. Applicable regulations establish requirements related to labeling, manufacturing facilities and composition of the products. The general Colombian regulatory framework on cannabis-specific matters limits the composition of products containing cannabis derivatives to a maximum of 1% THC (psychoactive component).

Ingredients in the list of accepted ingredients of the Food & Drug Administration of the US of America (FDA), the Cosmetics Toiletry & Fragrance Association (CTFA), the European Cosmetic Toiletry and Perfumery Association (COLIPA) and the Directives of the European Union, are permitted in cosmetic products, including the following cannabis ingredients: *Cannabis sativa Flower Extract, Cannabis sativa Flower / Leaf / Stem Extract, Cannabis Sativa Seed Extract, Cannabis Sativa Seed Oil, Cannabis Sativa Seed Oil Glycereth-8 Esters, Cannabis Sativa Seed Oil PEG-8 Esters, Cannabis Sativa Seedcake, Cannabis Sativa Seedcake Powder, Cannabis Sativa Stem Powder, Hydrolyzed Cannabis Sativa Seed Extract, Hydrolyzed Hemp Seed Extract, Apocynum Cannabinum Root Extract, Cannabidiol.*

Khiron has obtained NSOs in respect of each of the eleven products in its Kuida cosmetic line. The NSOs are listed in Schedule "**A**" to this AIF.

Peru

Khiron's wholly owned subsidiary, Khiron Peru, was established for the purpose of importation of Cannabis derivatives products for the sale of medical cannabis, initially magistral preparation. Following is a history and overview of cannabis regulation in Peru applicable to importation and commercialization of medical cannabis.

DIGEMID is the governmental office responsible for issuing the importation and commercialization license. In addition, the Ministry of Interior will participate in evaluating the "security protocols" of all the activities described.

Law 30681 of 2017, currently in force, establishes the regulatory framework in Peru that allows access to cannabis and its derivatives for medical and therapeutic use. Additionally, Supreme Decree 005 of 2019, by which Law 30681 of 2017 is regulated, sets forth the conditions in relation to safe access to the medical and therapeutic use of cannabis. This norm focuses on regulating the commercialization of the following categories of Cannabis derived medical products:

- Cannabis Herbal Medicine: Cannabis derivative for medicinal use, which is a finished medicinal product, made from the Cannabis plant and presented in pharmaceutical form, which has therapeutic activity and whose efficacy, safety and quality have been scientifically demonstrated to the competent authority;
- Pharmaceutical preparation derived from Cannabis for medicinal use (Magistal Preparations): Prepared under master formulas, prepared by or under the direction of a professional pharmaceutical chemist, in a specialized pharmaceutical office or pharmacy of a health establishment, according to technical and pharmaceutical standards;
- Pharmaceutical Product derived from Cannabis: Herbal medicine or pharmaceutical speciality which contains cannabis derivatives for medicinal use and which has completed all the production steps including packing and final packaging; and,
- Natural Product for medical use with Cannabis Derivatives: A standardized product under pharmaceutical presentation, which is not subject to the development stages as a medicine. It will require Sanitary Registration for commercialization within the natural health product category, and includes oils, tinctures, resins, extracts, and other forms.

Supreme Decree 005 also introduced a licensing system for the following activities and classes of Cannabis derived products:

- Research License;
- Import/Commercialization License and Production License for Cannabis for Medical Use (Psychoactive Cannabis, THC greater than 1% in dry weight); and
- Cultivation and Industrialization License for Hemp (Non-Pyschoactive Cannabis, THC less than 1% in dry weight).

Additionally, Supreme Decree 005, established that hemp derived products are not considered as narcotic drugs, so annual quota or official import certificates will not be required for commercialization. Annual fabrication quota import certificates will be required for psychoactive cannabis.

Law 29459 of 2009, and Supreme Decrees 016 and 014 of 2011 (by which Law 29459 is regulated), established that, for import and commercialization of medical products and raw material for magistral preparations, the importer must obtain Sanitary Authorization of Operation and have Good Storage Practices (GSP) certification. The GSP certification confirms that a company has implemented the standard operational procedures required for storage of raw materials and finished cannabis products.

Additionally, in Peru, only registered pharmaceutical establishments who have fulfilled GSP requirements are authorized to participate in wholesale import and commercialization of cannabis products. Khiron currently holds the necessary license that certifies the company as a registered pharmaceutical establishment, and further, has received its GSP certification from Peru's DIGEMID on October 9, 2019, which is valid until October 9, 2022.

In addition, businesses are required to submit security protocols which detail a specific anti-diversion plan, to the Anti-Narcotics Unit of the Ministry of Interior (DIRANDRO). Upon approval of their security plan, companies can then present a license application to DIGEMID for final approval. The Company submitted its security protocols to the Peruvian government in November 2019 and has received its approval. The next step is for Khiron to receive its import and commercialization license.

Khiron Peru intends to import the whole plant extract from Khiron Colombia and has retained a third-party laboratory to transform the extract into magistral preparations for commercialization. The laboratory is also subject to GSP certification (obtained), security protocols (in process) and a commercialization license (pending).

Uruguay

Following the acquisition by the Company on June 19, 2019 of Netta, and its wholly-owned Uruguayan subsidiary, Dormul, the Company has the required licenses to construct a cultivation and processing facility in Juan Lacaze, Uruguay, with the purpose of supplying key international markets, including Brazil and Europe. Construction of the cultivation facility is currently on hold as the Company re-evaluates the optimal allocation of cultivation and processing capabilities of the facility in light of the regulatory regime in Brazil, in addition to dealing with the economic impact of COVID-19 pandemic and efforts to conserve cash.

Cannabis regulation in Uruguay applicable to the legal cultivation, processing and exportation of cannabis began in June 2012, when the Uruguayan Government, under then President José Alberto Mujica Cordano, announced plans to legalize state-controlled sales of cannabis to minimize drug-related crime and health issues. Soon after, on December 10, 2013, Uruguayan Act N° 19.172 ("**Cannabis Act"**) was passed by the Senate, with the purpose of regulating and controlling the importation, exportation, plantation, cultivation, harvest, production, acquisition, storage, commercialization and distribution of cannabis and its derivatives, or hemp (non- psychoactive cannabis).

With the passing of the Cannabis Act, Uruguay became the first country in the world to legalize and regulate every level of the market of non-medicinal cannabis. The Cannabis Act gave the Government of Uruguay control over and the capacity of regulating the activities of importing, exporting, planting, cultivating, harvesting, production, acquisition, storage, marketing and distribution of cannabis and its derivatives. Regulations for other uses of cannabis, such as medicinal, industrial and scientific investigation, were also introduced.

The IRCCA was also created and charged with controlling cannabis activity. Other State authorities involved are the Ministry of Agriculture (**MGAP**), Ministry of Health (**MSP**), the Office for the Fight Against Money Laundry and Financing of Terrorism (**SENACLAFT**), the Customs Office, and the National Institute of Seeds (**INASE**).

The principal objectives of the Cannabis Act are:

- To protect the health of the population through a policy which aims to minimize the risks of problematic use of cannabis by promoting proper information, education and prevention on the consequences and harmful effects of such use, as well as promoting the treatment, rehabilitation and social reintegration of problematic drug users;

- To guarantee the rights and freedoms enshrined in the Uruguayan Constitution; and,

- To protect the population from risks of illegal trade, drug trafficking and organized crime.

The cannabis legal framework is organized in Decrees:

- DNº 120/2014 regulates psychoactive cannabis for recreational use;
- DNº 372/2014 regulates industrial hemp; and,
- DNº 46/2015 regulates psychoactive and non-psychoactive, medicinal cannabis and scientific investigation for development of medicinal products.

The Cannabis Act defines psychoactive cannabis as the cannabis plant, with flowerings or without, (except for seeds and leaves not attached) from which the resin has not been extracted, regardless of the name with which it is designated, of which the THC content is equal to or greater than 1% in dry weight. The non-psychoactive cannabis or hemp is defined as the plants or plants pieces, flowers or leaves which have less than 1% of THC and its seeds have less than 0.5% of THC.

<u>Cannabis Specialties for Human Use</u>

The Cannabis Act and related regulations also define the following categories of products:

- Pharmaceutical speciality: any cannabis-based (either psychoactive or non-psychoactive) single or compound drug, registered before the MSP, with a declared and quantified formula, that is industrially manufactured and has therapeutic properties.

- Plant speciality: the herb of cannabis (both psychoactive and non-psychoactive), or a mixture of herbs that is used for a medicinal purpose.

Under Decree N° 46/2015, in order to produce, distribute and commercialize pharmaceutical and plant specialities of cannabis, both, companies and products must be registered with the Department of Medicines of the MSP and comply with all other legal and regulatory provisions that are in force.

Cultivation and Processing of Cannabis and Hemp Products

Pursuant to the Cannabis Act and related decrees, the production, importation and commercialization of cannabis and derived products is allowed in Uruguay under certain conditions. Before the Cannabis Act was passed, the planting, cultivation, harvesting and commercialization of any plant from which any drugs or substance that determine physical or psychic dependence (including cannabis) was prohibited in Uruguay (Decree Act N° 14.294 of Narcotics). Section 5 of the Cannabis Act came to replace section 3 of the Decree Act N° 14.294, by expressly providing certain exceptions to the abovementioned rule. Some of these exceptions are:

- When the activity is developed exclusively for scientific research or for the development of specialties for medicinal use, provided that plantations and crops must be previously authorized by the MSP and will be under its direct control;
- Plantation, crops, cultivation, industrialization and dispensing of psychoactive cannabis for other legal uses, previously authorized by IRCCA and under its direct control;
- Hemp plantation, crops, cultivation and commercialization, provided that plantations and crops must be previously authorized by the MGAP; or
- Plantation, cultivation, collection and accumulation for research purposes as well as industrialization for pharmaceutical use, according to the applicable regulation and when authorized by the IRCCA.

In order to plant, cultivate, harvest, process, commercialize or export psychoactive cannabis, an authorization of IRCCA is required. An evaluation by SENACLAFT is also conducted during the review process. For the development of any activity regarding industrial hemp or medicinal cannabis, an interested company must apply for a licence from the authorities with a highly detailed project report of the intended activity to be developed, a business plan and information of origin of the funds, and beneficial owners. The issued licence will be limited to the terms of the submitted project, and any modification of the project requires prior authorization.

Research

Decree N° 46/015, concerning psychoactive and non-psychoactive cannabis to be intended for scientific research or the development of specialties for medicinal use, defines scientific research as those activities aimed for the development of research projects that contribute to knowledge and production of scientific evidence regarding the use of cannabis (psychoactive and non-psychoactive). In order to use cannabis for research purposes, an investigational license must be obtained from IRCCA. The review process also includes an evaluation by SENACLAT. The license, if granted, will set out the applicable terms and conditions and may be renewed or extended upon further application.

Registration of Seeds and Cultivars

All varieties of cultivars of cannabis must be registered at the National Registry of Cultivars at INASE. In order to commercialize seeds, the company must be registered in the National Registry of Seed Companies at INASE.

Exportation of Cannabis

A licensee may export finished or semi-finished cannabis products, subject to compliance with applicable regulations. In the case of medical cannabis, the authorization of the Controlled Substances Division (at MSP) is required, in accordance with the current legislation (Decree-Act 14,294, amended by Act N° 17,016 and Regulatory Decree N° 454/975). The application requires the filing of the Certificate of Registration and Authorization of Sale of the product issued by the Department of Medicines of the MSP. In principle, a license from IRCCA will also be required.

The procedures for exportation of psychoactive cannabis seeds, plants and cuttings have not yet been established. For exportation of non-psychoactive cannabis seeds, cuttings, plants or parts of plants, for industrial use, authorization from MGAP will be required, according to section 5 of Decree N° 372/2014.

Prior to the approval of an export permit, the MSP or MGAP, as applicable, will require the applicant to present the import certificate issued by the competent authorities of the importing country, authorizing the import of the cannabis product.

Brazil

Khiron is currently working towards the incorporation of a subsidiary in Brazil through which to conduct future import operations. Khiron's initial entry into the Brazilian market is expected to be via the importation of Khiron Colombia's medicinal cannabis extracts on a personal use basis, which is permitted under the Brazilian regulatory framework described below. Medicinal cannabis product from Khiron Colombia has been specifically approved by ANVISA for importation under the personal use provisions. The export from Colombia is subject to the issuance of export permits, expected to be received in Q32020. Due to the COVID-19 pandemic, the Company may experience regulatory delays that could affect this timeline.

On December 4, 2019, ANVISA, the National Agency for Health Surveillance of Brazil, announced that it had established a legalized environment for the sale and consumption of cannabis for medical use. Resolution of the Collegiate Board N. 327 (Resolution 327), issued on December 9, 2019, allows a new class of medical cannabis-based products to be prescribed by doctors and sold through pharmacies. The resolution was approved unanimously and is valid for an initial three-year term. Resolution 327 came into force on March 10, 2020.

Brazil's new regulatory framework for medical cannabis, administered by the ANVISA, establishes a comprehensive procedure for the manufacture and import of medical cannabis products and requirements for commercialization, prescription, dispensing, monitoring and supervision. The regulations create a new class of medical cannabis-based products that may be prescribed by doctors and sold through pharmacies, enabling safe and legal access for patients.

Among other things, Resolution 327prohibits the import of all parts of the cannabis plant, (including dried flower) and only permits the import of fully manufactured extracts or formulated products of cannabis. Local cultivation of cannabis in Brazil continues to be prohibited.

Resolution 327 differentiates between cannabis-based medicines and cannabis-based products. For both, all regulations related to the monitoring and inspection actions related to drugs apply. The responsible company must have a Company Operation Authorization and a Special Authorization. Cannabis-based medicines and products may be dispensed exclusively by a pharmaceutical professional at pharmacies without manipulation or drugstores, upon presentation of a prescription by a medical professional.

Cannabis-based medicines

Cannabis-based medicines are subject to prior evaluation by ANVISA similar to that performed for new drug applications, including a review of technical and clinical data proving safety and efficacy for use as a medicine. As clinical data is currently lacking due to the relatively recent legalization of cannabis, most cannabis producers, including Khiron, will not be in a position to apply for registration of their products under the cannabis-based medicine category. However, the regulations provide an entry point to cannabis registration via the cannabis-based product category.

Cannabis-based products

Cannabis-based products are subject to Sanitary Authorization. A Sanitary Authorization is an authorization of the manufacturing, importing, and commercialization of cannabis-based products for medicinal purposes issued by ANVISA. Only manufacturers that have GMP certification or importing companies that comply with Good Practices for Distribution and Storage of drugs and medicines, may apply for a Sanitary Authorization for cannabis-based products.

A cannabis-based product cannot contain a trade name; only the name of the phytopharmaceutical or vegetable derivatives and the name of the company which holds the Sanitary authorization are permitted. The Sanitary Authorization term is for five years and cannot be renewed. Once expired, there must be a request for registration as a cannabis-based medicine, which would require companies to demonstrate safety and efficacy data from clinical research for registration as a cannabis-based medicine.

There is a simplified procedure for obtaining a Sanitary Authorization for cannabis-based products will have a simplified procedure based on an application filed by the interested company, prior to the manufacturing, importing or marketing of the product. The “simplified procedure” is an administrative procedure that requires the submission of documents including technical and labelling information on the product. The Sanitary Authorization is granted for each commercial presentation of a cannabis-based product by publication in the Official Gazette. The marketing of the Cannabis-based product is only permitted after the publication.

Only doctors legally qualified by the Federal Council of Medicine can prescribe Cannabis-based products. The physician should only rely on technical data capable of suggesting that this alternative can be effective and safe. The patient or their legal representative, must sign an informed consent which should be completed with Cannabis-based product specific data.

Cannabis-based products must have predominantly CBD and will be classified according to the respective percentage of THC, as either not more than 0.2% THC or greater than 0.2% THC. Cannabis-based products with not more than 0.2% THC may be prescribed when other therapeutic options available in the Brazilian market are exhausted. Cannabis-based products with greater than 0.2% THC is for palliative care exclusively for patients without other therapeutic alternatives and in irreversible or terminal clinical situations.

Regardless of the THC concentration, cannabis-based products will be allowed for oral or nasal use only. Cannabis in cosmetics, smoking products, or foods are not permitted. Advertising and free samples of cannabis-based products is also prohibited under the regulations.

Importation by Individuals for Personal Use

In January 2020, ANVISA published RDC No. 335/2020 to establish the criteria and procedures for the special import of cannabis-based products by individuals, for personal use in a health treatment, upon prescription of a medical professional. The new measures create a more simplified process for personal importation of cannabis-based products than under the previous regulations revoked by RDC No. 335/2020. To further ease the process of importing cannabis-based products, the application documents required from the patient were also simplified. For importing purposes, the patient or his legal representative must fill an application form on the Federal Government website and attach a prescription indicating their need for the product. The prescription must include the name of the patient, as well as the product, dosage, date, signature, and registration number of the prescribing professional. The authorization is valid for two years.

Chile

The Company's Chilean subsidiary, Khiron Chile S.p.A., was established to carry out the Company's expansion into Chile via the business relationship with Dayacann. The Company is currently re-evaluating its strategy in Chile, based on regulatory delays with cultivation permits under the Dayacann Agreement and general delays in development of the regulatory framework for medical cannabis by the Chilean government. As a result, the Company does not expect that commercialization of medical cannabis products in Chile will be possible during the 2020 calendar year.

The legal and regulatory framework for the import, export, transport, extraction, production, sale and possession of Narcotic Drugs and Psychotropic Substances and its derivatives are not contained in one specific legal regulation but rather in a set of general rules.

The Single Convention on Narcotic Drugs of 1961, ratified by Chile through Decree No. 35 of 1968; Article 14 of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, signed in Vienna in 1988 and ratified by Chile through Decree No. 543 of 1990; Articles 7 and 8 of Law No. 20.000 and Articles 6 to 14 of Regulation No. 867, in addition to Articles 5, 7 and 8 of Supreme Decree No. 3 of 2010 of the Ministry of Health approving the Regulations of the National System for Control of Pharmaceutical Products for Human Use; Article 2 of the Narcotic Drugs Regulation No. 404 of 1983, Article 6 of the Psychotropic Substances Regulations are applicable.

Chile is party to the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988 which provides for that all State Parties will adopt necessary measures to monitor certain substances, including precursors, chemicals and solvents, which are used in the manufacture of narcotic drugs and psychotropic substances. They will adopt such measures as may be necessary to establish as criminal offences under its domestic law for the illicit cultivation, production or manufacture of narcotic drugs or psychotropic substances.

This Law defines as criminal offences as those acts performed in relation to narcotic drugs or psychotropic substances, when associated with acts performed without due authorization. In this regard, all individuals or entities which produce, manufacture, prepare, import or export precursors, chemicals or solvents which the regulations classify as susceptible to being used for the illicit manufacture of narcotic drugs or psychotropic substances, must register in a registry created by the Interior Undersecretary for that purpose.

The National Public Health Institute (Instituto de Salud Publica, "**ISP**") is in control of matters related to medicines and it provides the following as appropriate:

a) Regulations applicable to control certain substances or products, according to their characteristics or purpose.

b) Regulations for control of pharmaceutical products, of domestic establishments and the supervision of compliance with the provisions contained in this Code and its regulations on this matter.

c) Regulations for the importation, temporary storage, exportation, production, preparation, storage, possession, transport, gratuitous or onerous distribution, sale, pharmacovigilance, traceability, advertising, promotion or professional reports, medical use or scientific research of pharmaceutical products.

d) Regulations for control of product quality in all the aforementioned activities, as applicable, without prejudice to the responsibility of the public or private entity which carries out the activity in question, and which must implement an adequate quality assurance system.

e) Quality requirements for the product will be determined by its registration, taking into account the pharmacopoeias officially recognized in the country.

The Regulations of Narcotic Drugs and of Psychotropic Substances, both of 1983, prohibited, among others, the import, export, transport, extraction, production, sale and possession of cannabis and its derivatives. The only exception considered before December 1, 2015, was the use of these substances in scientific research, with the prior authorization of the ISP. As of December 1, 2015, the Regulations of Narcotic Drugs and of Psychotropic Substances mentioned in the paragraph before were modified by Supreme Decree 2, authorizing, in addition to the use for scientific research, the use of cannabis and its derivatives in the manufacture of pharmaceutical products for human use, with the prior authorization and control of the ISP.

Article 6 of the Regulations of Psychotropic Substances provides that the ISP may authorize and control the use of all isomers of tetrahydrocannabinols for the manufacture of pharmaceutical products for human use. Subsequently, Article 23 of the same Regulation stipulates that medications containing tetrahydrocannabinols (all isomers) may be sold to the public in pharmacies or laboratories through controlled substance medical prescriptions, which are kept in the pharmacies, which dispense them. From the health point of view, then, Cannabis is included in the Regulations of Psychotropic Substances, and not in that of Narcotic Drugs, therefore is subject to the above provisions.

The Supreme Decree added a new subsection 6 in Article 23, article that also authorized the sale to the public, in pharmacies or laboratories, of medications containing cannabis and its derivatives, by means of a controlled substance medical prescription that is kept by the pharmacy after dispensing them. (The Supreme Decree 84 included the following: "*Pharmaceutical specialties containing cannabis, cannabis resin, extracts and tinctures of cannabis may be sold to the public in pharmacies or laboratories by means of a prescription withholding with control of existence*").

Consequently, the use of Cannabis and its derivatives for pharmaceutical research and manufacturing is currently authorized by law, with the prior authorization and control of the ISP. These products can only be sold for medicinal purposes and their prescriptions must be kept in the pharmacies that dispense them.

In relation to the cultivation of Cannabis, this is currently authorized in Chile, with no limits on the number of plants or level of THC to be cultivated, to the extent authorized by the Agriculture and Livestock Service (hereinafter SAG, acronym used to refer to the Servicio Agrícola Ganadero). Law No. 20.000, without prejudice to its provisions that regulate criminal offences, allows the planting, cultivation and harvesting of plant species of the cannabis genus, with the authorization of SAG.

Law No. 20.000, Article 8º: *"The person who, lacking the due authorization, plant, harvest or produce species of the Cannabis genus or other producers of narcotic or psychotropic substances, will incur the penalty of minor prison in its maximum degree to major prison in its minimum degree and fine of forty to four hundred Monthly Tributary Units, unless it justifies that are intended for use or exclusive personal consumption and near in time, in which case they will only apply the sanctions of articles 50 and following of the Law 20.000…."*.

The Public Health Institute, in accordance with articles 96 and following of the Health Code and Decree No. 1, of 2005 of the Ministry of Health, is responsible for the control of pharmaceutical products or medicines; recording all those favourably evaluated for distribution in the country and granting special authorizations for the provisional use of these products in the relevant investigations.

US

The Company is engaged in the importation and distribution of cosmetics with hemp-derived CBD in the US, through Khiron Colombia, its recently incorporated US subsidiary Khiron Life Sciences USA Inc., and previously through the Dixie JV. The Canadian Securities Administrators ("**CSA**") set out expectations for disclosure by issuers that currently have, or are in the process of developing, marijuana-related activities in US states where such activity has been authorized within a state regulatory framework ("**US Marijuana Issuers**") in CSA Staff Notice 51-352 (Revised) Issuers with US Marijuana-Related Activities, dated February 8, 2018 (the "**CSA 51-352**"). CSA 51-352 defines "marijuana-related activities" as marijuana-related practices or activities, including the cultivation, possession or distribution of marijuana, which are

illegal under US federal law. Under the 2018 Farm Bill (explained in detail below), "hemp", or cannabis and cannabis derivatives containing no more than 0.3% of tetrahydrocannabinol (THC), is excluded from the statutory definition of "marijuana". The Company's products currently distributed in the US are hemp-derived, cosmetics containing CBD with no more than 0.3% THC and are therefore excluded from the definition of marijuana. As the Company does not cultivate, possess or distribute marijuana in the US, the Company is not engaged in "marijuana-related activities" and is not a US Marijuana Issuer subject to the disclosure requirements in CSA 51-352. Furthermore, in distributing its hemp-derived, CBD products in the US, the Company will observe and comply with existing state restrictions applicable to the sale of hemp or hemp-derived products under the 2014 Farm Bill (explained in detail below) and under the 2018 Farm Bill, when fully implemented by the US Department of Agriculture (explained in detail below).

Federal Regulation of Marijuana in the US

Producing, manufacturing, processing, possessing, distributing, selling, and using marijuana is a federal crime in the US. The US federal government regulates drugs through the Controlled Substances Act (the "**CSA**"), which places controlled substances, including cannabis, on one of five schedules. Cannabis is currently classified as a Schedule I controlled substance, which is viewed as having a high potential for abuse and having no currently accepted medical use in treatment in the US No prescriptions may be written for Schedule I substances, and such substances are subject to production quotas imposed by the DEA. Schedule I drugs are the most tightly restricted category of drugs under the CSA.

To date, eleven states and District of Columbia, have legalized marijuana for recreational use for adults over 21. To-date, a total of 33 states, plus the District of Columbia, have legalized cannabis for comprehensive medical or recreational use. However, state and territorial laws that allow the use of medical cannabis or legalize cannabis for adult recreational use are in conflict with the CSA, which makes cannabis use and possession illegal at the federal level. Because cannabis is a Schedule I controlled substance, however, the development of a legal cannabis industry under the laws of these states is in conflict with the CSA, which makes cannabis use and possession illegal on a national level. Additionally, the Supremacy Clause of the Constitution of the US ("**US Constitution**") establishes that the US Constitution, federal laws made pursuant to the US Constitution, and treaties made under the US Constitution's authority constitute the supreme law of the land. The Supremacy Clause provides that state courts are bound by the supreme law; in case of conflict between federal and state law, including other state laws legalizing certain cannabis uses, the federal law must be applied.

Although federally illegal, the US federal government's approach to enforcement of such laws has at least until recently trended toward non-enforcement. On August 29, 2013, the US Department of Justice ("**DOJ**"), issued a memorandum known as the "Cole Memorandum" to all US Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed US Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state regulated marijuana businesses.

However, on January 4, 2018, the Cole Memorandum was revoked by then Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to US Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, former Attorney General Sessions also issued a one-page memorandum known as the "Sessions Memorandum". The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the US Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the

"seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of US Attorneys in deciding whether or not to prosecute marijuana-related offenses.

Until the US Congress amends the CSA with respect to marijuana use, there is a risk that federal authorities may enforce current federal law against companies with US cannabis operations or assets for violation of federal law or they may seek to bring an action or actions against Khiron for violation of federal law or otherwise.

Additionally, under US federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under US federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Despite these laws, the US Department of the Treasury issued a memorandum in February of 2014 (the "**FinCEN Memorandum**") outlining the pathways for financial institutions to bank state sanctioned marijuana businesses. Under these guidelines, financial institutions must submit a "suspicious activity report" ("**SAR**") as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution's belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated.

On the same day the FinCEN Memorandum was published, the DOJ issued a memorandum (the "**2014 Cole Memorandum**") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The 2014 Cole Memorandum has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

However, former Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memorandum has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum can act as a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact.

While the FinCEN Memorandum has not been rescinded by the DOJ at this time, it remains unclear whether the current administration will follow its guidelines. Overall, the DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state, including in states that have legalized the applicable conduct, and the DOJ's current enforcement priorities could change for any number of reasons, including a change in the opinions of the President of the US or the US Attorney General. A change in the DOJ's enforcement priorities could result in the DOJ prosecuting banks and financial institutions for crimes that previously were not prosecuted.

The DOJ is now headed by Attorney General William Barr, who was confirmed to such post by the Senate on February 14, 2019, following A.G. Sessions' resignation in late 2018. A.G. Barr, has stated publicly that he did not foresee enforcement of federal cannabis laws against state-legal actors.

While Mr. Barr has made his stance toward the Cole Memorandum clear, he remains skeptical of the state legal cannabis industry in general. He has indicated his support for a broad federal criminalization of cannabis, and declared in his confirmation hearings that "[i]t's incumbent on the Congress to make a decision as to whether we are going to have a federal system or whether it's going to be a central federal law." While this position is somewhat contradictory with respect to his statements regarding the Cole Memorandum, it appears that Mr. Barr intends to refrain from initiating prosecutions against state-compliant actors at this time and would likely look for Congressional action of some kind prior to changing this stance.

Mr. Barr has made no public comments regarding the FinCEN Memorandum. Because the FinCEN Memorandum is not a Department of Justice memorandum, but from the Department of the Treasury, Mr. Barr would not control its revocation. However, Mr. Barr's stance toward the 2014 Cole Memorandum indicates that the FinCEN Memorandum will continue to guide his decisions regarding enforcement priorities.

Banks often refuse to provide banking services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions in the US. The lack of banking and financial services presents unique and significant challenges to businesses operating in and ancillary to the cannabis industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the lack of traditional banking and financial services available to businesses operating in or ancillary to the cannabis industry. Though the guidelines issued in the past years allow financial institutions to provide bank accounts to certain cannabis businesses, few banks have taken advantage of those guidelines and many cannabis businesses still operate on an all-cash basis. Operating on an all cash or pre-dominantly cash basis would make it difficult for Khiron to manage its business, pay its employees and pay its taxes, and may create safety issues for Khiron, its employees and its service providers.

Although the Cole Memorandum and 2014 Cole Memorandum have been rescinded, one legislative safeguard for the medical cannabis industry remains in place. US Congress has used a rider provision in the fiscal year 2015, 2016, 2017 and 2018 Consolidated Appropriations Acts (currently, the "**Leahy Amendment**") to prevent the US federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated cannabis actors operating in compliance with state and local law. The Leahy Amendment was included in the fiscal year 2019 omnibus appropriations bill signed by President Trump on February 15, 2019, meaning that, the Leahy Amendment is in effect until September 30, 2019 when the fiscal year ends. It is uncertain whether the US Congress will extend this prohibition beyond such expiration date. As the Leahy Amendment protects only state medical cannabis actors, there can be no assurance that US federal prosecutors will not use DOJ funds to interfere with state adult-use (recreational) cannabis actors.

When President Trump signed the omnibus appropriations bill containing the Leahy Amendment on February 15, 2019, he added a signing statement:

"Division C, section 537, provides that the Department of Justice may not use any funds to prevent implementation of medical marijuana laws by various States and territories. I will treat this provision consistent with the President's constitutional responsibility to faithfully execute the laws of the US." Inclusion of this signing statement does not appear at this time to indicate a new approach to enforcement of federal cannabis laws by the White House but does illustrate the legal uncertainty surrounding the industry."

Federal and State Law and Policy Governing Hemp and Hemp Products

The *Agriculture Improvement Act of 2018* (the "**2018 Farm Bill**") was signed into law on December 20, 2018. The 2018 Farm Bill, among other things, removes hemp (including any part of the cannabis plant containing 0.3% THC or less), its extracts, derivatives, and cannabinoids from the CSA, and allows for federally-sanctioned hemp production under the purview of the US Department of Agriculture (the "**USDA**"), in coordination with state departments of agriculture that elect to have primary regulatory authority. States

and US territories can adopt their own regulatory plans, even if more restrictive than federal regulations, so long as the plans meet minimum federal standards and are approved by the USDA.

Hemp production in states and tribal territories that do not choose to create their own plans (and that do not prohibit hemp production) will be governed by USDA regulation. A producer's failure to adhere to the State's plan could result in Federal prosecution. The USDA is now promulgating rules for implementation of the new federally authorized program. Notwithstanding the passage of the 2018 Farm Bill, the industrial hemp cultivation and research provisions contained in Section 7606 of the *Agricultural Act of 2014* (the "**2014 Farm Bill**") will remain in effect pending the USDA's rulemaking process. As a result, the 2014 Farm Bill will remain the primary federal law governing domestic hemp production for at least the 2019 growing season and will be repealed one year after the USDA establishes regulations governing Hemp production in states without their own USDA-approved plans. Under both the 2014 and the 2018 Farm Bill, states have authority to adopt their own regulatory regimes, and as such, regulations will likely continue to vary on a state-by-state basis.

The 2018 Farm Bill removed Hemp from the CSA by amending the definition of marihuana to exclude Hemp as defined in the 2018 Farm Bill, making Hemp an ordinary agricultural commodity. Despite continued regulation of the hemp industry, this newly enacted legislation eliminates much legal ambiguity concerning the interplay of Federal and State law. Federal law now provides that any CBD derived from Hemp is not a controlled substance under the CSA; however, CBD derived from Hemp could still be considered a controlled substance under applicable state law.

Regulation concerning production of Hemp requires a State government desiring primary regulatory authority to submit to USDA a plan for Hemp production under which the State monitors and regulates production. Additionally, subject to narrow exceptions applicable to 2014 Farm Bill pilot program participants, individuals convicted of felony narcotic related offenses, within the past ten years, are barred from participating in hemp production.

The Secretary of Agriculture has been mandated with creating a Federal licensing scheme. Currently, there is no Federal licensing scheme in place, and no state plans have been approved by the USDA. USDA has stated it will not approve state plans until such time as it finalizes rules governing hemp production in states that do not submit their own hemp production plans. USDA has projected that rules will be finalized in time for the 2020 growing season. States have the express authority to adopt more stringent plans governing hemp production if such states submit plans approved by USDA that meet minimum federal standards.

Hemp and related products can be moved in interstate commerce if produced in compliance with State and Federal law. Specifically, under the 2018 Farm Bill, no State can prohibit the transportation of hemp or hemp products within and between the States if the hemp or hemp product was produced in accordance with the 2018 Farm Bill hemp production requirements.

Under the 2018 Farm Bill, Hemp is no longer excluded from Federal Crop Insurance coverage. In this respect the law treats hemp like any other agricultural commodity. Further, hemp research has received additional eligibility for Federal funding. Federally insured banks can now serve Hemp producers operating in compliance with applicable law.

Due to the fact that the federal government is now regulating Hemp and its derivatives as an agricultural crop and has lifted previous limitations on the cultivation and sale of Hemp, the legality of CBD products derived from Hemp has been greatly expanded and clarified by the 2018 Farm Bill. However, until the 2018 Farm Bill is fully implemented, which is expected upon final USDA rulemaking later in 2019, the limited research pilot program provisions of the 2014 Farm Bill still govern. Under the 2014 Farm Bill, many states have limitations as to lawful activity under state law with respect to commercial production and sale of hemp and hemp derived products.

Further, it should be noted that a common misunderstanding surrounding the passage of the 2018 Farm Bill is that the legislation has also legalized CBD and various CBD products in all circumstances. This stems from a clause in Section 12619 of the 2018 Farm Bill which exempts Hemp and its derivatives from the

CSA by excluding Hemp and its derivatives from the definition of “marihuana” (marijuana). Accordingly, where CBD is derived from hemp, it is not a controlled substance. However, while many state-controlled substances laws mirror the CSA as amended by the 2018 Farm Bill, some states have more restrictive laws governing hemp and hemp-derived CBD products. In addition, many states are in the process of reforming state criminal laws to conform to the change in Federal law.

Federally, any cannabinoid derived from marijuana will remain illegal under the CSA. However, under Section 12619, any cannabinoid that is derived from Hemp is not a controlled substance under US Federal law. In addition, commercial CBD products derived from marijuana that are specially approved by the FDA, such as the anti-convulsant medication, Epidiolex, the active ingredient of which is marijuana-derived CBD, would also not be classified as Schedule I controlled substances under the CSA. After the FDA approved Epidiolex for sale, Epidiolex was independently scheduled in the CSA as a Schedule V drug.

It should also be noted that the 2018 Farm Bill does not change anything affecting state-level adult-use or medicinal marijuana programs. Marijuana-derived CBD products produced by or produced for state-level adult-use or medicinal marijuana programs were not legalized under the 2018 Farm Bill and remain illegal at the federal level.

Development of Current Regulatory Framework

In addition to customary regulations applicable to any commercial business, Khiron’s operations related to Hemp would be subject to state and federal regulation in respect of the production, distribution and sale of products intended for human ingestion or topical application. The 2018 Farm Bill expressly made no amendments to the Federal Food Drug and Cosmetic Act (“**FDCA**”) which applies to the production and sale of all products intended for human or animal consumption introduced into interstate commerce.

Hemp is an agricultural commodity cultivated for use in the production of a wide range of products globally. Among others, hemp is used in the agriculture, textile, recycling, automotive, furniture, food and beverage, paper, construction materials and personal care industries.

Botanically, Hemp is categorized as *Cannabis sativa L.,* a subspecies of the cannabis genus. Numerous unique, chemical compounds are extractable from hemp, including THC and CBD. These cannabinoids are responsible for a range of potential psychological and physiological effects. Hemp is distinguishable from its cousin marijuana, which also comes from the *Cannabis sativa L.* subspecies, by its absence of more than trace amounts (0.3% or less) of the plant’s primary psychoactive compound THC. Although international standards vary, other countries, such as Canada, have used the same THC potency standards to define Hemp.

Historically, the effects of federal tax rendered the domestic farming of hemp impractical. In addition, with the science of distinguishing hemp from marijuana undeveloped, and fearful of hemp as a psychoactive substance, states legally restricted growth and cultivation of the hemp plant. Subsequently, federal legislation scheduled all cannabis grown in the US as a controlled substance, and as a result, until the passage of the 2014 Farm Bill, cultivating hemp for any purpose in the US without a Schedule I registration with the DEA was illegal. Presently, the 2014 Farm Bill allows Industrial Hemp to be cultivated within the context of a state agricultural pilot program and where permitted by state law.

The 2014 Farm Bill

In 2014, Congress enacted the 2014 Farm Bill. The 2014 Farm Bill allows institutions of higher education or state departments of agriculture to cultivate industrial hemp for research purposes, *notwithstanding the CSA or any other federal law*, provided certain conditions are met. The scope of the 2014 Farm Bill is limited to cultivation that is: (a) for research purposes (inclusive of market research); (b) part of an “agricultural pilot program” or other agricultural or academic research; and (c) permitted by state law.

"**Industrial hemp**" is defined in federal law as the plant *Cannabis sativa* L., and any part of such plant, whether growing or not, with a delta-9 THC concentration of not more than 0.3% on a dry weight basis.

The 2014 Farm Bill does not provide a federal regulatory framework or require states to adopt and implement hemp programs. As a result, many state regulatory and enforcement agencies continue to prohibit the production and sale of hemp and hemp-derived CBD products. Notwithstanding the fact that Hemp and Hemp-derived CBD are now expressly removed from the CSA, compliance with state law remains imperative under both the 2014 and 2018 Farm Bill.

The various state 2014 Farm Bill Industrial Hemp pilot programs have different requirements regarding the registration of cultivators and processors, the involvement of institutions of higher education, and permissible commercialization. The 2014 Farm Bill did not establish a federal regulatory framework and gave significant discretion to states to adopt regulations governing hemp activity. Any plant found to contain a higher concentration of THC than permitted by the 2014 Farm Bill (which uses the same THC threshold as the 2018 Farm Bill) is considered a Schedule I substance under the CSA (i.e. marijuana) and is not protected by the 2014 Farm Bill.

DEA Position

The following discussion pertains to the DEA's position prior to the date the 2018 Farm Bill was enacted. To our knowledge, the DEA has not expressed its position with respect to the 2018 Farm Bill; however, due to the fact that Hemp is explicitly exempted from the definition of "marihuana" (marijuana) in the CSA, the DEA no longer has authority over the production and distribution of Hemp.

Notwithstanding the Ninth Circuit's holding in HIA v DEA II, which invalidated previous final rules promulgated by the DEA in the early 2000s, the DEA subsequently published a regulation in 2016 (the ''**2016 Final Rule**'') also referred to as the ''Marihuana Extract Rule,'' which states that all extracts from the cannabis plant are Schedule I controlled substances, regardless of which part of the cannabis plant the extracts are derived from. Although the DEA subsequently issued a clarification to the 2016 Final Rule, explaining that the 2016 Final Rule includes only extracts that fall within the CSA definition of marijuana, and does not include materials excluded from the CSA definition of marijuana, it makes clear that the DEA does not believe CBD can be derived in commercially viable amounts from the parts of the plant exempted from CSA control, noting that the cannabinoids are concentrated in the flower and that CBD present in stalk is generally due to the presence of resin. (Note again, that the DEA was referring to exemptions from the definition of "marihuana" (marijuana) as that term was defined prior to the passage of the 2018 Farm Bill.) According to the DEA, resin from any part of the plant is clearly included in the CSA definition of ''marijuana.''

This position is again emphasized in a 2018 Ninth Circuit Court of Appeals case of Hemp Industries Association, et al., Petitioners, v. Drug Enforcement Administration, et al., Respondents, Nos. 03-71336; 03-71603, 2017 WL 10721879 (C.A.9) (''**HIA v. DEA III'**'). In this case, HIA and other industry petitioners filed a Petition for Review seeking to block the implementation of the DEA's 2016 Final Rule on marihuana extracts, in part, claiming that the 2016 Final Rule conflicted with the 2014 Farm Bill. In response to the case, a bipartisan group of 29 congressional members submitted an amicus brief (the ''**Amicus Brief**'') arguing the DEA's stance is in contravention of the 2014 Farm Bill and other laws, and that the intent and plain meaning of the 2014 Farm Bill was to open Industrial Hemp to national commercial activity. On April 30, 2018, the Ninth Circuit Court of Appeals denied the HIA's appeal of the 2016 Final Rule based on procedural grounds, but importantly confirmed that *the 2014 Farm Bill adequately acknowledges the conflict and preempts the CSA*, confirming that the 2016 Final Rule does not apply to Industrial Hemp grown lawfully under the 2014 Farm Bill.. As noted above, the passage of the 2018 Farm Bill and its corresponding amendments to the CSA likely changes this analysis.

On May 22, 2018, the DEA issued an internal directive to its agents concerning the legality of hemp and hemp-derived products. The key language states:

“Products and materials that are made from the cannabis plant and which fall outside the CSA definition of marijuana (such as sterilized seeds, oil or cake made from the seeds, and mature stalks) are not controlled under the CSA. Such products may accordingly be sold and otherwise distributed throughout the US without restriction under the CSA or its implementing regulations. The mere presence of cannabinoids is not itself dispositive as to whether a substance is within the scope of the CSA; the dispositive question is whether the substance falls within the CSA definition of marijuana.’’

Further, they clarified the controversial ‘‘marijuana extract’’ rule: “‘This directive does not address or alter DEA’s previous statements regarding the drug code for marijuana extract and regarding resin. See Establishment of a New Drug Code for Marihuana Extract, 81 Fed. Reg. 90194 (Dec. 14, 2016); Clarification of the New Drug Code (7350) for Marijuana Extract. As DEA has previously explained, the drug code for marijuana extract extends no further than the CSA does, and it thus does not apply to materials outside the CSA definition of marijuana.’’

To be clear, the DEA has stated that it has no enforcement authority over hemp or hemp products that are excluded from the CSA. This may include any product derived from hemp grown as part of a 2014 Farm Bill-authorized pilot program, which the 2014 Farm Bill explicitly includes ‘‘notwithstanding’’ the CSA. (The Ninth Circuit Court of Appeals stated the 2014 Farm Bill ‘‘contemplates potential conflict between the Controlled Substances Act and pre-empts it’’.)

Despite the DEA’s concession that it maintains no jurisdiction with regard to 2014 Farm Bill activities, there remains concern over the extent to which other federal, state and local agencies as well as services providers defer to the DEA’s earlier, negative rhetoric towards the 2014 Farm Bill in the Statement of Principles and a possible reaction to the new 2018 Farm Bill.

Since, the 2018 Farm Bill established a clear regulatory framework for the cultivation and sale of Hemp, and amended the CSA to expressly exclude Hemp, the position of the DEA should change and that no action against companies involved in the space should be taken by the DEA as long as there is strict compliance with the requirements of the 2014 Farm Bill or the 2018 Farm Bill, as applicable.

State Regulation of Hemp

States take varying approaches to regulating the production and sale of hemp and hemp-derived CBD under the 2014 Farm Bill and state food and drug laws. While some States explicitly authorize and regulate the production and sale of CBD or otherwise provide legal protection for authorized individuals to engage in commercial hemp activities, other States maintain outdated drug laws that do not distinguish between marijuana, hemp and/or hemp-derived CBD, resulting in hemp being classified as a schedule I controlled substance under state law. In these states, sale of CBD, notwithstanding origin, is either restricted to state medical or adult-use marijuana program licensees or remains otherwise unlawful under state criminal laws.

Additionally, a number of States prohibit the sale of consumable CBD products based on the FDA’s position that, pursuant to the FDCA it is unlawful “. . . to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products as, or in, dietary supplements, regardless of whether the substances are hemp-derived under the 2018 Farm Bill there will be significant, shared state-federal regulatory authority over the production of hemp. States have the option to have primary regulatory authority over hemp production in their jurisdictions by submitting regulatory plans to USDA that meet minimal federal standards.

Under section 10113 of the 2018 Farm Bill, state departments of agriculture must consult with the state’s governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of the USDA. A State’s plan to license and regulate hemp production can only commence once the Secretary of the USDA approves that State’s plan. In States opting not to devise a hemp regulatory program, and that do not otherwise prohibit hemp production, the USDA will construct a regulatory program under which hemp cultivators in those States must apply for licenses and comply with a federal program.

Additionally, pursuant to the 2018 Farm Bill, a State is not required to authorize or permit the production and sale of hemp or hemp products. As a result, it is possible that a limited number of States will maintain laws that could be interpreted to prohibit the manufacture, possession and sale of hemp-derived CBD products.

Regulatory Compliance Requirements and FDA's Position on CBD and Certain Other Hemp Products

The 2018 Farm Bill expressly preserves the FDA's authority to regulate certain products containing cannabis or cannabis-derived compounds under the FDCA. Certain provisions of the FDCA preclude a substance from being considered a food and prohibit a substance from being marketed as a dietary supplement or dietary ingredient if such substance has been approved by the FDA as a new drug, or if such substance has been authorized for investigation as a new drug ("**IND**") for which substantial clinical investigations have been instituted and for which the existence of such investigations has been made public (the "**Preclusion Rule**").

Because CBD was the subject of public drug trials and is the active ingredient in an FDA-approved drug (Epidiolex), the FDA takes the position that it is unlawful under the FDCA to introduce food containing added CBD into interstate commerce, or to market CBD products as, or in, dietary supplements, regardless of whether the substances are hemp-derived. Additionally, the FDA requires a cannabis product (hemp-derived or otherwise) that is marketed with a claim of structure/function therapeutic benefit, or with any other disease claim, and therefore intended for use as a drug, to be approved by the FDA for its intended use before it may be introduced into interstate commerce.

GW Pharmaceuticals' ("**GW**") investigational new drug application for Sativex, a cannabis-derived oral spray, was authorized by the FDA in 2006, likely triggering the Preclusion Rule as applied to dietary supplements, and GW initiated clinical trials in late 2007, triggering the Preclusion Rule as applied to food. Although the IND application and clinical investigations for Sativex predate the initial IND authorization for Epidiolex, Sativex has not yet received final FDA approval.

However, on June 25, 2018, the FDA announced its official approval of GW's application for its new drug, Epidiolex. Epidiolex is a CBD-based oral solution developed for use in the treatment of seizures associated with two rare and severe forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome. Although there are other FDA-approved drugs that contain synthetically produced THC, Epidiolex is the first FDA-approved drug that contains a purified drug substance derived from cannabis. Importantly, although substances that were marketed as a conventional food or dietary supplement before the new drug investigations were authorized or commenced are exempt from the Preclusion Rule, the FDA has concluded that, based on available evidence, this is not the case for CBD. Several states, including California, have followed the FDA's position. Further, many state food and drug laws mirror, or are substantially similar, to the FDCA, and the laws of many states include additional policies or regulations prohibiting the sale of certain hemp and/or CBD products intended for human or animal consumption.

The FDA has enforced its position and asserted the Preclusion Rule through warning letters to companies marketing hemp and CBD products as dietary supplements, particularly where such marketing includes health and/or medical claims. State regulatory agencies have enforced similar policies through warning letters, seizures, and, in some cases, more serious legal action.

UK

On October 16, 2019, Khiron announced its intention to enter the UK cosmetics market with its line of Kuida branded CBD based cosmetics. Seven of Khiron's CBD based Kuida cosmetic formulations are currently offered for sale in the UK, in compliance with UK and EU regulatory requirements, including safety assessments and cosmetic notification.

In order to commercialize Kuida in the UK, the Company is required to comply with each of the separate regulatory regimes applicable to cosmetics and cannabis, respectively. The following is a summary of the relevant laws, regulations, and industry trade guidance applicable to CBD based cosmetics in the UK.

The main UK and European regulations applicable to cosmetics and CBD-based products are:

- Cosmetic Products Regulation: Regulation (EC) No. 1223/2009 (the "**Cosmetics Regulation**")
- Misuse of Drugs Act (MDA 1971)
- Misuse of Drugs Regulations (MDR 2001)

Under the Cosmetics Regulation, a 'Cosmetic' is:

> "*any substance or mixture intended to be placed in contact with the various external parts of the human body (epidermis, hair system, nails, lips and external genital organs) or with the teeth and the mucous membranes of the oral cavity with a view exclusively or mainly to cleaning them, perfuming them, changing their appearance and/or correcting body odours and/or protecting them or keeping them in good condition*"

Under Article 2, Regulation (EC) No. 1223/2009, only products meeting the definition of a cosmetic may be regulated by the Cosmetic Regulation. In order to be considered a cosmetic, a product must not be characterized as a medicine by virtue of its presentation, its claims or its composition.

CBD can be used as an ingredient in cosmetics, provided it complies with the 'Exempt Product Criteria' set out in established UK law. CosIng is EU's official database for cosmetics that lists the substances that are either permitted or prohibited as cosmetic ingredients. CBD is listed as a prohibited ingredient if "it is prepared as an extract or tincture or resin of Cannabis in accordance with the Single Convention".

The important feature that determines whether the CBD will be prohibited is the level of THC. If the THC level is below the set levels (as per the "exempt product criteria" in the UK) then the extract/tincture is not prohibited. This interpretation of the CosIng list has been confirmed by the Cosmetic Toiletry & Perfumery Association ("**CTPA**") which is the trade association of the British Cosmetics Industry.

Under UK law, hemp seed oil is also permitted as an ingredient in cosmetics as the seed is not prohibited in Annex II to the Cosmetics Regulation. The seed is also not controlled under MDA 1971. Pure synthetic CBD is permitted as an ingredient in cosmetic products.

Pure synthetic CBD is not controlled by MDA 1971 provided that it does not contain any controlled substances such as THC. This is also confirmed by the CTPA. Refined CBD derived from a hemp extract is also lawful in the UK provided it is not contained in a product to be ingested.

The European Union (EU) requires all cosmetics products to be registered in the Cosmetics Products Notification Portal (CPNP) before they can be placed in the market. A safety assessment for each cosmetic product must also be conducted.

An additional requirement for cosmetics in the EU is the appointment of a Responsible Person (RP) to have responsibility for any cosmetic product which is to be marketed in the EU. The European regulation EC No. 1223/2009 defines the RP in the article 4 as a legal or natural person based in the EU who will act as the unique representative throughout the EU. The RP's role is to ensure that each cosmetic product personal care product marketed in the EU countries complies with the Cosmetics Regulation 1223/2009 which aims to establish that the cosmetic product is safe for use.

RISK FACTORS

Due to the nature of Khiron's business, the legal and economic climate in which it operates and its present stage of development, Khiron is subject to significant risks. The risks presented below should not be considered to be exhaustive and may not be all of the risks that Khiron may face. Additional risks and uncertainties not presently known to Khiron or that Khiron currently considers immaterial may also impair the business and operations. If any of the following or other risks occur, the Company's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of Khiron Shares could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

Risks Relating to the Company's Business and Operations

Limited Operating History

Khiron was founded in 2017 and, as such, it has a limited operating history upon which its business and future prospects may be evaluated. Khiron will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for Khiron to meet future operating and debt service requirements, Khiron will need to be successful in its growing, marketing and sales efforts. Additionally, where Khiron experiences increased sales, Khiron's current operational infrastructure may require changes to scale Khiron's business efficiently and effectively to keep pace with demand and achieve long-term profitability. If Khiron's products and services are not accepted by new customers, Khiron's operating results may be materially and adversely affected.

Managing Growth

In order to manage growth and change in strategy effectively, Khiron must (i) maintain adequate internal systems and controls to meet customer demand; (ii) expand sales and marketing, distribution capabilities and administrative functions; (iii) expand the skills and capabilities of its current management team; and (iv) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, Khiron expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

Dependence Upon Management and Key Employees

The Company's success is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key employees. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's business, operating results or financial condition. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key employees in the future, which may adversely impact Khiron's operations.

Dependence on Suppliers and Skilled Labour

The Company's ability to compete and grow will be dependent upon having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining the required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by capital expenditure programs may be significantly greater than anticipated or available, in which circumstance there could be a materially adverse effect on the Company's financial results.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers, directors and consultants may be engaged in a range of business activities. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with the British Columbia Business Corporations Act, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In accordance with applicable laws, the Company's directors are required to act honestly, in good faith and in the best interests of Khiron.

Reliance on One Facility

The cultivation facility in Colombia is currently Khiron's only licensed facility to cultivate and sell cannabis. The Company's revenue is dependent on the uninterrupted operation of its production at this facility. Khiron's operations may be disrupted by a variety of risks and hazards that are beyond its control, including, but not limited to, fires, power outages, labour disruptions, supply disruptions, natural disasters, public health emergencies and the inability to obtain suitable or adequate machinery, equipment or labour as well as any interruption in its operations as a result of any failure to comply with all applicable laws and regulations involved or security breaches in the cultivation and production of medicinal cannabis.

Frequent or prolonged occurrence of any of the aforesaid events may have a material adverse effect on the Company's business, financial condition and results of operation. If there is any damage to the Company's production facilities, it may not be able to alleviate the impact of such damage in a timely and proper manner or at all. Any breakdown or malfunction of any of the Company's information technology systems and equipment could cause a material disruption of its operations. Adverse changes or developments affecting this facility could have a material and adverse effect on the Company's business, financial condition and prospects.

Certain contemplated capital expenditures of Khiron may require approval of Colombian regulatory authorities. There is no guarantee that Colombian Regulatory Authorities will approve any contemplated expansion and/or renovation, which could adversely affect the business, financial condition and results of Khiron's operations.

Product Viability

If the products Khiron sells are not perceived to have the effects intended by the end user, its business may suffer and the business may be subject to products liability or other legal actions. Many of Khiron's products contain innovative ingredients or combinations of ingredients. There is little long-term data available with respect to efficacy, unknown side effects and/or interaction with individual human biochemistry, or interaction with other drugs. Moreover, there is little long-term data available with respect to efficacy, unknown side effects and/or its interaction with individual animal biochemistry. As a result, Khiron's products could have certain side effects if not taken as directed or if taken by an end user that has certain known or unknown medical conditions.

Demand for Cannabis and Derivative Products

The legal cannabis industry is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of medicinal cannabis are mixed and evolving and can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medicinal cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medicinal cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research

reports, findings or publicity could have a material adverse effect on the demand for medicinal cannabis and on the business, results of operations, financial condition and cash flows of Khiron. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of medicinal cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medicinal cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medicinal cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization. Khiron's ability to gain and increase market acceptance of its business may require substantial expenditures on investor relations, medical education, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on Khiron.

Third party transportation

The Company relies on third party transportation services and importation services to deliver its products to its customers. Khiron is exposed to the inherent risks associated with relying on third party transportation service-providers, including logistical problems, delays, loss or theft of product and increased shipping and insurance costs. Any delay in transporting the product, breach of security or loss of product, could have a material adverse effect on the Company's business, financial performance and results of operations. Further, any breach of security and loss of product during transport could affect Khiron's status as a licensed producer.

Security breaches

Breaches of security at our facilities may occur and could result in damage to or theft of products and equipment. A security breach at any one of our facilities could result in a significant loss of inventory or work in process, expose us to liability under applicable regulations and increase expenses relating to the investigation of the breach and implementation of additional preventative security measures, any of which could have an adverse effect on our business, financial condition and results of operations.

Cyber-security and privacy risks

The Company may be subject to risks related to our information technology systems, including cyber-attacks, malware, ransomware and phishing attacks that could target our intellectual property, trade secrets, financial information, personal information of our employees, customers and patients, including sensitive personal health information. The occurrence of such an attack could disrupt our operations and expose the Company to financial losses, contractual damages, liability under labour and privacy laws, reputational damage and additional expenses. We have implemented security measures to protect our data and information technology systems; however, such measures may not be effective in preventing cyber-attacks. We may be required to allocate additional resources to implement additional preventative measures including significant investments in information technology systems. A serious cyber-security breach could have a material adverse effect on our business, financial condition and results of operations.

The Company may collect and store certain personal information about customers and are responsible for protecting such information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. In addition, theft of data is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such privacy breach or theft could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, there are a number of laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. If the Company were found to be in violation of privacy or security rules or other laws protecting the confidentiality of medical cannabis patient health information, the Company could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the Company's business, financial condition and results of operations.

Liability, Enforcement, Complaints, etc.

Khiron's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by third parties, other companies and/or various governmental authorities against Khiron. Litigation, complaints, and enforcement actions involving Khiron could consume considerable amounts of financial, management and other corporate resources, which could have an adverse effect on Khiron's future cash flows, earnings, results of operations and financial condition.

Intellectual Property

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, regardless of their merit, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company has infringed on their lawful rights. Such licenses may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans or applied to the human body, Khiron faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused loss or personal injury. In addition, the sale of Khiron's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from consumption or use of Khiron's products alone or in combination with other medications or substances could occur. Khiron may be subject to various product liability claims, including, among others, that Khiron's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. A product liability claim or regulatory action against Khiron could result in increased costs, could adversely affect Khiron's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of Khiron. There can be no assurances that Khiron will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Khiron's potential products.

Insurance Coverage

While the Company has obtained insurance policies to protect its assets, operations and employees, certain losses and liabilities of the Company may exceed the coverage limits or be excluded altogether by the terms of such policies. Insurance may not be available for all of the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial loss or liability not covered by insurance or in excess of policy limits, or if it were to incur such loss or liability when it is not able to obtain insurance, the Company's business, financial condition and results of operations may be adversely affected.

Ability to Establish and Maintain Bank Accounts

In certain countries, cannabis businesses may have difficulty accessing the services of banks and processing credit card payments, which may make it difficult for the Company to operate in those countries. In addition, there is a risk that banking institutions in countries where Khiron operates will not accept payments related to the cannabis industry. As a result, the Company may have limited or no access to banking or other financial services in certain countries. The inability or limitation on the Company's ability to open or maintain bank accounts in certain countries, obtain other banking services and/or accept credit card and debit card payments may make it difficult to operate and conduct its business as planned in these countries or increase costs for Khiron. To-date, Khiron has managed banking restrictions with minimal additional cost or impact on operations, but Khiron's inability to manage such risks in future could adversely affect Khiron's operations and financial performance.

Research and Development

Rapidly changing markets, technology, emerging industry and regulatory standards and frequent introduction of new products characterize the Company's business. The introduction of new products embodying new technologies and regulatory developments may render the Company's equipment obsolete and its products and services less competitive or less marketable. The process of developing the Company's products and services is complex and requires significant continuing costs, development efforts, third-party commitments and regulatory approvals. The Company may not be successful in developing or effectively commercializing such new products and services, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of developing such products and services, may have a material adverse effect on the Company's business, financial condition and operating results.

The Company may be unable to anticipate changes in its potential client requirements that could make the Company's existing products and services obsolete. The Company's success will depend, in part, on its ability to continue to enhance its product and service offerings so as to address the increasing sophistication and varied needs of the market, and respond to technological and regulatory changes and emerging industry standards and practices on a timely and cost-effective basis.

Shelf Life of Inventory

The Company holds finished goods in inventory and its inventory has a shelf life. Finished goods in the Company's inventory include cannabis flower, cannabis oil products and cosmeceutical products from its Kuida line. The Company's inventory may reach its expiration and not be sold. Although management regularly reviews the quantity and remaining shelf life of inventory on hand, and estimates manufacturing and sales lead times in order to manage its inventory, write-downs of inventory may still be required. Any such write-down of inventory could have a material adverse effect on the Company's business, financial condition, and results of operations.

Maintenance of Effective Quality Control System

The Company may not be able to maintain an effective quality control system. The Company ascribes its success to its commitment to product quality and its effective quality control system. The effectiveness of the Company's quality control system and its ability to obtain or maintain Good Manufacturing Practices (GMP) certification with respect to its manufacturing, processing and testing facilities depend on a number of factors, including the design of its quality control procedures, training programs, and its ability to ensure that its employees adhere to the Company's policies and procedures. The Company also depends on service providers such as toll manufacturers and contract laboratories to manufacture, process or test its products, that are subject to GMP and Good Elaboration Practices (GEP) certification requirements. Regulatory agencies periodically inspect our and our service providers' facilities to evaluate compliance with applicable GMP and GEP requirements. Failure to comply with these requirements may subject us or our service providers to possible regulatory enforcement actions. Any failure or deterioration of the

Company's or its service providers' quality control systems, including loss of GMP or GEP certification, may have a material adverse effect on the Company's business, results of operations and financial condition.

Product Recalls

Manufacturers may recall products for a variety of reasons, including defects or deficiencies in the product, packaging or labelling, product contamination, or due to the occurrence of serious and unexpected adverse events reported by patients or consumers. If any of Khiron's products are recalled for any reason, Khiron could be required to incur significant, unexpected expenses including the cost of recalling and withdrawing the product from the market and conducting an appropriate investigation, replacing or refunding the price of the recalled products and legal expenses of any litigation that might arise in connection with the recall. A recall could result in backorders and lost sales and Khiron may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although Khiron has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid product recalls, regulatory action or lawsuits. Additionally, if Khiron's products are subject to a recall, the image of Khiron and its brands could be harmed. A recall could lead to decreased demand for Khiron's products and could have a material adverse effect on the results of operations and financial condition of Khiron. Additionally, product recalls may lead to increased scrutiny of Khiron's operations by regulatory agencies, potential loss of applicable licenses, increased demand on management resources, and potential legal fees and other expenses.

Risks Inherent in an Agricultural Business

Khiron's business involves the growing of cannabis, which is an agricultural product. Khiron grows its cannabis in a controlled, outdoor environment. The occurrence of severe adverse weather conditions, especially droughts, hail, floods or frost, is unpredictable and may have a potentially devastating impact on agricultural production. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce Khiron's yields or require Khiron to increase its level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts could reduce the yield and quality of Khiron's cannabis production, which could materially and adversely affect Khiron's business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Even when only a portion of the production is damaged, Khiron's results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect Khiron's operating results and financial condition. Furthermore, if Khiron fails to control a given plant disease and the production is threatened, Khiron may be unable to supply its customers, which could adversely affect its business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on any such production.

Risks Inherent in Rural Real Estate

The Colombian Constitution protects the right to own private property and related rights acquired in compliance with civil regulations. According to the Colombian Constitution, legally acquired private property ownership rights cannot be affected if the owner is in compliance with applicable laws. Except in the case of public necessity or social interest, subject to due process and the payment of an indemnification, expropriations without just cause or on a discriminatory basis are restricted.

In August 2011, Colombia and Canada entered into a Free Trade Agreement, which outlines the issue of expropriations in Article 811 as well as dispute settlements in Chapter 21. The Free Trade Agreement provides that Canadian investments in Colombia will be granted fair and equitable treatment with full protection and security and will be accorded no less favourable treatment than Colombia grants to its own investors or investors of any other country. It also provides that an investment will not be expropriated except in a non-discriminatory manner in accordance with due process of law with prompt and adequate compensation. The expropriation provisions cover both traditional "direct" takings and so-called "indirect" or "creeping" expropriation, which results from a measure or a series of measures by a government that have an effect equivalent to direct expropriation without a formal transfer of title or outright seizure of the investment. An investor-State dispute resolution process is provided for in the event that the investment is not provided the protections set out in the Free Trade Agreement. Through this process, a Canadian investor can challenge a Colombian measure through binding international arbitration instead of relying on the Colombian courts.

Protected Areas Established by the National System of Protected Areas

Cannabis licenses may not be granted to individuals or legal persons who intend to conduct the licensed activities on lands that are in national parks or in protected areas established by the National System of Protected Areas. The government has the right to establish new protected areas in areas with certain environmental relevance that might result in the prohibition to conduct any type of activities on those areas or the need to obtain environmental authorizations. Khiron does not operate in a protected area and no expropriation proceedings are pending with respect to Khiron, pursuant to the National System of Protected Areas.

Energy Prices and Supply

Khiron requires substantial amounts of diesel and electric energy and other resources for its cultivation and harvest activities and for transportation of cannabis. Khiron relies upon third parties for its supply of energy resources used in its operations. The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, imposition of restrictions on energy supply by government, worldwide price levels and market conditions. Although Khiron has completed the installation of a solar power facility at its Cultivation Facility in order to significantly reduce its dependence on external suppliers and to mitigate the effects of fuel shortages, electricity outages and cost increases, the Company's operations will continue to depend on external suppliers of fuel and electricity. If energy supply is cut for an extended period and Khiron is unable to find replacement sources at comparable prices, or at all, Khiron's business, financial condition and results of operations would be materially and adversely affected.

Supply of Cannabis Seeds

Khiron has already registered 22 strains of cannabis which the Company uses to produce seeds for commercial growing purposes. If for any reason the supply of cannabis seeds from the registered strains ceases or is delayed, Khiron would have to seek alternative suppliers and all necessary authorizations for the new seeds. If replacement seeds cannot be obtained at comparable prices, or at all, or if the necessary authorizations are not obtained, Khiron's business, financial condition and results of operations would be materially and adversely affected. There are over 200 strains already registered in Colombia and the market for seeds is increasing in size, as competing suppliers register their strains.

Changes in Corporate Structure

Colombian cannabis licenses are granted on a non-transferable, non-exchangeable and non-assignable basis. Any breach of this restriction may give rise to unilateral termination of the license by the governmental authority. Notwithstanding, Colombian laws do not provide for specific regulations or restrictions regarding the effects of a change in control, modification of the corporate structure, issuance of shares, or any changes in holders or final beneficiaries of cannabis licenses.

Colombian legislation gives special attention to the identification and background of the legal representatives of licensees. Licensees must file a declaration of the legality of the proceeds of the legal representatives. Furthermore, Decree 613 of 2017 provides a set of resolutory conditions, which enable the Ministry of Health or the Ministry of Justice, as applicable, to terminate a license if the licensee fails to request the amendment of the license within 30 calendar days following any changes in (i) the legal representation of the licensee; or (ii) the declaration that a legal representative is criminally liable for drug trafficking or related crimes, after having issued the respective license.

As the Company expands its operations to other jurisdictions, it may be subject to additional or similar transfer restrictions that could have the effect of limiting the Company's ability to derive the full value of its licenses on a sale of the business, business combination or corporate reorganization.

Public Health Crises, including COVID-19

A local, regional, national or international outbreak of a contagious disease, such as COVID-19, could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price and demand for the Company's products. COVID-19 could affect the Company's ability to conduct operations and may result in shortages of staff. In addition, mandatory quarantine or isolation measures may result in closures of clinics for non-emergency treatments or consultations, including a potential reduction in patient visits at the Company's clinics and, as a result, potential lost revenue. Such measures could also require the closure of retail stores where the Company's products are sold, resulting in lost sales. Such an outbreak, if uncontrolled or prolonged, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Country Risks

The Company has operations in various countries, including emerging market countries, and may have operations in additional countries in the future. Such operations expose the Company to the socio-economic conditions as well as the laws governing the cannabis industry in such countries. Inherent risks with conducting foreign operations include, but are not limited to: high rates of inflation; extreme fluctuations in currency exchange rates, military repression; war or civil war; social and labour unrest; organized crime; hostage taking; terrorism; violent crime; expropriation and nationalization; renegotiation or nullification of existing licenses, approvals, permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms, banking and currency controls and governmental regulations that favour or require the Company to award contracts in, employ citizens of, or purchase supplies from, the jurisdiction.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Changes, if any, in cannabis industry policies or shifts in political attitude in the countries in which the Company operates may adversely affect its operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, importation of product and supplies, income and other taxes, royalties, the repatriation of profits, expropriation of property, foreign investment, maintenance of licenses, approvals and permits, environmental matters, land use, land claims of local people, water use and workplace safety. Failure to comply strictly with applicable laws, regulations and local practices could result in loss, reduction or expropriation of licenses, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The Company continues to monitor developments and policies in the countries in which it operates and assess the impact thereof to its operations; however, such developments cannot be predicted and could have an adverse effect on the Company's operations or profitability.

Global Economy

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. Khiron may be dependent upon the capital markets to raise additional financing in the future, while it establishes a user base for its products. As such, the Company is subject to

liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact Khiron's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on operations and the trading price of its Shares.

TSXV Restrictions on Business

As a condition to initially listing on the TSXV, the TSXV required that Khiron deliver an Undertaking (the "**Undertaking**") confirming that, while listed on TSXV, Khiron will only conduct the business of the production, sale and distribution of medicinal marijuana in Colombia pursuant to the Licenses and in accordance with applicable law, unless prior approval is obtained from TSXV. The Undertaking could have an adverse effect on Khiron's ability to do business or operate outside of Colombia and on its ability to expand its business into other areas, including the provision of non-medical marijuana in the event that the laws were to change to permit such sales, if Khiron is still listed on the TSXV and remains subject to the Undertaking at such time. Compliance with the Undertaking may delay or prevent Khiron from expanding into new areas of business when Khiron's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition and results of Khiron's operations.

Expansion into New Jurisdictions

The Company's expansion and proposed expansion into other jurisdictions is subject to all the normal risks associated with operating in a new jurisdiction. The Company may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations (including those specifically related to the cannabis industry and related activities), the effects of competition, opposition to the Company's activities and other risks and uncertainties associated with conducting business in such jurisdictions. The Company will also be subject to new political, legal and regulatory regimes and other risks including but not limited to taxation, price controls, export/import controls, permitting and licensing regimes, environmental laws, labour laws, changing political conditions, repatriation restrictions and currency fluctuations.

The legal and regulatory requirements and local business culture and practices in the foreign countries in which the Company may expand are different from those in which it currently operates. The officers and directors of the Company will rely, to a great extent, on the Company's local legal counsel and local consultants and advisors in respect of legal, banking, labour, financing and tax matters in order to ensure compliance with material legal, regulatory and governmental developments as they pertain to and affect the Company's operations, particularly with respect to cannabis or related operations. Increased compliance costs will be incurred by the Company. Further, there can be no assurance that any market for the Company's products will develop in these new jurisdictions. These factors may limit the Company's ability to successfully expand its operations into such jurisdictions and may have a material adverse effect on the Company's business, financial condition and results of operations.

Regulatory Risks

Legal Proceedings

From time to time, Khiron may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. Khiron will evaluate its exposure to these proceedings and establish reserves for liabilities (where such liabilities can be estimated) in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties and it may not be possible to estimate Khiron's potential liability if any. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on Khiron's financial results.

While the Company has insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards, while certain other types of litigation may be excluded from coverage entirely. Substantial litigation costs or an adverse result in any litigation may adversely impact the Company's business, operating results or financial condition.

Regulatory Compliance Risks

Achievement of Khiron's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining regulatory approvals, where necessary, for the sale of its products. Khiron may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its business. Khiron cannot predict the time required to secure regulatory approvals for its products, or the extent of testing and documentation that may be required by local governmental authorities. To date, Khiron has received the licenses to cultivate Low-THC and High-THC medicinal cannabis and the license to manufacture cannabis extracts from the Colombian government. In addition, as Khiron expands its business operations in jurisdictions outside Colombia, including the EU, UK, Brazil, Peru and Uruguay, the Company will be required to obtain additional licenses, authorizations and permits to conduct business. The impact of the various compliance regimes, and any delays in obtaining, or failure to obtain or maintain the necessary regulatory approvals, may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of Khiron.

The officers and directors of Khiron must rely, to a great extent, on Khiron's legal counsel and consultants in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect Khiron's business operations, and to assist Khiron with its governmental relations in each jurisdiction where the Company operates. With respect to its Colombian operations, Khiron relies to a certain extent, on those members of management and the board who have previous experience working and conducting business in Colombia in order to enhance its understanding of and appreciation for the local business culture and practices in Colombia. Khiron also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of banking, financing and tax matters in Colombia. Developments or changes in such legal, regulatory or governmental requirements or in local business practices in foreign jurisdictions are beyond the control of Khiron and may adversely affect its business.

Khiron will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permit requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Khiron may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations, more vigorous enforcement or other unanticipated events could require extensive changes to Khiron's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the Company's business, operating results or financial condition.

Canadian Regulatory and Civil Proceedings

Khiron operates in Colombia pursuant to licenses and authorizations granted by the Ministry of Justice and the Ministry of Health. Consequently, certain activities conducted by Khiron are permissible under one regulatory regime while not under another. In the past, Canadian courts and regulatory authorities have taken the view that it is not contrary to Canadian federal or provincial law for a person to be engaged in, or for an entity to hold interests in affiliates that are engaged in, certain regulated activities where such activities may be regulated differently than in the home jurisdictions and have enforced extra-territorial laws even where such laws (or regulatory regimes applicable to certain activities or industries) differs from those in the Canadian jurisdiction. There is a risk however that the Canadian courts or applicable Canadian or other governmental authorities may take a contrary view with respect to the business of Khiron and view Khiron as having violated their local laws, despite Khiron having obtained all applicable Colombian licenses or

authorizations and despite that Khiron does not carry on business in Canada. Therefore, there is a risk that civil and criminal proceedings, including class actions, could be initiated against Khiron. Such potential proceedings could involve substantial litigation expense, penalties, fines, seizure of assets, injunctions or other restrictions being imposed upon Khiron or its business partners, while diverting the attention of key executives. Such proceedings could have a material adverse effect on Khiron's business, revenues, operating results and financial condition as well as impact upon Khiron's reputation.

Change of Cannabis Laws, Regulations and Guidelines

Cannabis laws and regulations are dynamic and subject to evolving interpretations which could require Khiron to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of Khiron's businesses.

Khiron cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on Khiron's business. Management expects that the legislative and regulatory environment in the cannabis industry in Colombia and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry for the foreseeable future. Compliance with any such legislation may have a material adverse effect on Khiron's business, financial condition and results of operations. Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public's perception of the cannabis industry could affect future legislation or regulation in different jurisdictions.

Reliance on Licenses and Authorizations

Khiron's ability to grow, store and sell cannabis is dependent on Khiron's ability to sustain and/or obtain the necessary licenses and authorizations by certain authorities in Colombia and around the globe. The licenses and authorizations are subject to ongoing compliance and reporting requirements and the ability of Khiron to obtain, sustain or renew any such licenses and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Failure to comply with the requirements of the licenses or authorizations or any failure to maintain the licenses or authorizations would have a material adverse impact on the business, financial condition and operating results of Khiron.

Although Khiron believes that it will meet the requirements to obtain, sustain or renew the necessary licenses and authorizations, there can be no guarantee that the applicable authorities will issue these licenses or authorizations. Should the authorities fail to issue the necessary licenses or authorizations, Khiron may be curtailed or prohibited from the production and/or distribution of cannabis or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of Khiron may be materially adversely affected.

Money Laundering Laws

The United Nations defines money laundering as "any act or attempted act to disguise the source of money or assets derived from criminal activity." According to FINTRAC (which stands for Financial Transactions and Reports Analysis Centre of Canada), money laundering is the process whereby "dirty money"—produced through criminal activity— is transformed into "clean money," the criminal origin of which is difficult to trace. The three recognized stages in the money laundering process involve introducing the proceeds of crime into the financial system, converting the proceeds of crime into another form and disguising their source and ownership by complex layers of financial transactions, and integrating the laundered proceeds back into the economy to create a perception of legitimacy. FINTRAC is an agency of the government of Canada. It operates at arm's length from law enforcement agencies, and collects, analyzes and discloses information to help detect, prevent and deter money laundering and the financing of terrorist activities in Canada and abroad. FINTRAC will disclose suspected money laundering to law enforcement agencies

and other agencies as appropriate, including Canada Revenue Agency (CRA), Canada Border Services Agency (CBSA) and foreign agencies with which FINTRAC has agreements to share such information. Money laundering is a criminal offence under the laws of Canada including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, the *Criminal Code (Canada)*, as amended and the rules and regulations thereunder, and in other countries where the Company conducts business or maintains operations, such as Colombia and the US.

The Company's business practices and the nature of its products and services mitigate the risk that proceeds of crime will be attributed to the Company. All financial transactions are processed via electronic funds through the Colombian financial system (as opposed to cash). The Company receives payments from sales from sales of Kuida cosmetic products from well-established retail stores and distributors. Services and medicines supplied through the Company's clinics in Colombia are paid for predominantly by government regulated insurance companies that will only pay for approved services and medications. When approved, medical cannabis sales by the Company will be conducted through licensed pharmacies and dispensaries to patients with medical prescriptions. In addition, the Company's compliance team regularly conducts background checks of its customers and business partners (including natural persons and corporate entities).

Colombia has implemented regulations for the control, mitigation, and prevention of money laundering from terrorist activities. Colombian Law 526 of 1999 created the Special Administrative Unit for Financial Information and Analysis ("UIAF"), which is responsible for detecting money laundering operations and centralizing and analyzing data related to money laundering operations. While some companies in Colombia such as banks, financial institutions and insurance companies, are required to implement anti-money laundering (AML) and counter-terrorism financing risk management systems in accordance with the External Circular 0055 of 2016 from the Finance Superintendence of Colombia and Laws 1121 from 2006 and 1762 from 2015, the Company is not legally required to comply or implement the anti-money laundering and counter-terrorism system (in Spanish, SARLAFT). Nevertheless, the Company has taken several steps, in addition to those described above, to mitigate the risks associated with the proceeds of crime, including obtaining qualifications and certifications in good security practices from the Colombian National Police, training our security and compliance personnel in AML and anti-bribery management systems such as ISO 37001, and continuously monitoring its operations in the context of AML prevention and compliance.

The US also has implemented an anti-money laundering regime, including the US Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act). See **Risks Related to the US –** *Anti-money Laundering Laws and Regulations.*

While the Company believes that the risk of proceeds of crime being distributed to shareholders from the Company's services and products is very low under existing laws, changes to existing AML laws or the introduction of new AML laws may require the Company to expend additional resources for compliance related activities. If the Company becomes the subject of AML investigations or charges, the Company may need to incur significant legal and other expenses and allocate management resources in response to such enforcement actions. If such events were to occur, the business, financial condition and results of the operation of Khiron may be materially adversely affected. If Khiron's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the US or Canada were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of Khiron to declare or pay dividends, effect other distributions or subsequently repatriate such funds. Furthermore, while Khiron has no current intention to declare or pay dividends in the foreseeable future, Khiron may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Risks Related to the US

Marijuana remains illegal under US federal law

Marijuana is a Schedule 1 controlled substance and is illegal under federal US law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of federal law. Despite cannabis having been legalized at the state level for medical use in many states and for adult-use in a number of states, cannabis meeting the statutory definition of "marihuana" continues to be categorized as a Schedule I controlled substance under the federal *Controlled Substances Act* ("**CSA**"), and subject to the *Controlled Substances Import and Export Act,* or the CSIEA. Hemp and marijuana both originate from the Cannabis sativa plant and CBD is a constituent of both. "Marihuana" or "marijuana" is defined in the CSA as a Schedule I controlled substance whereas "Hemp" is essentially any parts of the Cannabis sativa plant that has not been determined to be marijuana.

Pursuant to the *Agriculture Improvement Act of 2018*, or the 2018 Farm Bill, "hemp," or cannabis and cannabis derivatives containing no more than 0.3% of THC, is now excluded from the statutory definition of "marijuana" and, as such, is no longer a Schedule I controlled substance under the CSA. Our activity in the US is limited to (a) certain corporate and administrative activities, including accounting, sales and marketing, and (b) commercial supply of hemp-derived cosmetic products containing CBD with no more than 0.3% THC, in compliance with the 2018 Farm Bill. The Company does not produce or distribute marijuana products in the US as defined in the CSA. Therefore, we believe that we are not currently subject to the CSA or CSIEA.

Khiron would be subject to regulation by the FDA and other agencies as a result of the manufacture and sale of its CBD products in the US. The FDA focuses its enforcement activities on products that put the health and safety of consumers at risk, such as those claiming to prevent, diagnose, mitigate, treat, or cure diseases in the absence of requisite approvals. Changes in FDA regulation of CBD products could require us to alter our formulations, labelling or marketing, or recall or discontinue the products altogether.

State laws vary significantly as to regulation of hemp-derived CBD products. The shifting compliance environment, patchwork of state laws, and the need to build and maintain robust systems to comply with different regulations in multiple jurisdictions increases the possibility that Khiron may violate one or more of the requirements. If Khiron's operations are found to be in violation of any of such laws or any other governmental regulations, or perceived to be in violation, Khiron may be subject to penalties or other negative effects, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of Khiron's operations or asset seizures and the denial of regulatory applications (including those regulatory regimes outside of the scope of DEA and FDA jurisdiction, but which may rely on the positions of the DEA and FDA in the application of their respective regimes), any of which could adversely affect Khiron's business and financial results.

Failure to comply with FDA requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. Khiron's advertising is subject to regulation by the Federal Trade Commission ("**FTC**") under the Federal Trade Commission Act as well as subject to regulation by the FDA, and applicable state laws. In recent years, the FTC has initiated numerous investigations of dietary and nutritional supplement products and companies based on allegedly deceptive or misleading claims. At any point, enforcement strategies of a given agency can change as a result of other litigation in the space or changes in political landscapes, and could result in increased enforcement efforts, which would materially impact Khiron's business. Additionally, some states also permit advertising and labeling laws to be enforced by state attorney generals, who may seek relief for consumers, class action certifications, class wide damages and product recalls of products sold by Khiron. Private litigations may also seek relief for consumers, class action certifications, class wide damages and product recalls of products sold by Khiron. Any actions against Khiron by governmental authorities or private litigants could have a material adverse effect on Khiron's business, financial condition and results of operations.

Restricted access to banking

In February 2014, the Financial Crimes Enforcement Network ("**FinCEN**") bureau of the US Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the US do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, Khiron, by virtue of its medical cannabis business in Colombia and other jurisdictions, may have limited or no access to banking or other financial services in the US. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The inability or limitation in Khiron's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for Khiron to operate and conduct its business as planned or to operate efficiently in the US.

Anti-money Laundering Laws and Regulations

Khiron is subject to a variety of laws and regulations in the US that involve money laundering, financial recordkeeping and proceeds of crime, including the US Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("**US PATRIOT Act**"), and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the US.

In February 2014, FinCEN issued a memorandum providing instructions to banks seeking to provide services to marijuana related businesses (the "**FinCEN Memorandum**"). The FinCEN Memorandum states that in some circumstances, it may not be appropriate to prosecute banks that provide services to marijuana-related businesses for violations of federal money laundering laws. It refers to supplementary guidance that former Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA.

It is unclear whether the current administration will follow the guidelines of the FinCEN Memorandum. Under US federal law, banks or financial institutions that provide a cannabis-related business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy. While this risk would appear to be diminished because the Company's hemp related activities that are in compliance with the 2018 Farm Bill are not in violation of the CSA, the risk remains that the Company's medical cannabis business in Colombia and other jurisdictions could attract sanctions under the FinCEN Memorandum.

If any of Khiron's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the US or Canada were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of Khiron to declare or pay dividends, effect other distributions or subsequently repatriate such funds. Furthermore, while Khiron has no current intention to declare or pay dividends in the foreseeable future, Khiron may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Limited trademark protection

Khiron will not be able to register any US federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the US Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, Khiron likely will be unable to protect its cannabis product trademarks within the US. The use of our trademarks by third-parties could have a material adverse effect on the value of such trademarks and our business.

Uncertainty Caused by Potential Changes to Regulatory Framework

There is substantial uncertainty and different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses as to the importation of derivatives from the Cannabis plant and the scope of 2014 Farm Bill-compliant hemp production and commercialization, the 2018 Farm Bill and the emerging regulation of cannabinoids. These different opinions include, but are not limited to, the regulation of cannabinoids by the DEA and or the FDA, as well as applicable state agencies, and the extent to which manufacturers of products containing imported raw materials and/or 2014 and 2018 Farm Bill-compliant cultivators and processors may engage in interstate commerce.

The USDA and FDA are currently in the process of rulemaking to establish standards governing the production and sale of hemp products in the US, and there is uncertainty as to whether such rules will be unfavorable or could negatively impact operations. The uncertainties cannot be resolved without further federal, and perhaps even state-level, legislation, regulation or a definitive judicial interpretation of existing legislation and rules. If these uncertainties continue, they may have an adverse effect upon the introduction of the Khiron's products in different markets.

Disclosure Under *CSA Staff Notice 51-352 (Revised) Issuers with US Marijuana-Related Activities*The Company is engaged in the importation and distribution of cosmetics with hemp-derived CBD in the US, through Khiron Colombia, its recently incorporated US subsidiary Khiron Life Sciences USA Inc., and previously through the Dixie JV. The Canadian Securities Administrators (CSA) set out expectations for disclosure by issuers that currently have, or are in the process of developing, marijuana-related activities in US states where such activity has been authorized within a state regulatory framework ("US Marijuana Issuers") in *CSA Staff Notice 51-352 (Revised) Issuers with US Marijuana-Related Activities*, dated February 8, 2018 (the "**CSA 51-352**"). CSA 51-352 defines "marijuana-related activities" as marijuana-related practices or activities, including the cultivation, possession or distribution of marijuana, which are illegal under US federal law. As explained above, under the Farm Bill, "hemp," or cannabis and cannabis derivatives containing no more than 0.3% of THC, is excluded from the statutory definition of "marijuana". The Company's products currently distributed in the US are hemp-derived, cosmetics containing CBD with no more than 0.3% THC and are therefore excluded from the definition of marijuana. As the Company does not cultivate, possess or distribute marijuana in the US, the Company is not engaged in "marijuana-related activities" and is not a US Marijuana Issuer subject to the disclosure requirements in CSA 51-352.

Risks Related to Foreign Operations

Operational Risks

Khiron's operations outside of Canada could be substantially affected by foreign economic, political, social and regulatory risks. The Company's operations in Colombia are subject to risk due to ongoing problems including but not limited to inflation, unemployment and inequitable income distribution. Colombia's history has witnessed South America's longest running guerilla insurgency, narcotics-related violence, a prevalence of kidnapping and extortionist activities and civil unrest in certain areas of the country. While the situation has improved dramatically in the last decade, there can be no guarantee that the situation will not again deteriorate. Foreign operations are always subject to the risk that governments may adopt regulations or take other actions such as nationalization of private enterprises, imposition of exchange control regulations, or the imposition of restrictions of foreign investment or involvement in certain industries. If any of these

economic or political risks materialize, we may experience adverse effects on our business and results of operations.

Control of Colombian Subsidiaries by the Company

Khiron is the 100% owner, either directly or indirectly, of every subsidiary within the corporate structure. Khiron controls all the cash of every subsidiary within the organization. As 100% direct or indirect shareholder, and as majority shareholder in each case where it is not the sole shareholder, the Company has the requisite control to cause the removal of any or all of the directors, officers or legal representatives of each of its subsidiaries and to cause funds to be transferred as it deems appropriate. The legal representatives of Khiron Colombia are Alvaro Torres, Juan Diego Alvarez, Andrés Galofre, Manuel Buendia, Camila Amaya (labour issues only), and Nestor Gasca (banking and taxes). Mr. Torres is a director and executive officer of Khiron, and Andres Galofre is an executive officer of Khiron. The legal representatives of ILANS are Rayet Harp, Vanessa Figueroa, Nestor Gasca, and Maria Jimena Ochoa. While none of the directors or executive officers of Khiron are currently legal representatives of ILANS, Khiron is the majority shareholder (78%) of ILANS and Khiron Colombia is the minority shareholder (22%), both of which can exert the requisite control over ILANS by virtue of their status as shareholders.

The shareholders of Khiron Colombia and ILANS must be represented at the respective shareholders' meetings, under applicable regulations and bylaws. The respective shareholders of Khiron Colombia and ILANS may remove the directors at a meeting of shareholders, in accordance with the corporate by laws and applicable corporate laws. As the Company is the sole or majority shareholder of each of the Colombian subsidiaries, the risk that the Company will not be able to exert control over the Colombian subsidiaries is very low under the current corporate structure and applicable bylaws and regulations. The minutes of each shareholder meeting of Khiron Colombia and ILANS shall be registered before the Chamber of Commerce of Bogotá (Colombian Public Registry), and the minutes must be signed by the President and the Secretary, both, duly designated at the meeting.

Repatriation of Funds from Colombia

Currently there are no restrictions on the repatriation from Colombia of earnings to foreign entities and Colombia has never imposed such restrictions. Exchange control regulations require that any proceeds in foreign currency originated on exports of goods from Colombia (including minerals) be repatriated to Colombia. However, purchase of foreign currency is allowed through any Colombian authorized financial entities for purposes of payments to foreign suppliers, repayment of foreign debt, payment of dividends to foreign stockholders and other foreign expenses.

The legal representatives of Khiron Colombia, including Mr. Torres and Mr. Galofre, have control over the bank accounts of Khiron Colombia. Mr. Torres is the CEO and a director of the Company and Mr. Galofre is an executive officer of the Company. The legal representatives of ILANS have control over the bank accounts of ILANS. Cheques require signatures of two authorized individuals, one of whom must be Mr. Gasca, the Controller, who is a legal representative of both Khiron Colombia and ILANS. The authorization of transfer of funds from Khiron Colombia and ILANS to the Company, according to the respective bylaws and Colombian regulations, can only be given by the shareholders of Khiron Colombia. Khiron Colombia is 100% owned by the Company. ILANS is 22% owned by Khiron Colombia and 78% owned by the Company. As the Company is the sole or majority shareholder of Khiron Colombia and ILANS, respectively, there is currently no risk under the existing laws that the earnings of the Colombian subsidiaries could not be repatriated to Canada. However, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future.

Inflation in Colombia

Colombia has in the past experienced double-digit rates of inflation. If Colombia experiences substantial inflation in the future, Khiron's costs in Colombian peso terms will increase significantly, subject to movements in applicable exchange rates. Inflationary pressures may also curtail Khiron's ability to access global financial markets in the longer term and its ability to fund planned capital expenditures, and could materially adversely affect Khiron's business, financial condition and results of operations. The Colombian government's response to inflation or other significant macro-economic pressures may include the introduction of policies or other measures that could increase Khiron's costs, reduce operating margins and materially adversely affect its business, financial condition and results of operations.

Operations in Spanish

As a result of Khiron conducting its operations in Colombia, the books and records of Khiron, including key documents such as material contracts and financial documentation are principally negotiated and entered into in the Spanish language and English translations may not exist or be readily available. However, it is the Company's policy to preferentially hire management employees who are fluently bilingual in Spanish and English at its Colombian operations. In addition, the Company relies on the use of professional translators for in person meetings with non-Spanish speakers where required, and for document translation. The Company does not foresee that significant additional accommodations will be required.

The Company does not have a formal communication plan that sets out measures that will be taken to mitigate any potential communication-related issues as it does not consider one necessary. All material documents provided to the Directors are in the English language. If any material documents are in an original language other than English, the documents are translated by certified translators. All members of the Company's Board and its executive officers are fluent in English. Additionally, the following Directors and officers of the Company are fluent in the Spanish language: Alvaro Torres, CEO and Director; Alvaro Yanez, Director; Vicente Fox, Director; Livia Maduri, General Counsel and Corporate Secretary.

Meetings of the Board and Committees are held on a quarterly basis to approve the financial statements and MD&A for the Company. Additional meetings of the Board and Committees are held as appropriate to conduct other business of the Company. During the 2019 fiscal year, meetings of the Board were held in Bogota, Colombia, in January and August. All meetings of the Board and Committees are conducted (and minutes are prepared) in the English language.

Enforcement of Judgments

Khiron is incorporated under the laws of British Columbia, Canada; however, except for certain cash deposits, the Company's assets are located outside Canada. Furthermore, several of Khiron's directors and officers reside outside Canada. As a result, investors may not be able to effect service of process within Canada upon certain directors or officers or enforce judgments against them in Canadian courts. It may also be difficult for an investor to enforce judgments obtained in Canadian courts in jurisdictions outside Canada. As a result of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board or controlling shareholders than they would as public shareholders of a Canadian company.

Financial and Accounting Risks

Access to Capital

In executing its business plan, Khiron makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Since its incorporation, Khiron has financed these expenditures through offerings of its equity securities. Khiron will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it.

Khiron may incur major unanticipated liabilities or expenses. Khiron can provide no assurance that it will be able to obtain financing to meet the growth needs of Khiron.

Foreign Sales

Khiron's functional currency is denominated in Canadian dollars. Khiron currently expects that sales will be denominated in Colombian pesos and may, in the future, have sales denominated in the currencies of additional countries in which it establishes sales offices. In addition, Khiron incurs the majority of its operating expenses in Colombia Pesos. In the future, the proportion of Khiron's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Company's business, financial condition and results of operations. Khiron has not previously engaged in foreign currency hedging. If Khiron decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide Khiron from foreign currency fluctuations and can themselves result in losses.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with International Financial Reporting Standards, or IFRS, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Khiron bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Khiron's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause Khiron's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Company. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

Tax Risks

The Company will operate and will be subject to income tax and other forms of taxation (which are not based upon income) in multiple tax jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, the Company's earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. Khiron may have exposure to greater than anticipated tax liabilities or expenses. Khiron will be subject to income taxes and non-income taxes in a variety of jurisdictions and its tax structure is subject to review by both domestic and foreign taxation authorities and the determination of the Company's provision for income taxes and other tax liabilities will require significant judgment. Khiron will be subject to different taxes imposed by the Colombian government and any changes within such tax legal and regulatory framework may have an adverse effect on our financial results. All current tax legislation is a matter of public record and the Company will be unable to predict which additional legislation or amendments may be enacted.

Risks Related to Khiron Shares

Khiron Share Price Volatility

The market for Khiron's Shares may be volatile and subject to wide fluctuations in response to numerous factors, including changes in global financial markets and global economies and general market conditions, such as interest rates, access to capital and product price volatility. Khiron cannot predict the prices at which Khiron's Shares will trade.

Fluctuations in the market price of the Khiron Shares could cause an investor to lose all or part of its investment. Factors that could cause fluctuations in the trading price of the shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events by Khiron or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of agriculture companies; (iv) fluctuations in the trading volume of Khiron Shares or the size of Khiron's public float; (v) actual or anticipated changes or fluctuations in Khiron's results of operations; (vi) whether Khiron's results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving Khiron, its industry, or both; (ix) regulatory developments in the Canada, Colombia and foreign countries; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of Khiron Shares; (xiii) departures of key employees or members of management; (xiv) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by Khiron or its competitors or (xv) an adverse impact on Khiron from any of the other risks cited herein.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities and have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regard to the share prices of cannabis companies that are public issuers in Canada. Accordingly, the market price of the shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses.

There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the shares may be materially adversely affected.

Limited Market for Securities

There can be no assurance that an active and liquid market for Khiron shares will be maintained and an investor may find it difficult to resell any securities of the Company.

No History of Payment of Cash Dividends

Khiron has never declared or paid cash dividends on Khiron Shares. Khiron intends to retain future earnings to finance the operation, development and expansion of the business. Khiron does not anticipate paying cash dividends on Khiron Shares in the foreseeable future.

Payment of future cash dividends, if any, will be at the discretion of the Board and will depend on Khiron's financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that the Board considers relevant. As a result, investors may not receive any return on investment in Khiron's shares unless shares are sold for a price that is greater than that at which such investors purchase them.

Reporting Issuer Status

As a reporting issuer, Khiron will be subject to reporting requirements under applicable securities law and stock exchange policies. Khiron is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to Khiron's financial management control systems to manage its obligations as a subsidiary of a public company. Compliance with these requirements will increase legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on existing systems and resources.

Among other things, Khiron will be required to file annual, quarterly and current reports with respect to its business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm the Khiron's business and results of operations. Khiron may need to hire additional employees to comply with these requirements in the future, which would increase its costs and expenses. Management of Khiron expects that being a reporting issuer will make it more expensive to maintain director and officer liability insurance. This factor could also make it more difficult for Khiron to retain qualified directors and executive officers.

Tax Issues

There may be income tax consequences in relation to Khiron Shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

DIVIDENDS AND DISTRIBUTIONS

While there are no restrictions in the Company's articles or pursuant to any agreement or understanding which could prevent the Company from paying dividends or distributions, Khiron has never declared or paid cash dividends on Khiron Shares. Khiron intends to retain future earnings to finance the operation, development and expansion of the business. Khiron does not anticipate paying cash dividends on Khiron Shares in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of the Board and will depend on Khiron's financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that the Board considers relevant.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

Khiron is authorized to issue an unlimited number of Khiron Shares, of which 116,612,318 were outstanding as of December 31, 2019 and 117,547,068 are issued and outstanding as of the date of the AIF. Each Khiron Share is entitled to one vote per share, to receive an equal share of any dividends and distributions (whether payable in cash or otherwise) as may be declared from time to time, and, in the event of any liquidation, dissolution or winding-up of Khiron (whether voluntary or involuntary), to receive in equal amounts per share the assets of Khiron.

As at the date of the AIF, the Company had outstanding: 1,568,511 warrants; 5,159,167 Stock Options (of which 3.7 million were vested); and 4,985,000 RSUs (of which 1.7 million were vested). Each warrant, Stock Option and RSU is exercisable or exchangeable for Khiron Shares on a one for one basis.

The following table reflects the warrants outstanding as at June 30, 2020:

Exercise Price $	Outstanding as at June 30, 2020	Expiry Date	Remaining Life (years)
0.90	187,062	2020-09-11	0.2
2.20	786,600	2020-02-28	0.7
2.90	594,849	2021-05-28	0.9
	TOTAL: 1,568,511		

The following table reflects the continuity of stock options for the year ended June 30, 2020:

Exercise Price $	As at June 30, 2020	Expiry Date	Remaining Life (years)
1.00	1,275,000	2021-04-19	0.8
1.00	552,500	2022-09-12	2.2
1.00	100,000	2022-10-12	2.3
1.40	590,000	2023-05-23	2.9
1.40	200,000	2023-06-26	3.0
3.25	841,667	2024-05-31	3.9
2.90	1,600,000	2024-11-27	4.4
	TOTAL: 5,159,167		

The following table reflects the continuity of RSUs for the year ended June 30, 2020:

Grant Price $	As at June 30, 2020	Expiry Date	Remaining Life (years)
0.89	282,500	2021-12-15	1.5
2.45	2,727,500	2022-12-15	2.5
1.59	300,000	2022-12-15	2.5
1.03	1,675,000	2022-12-15	2.5
	TOTAL: 4,985,000		

MARKET FOR SECURITIES

Trading Price and Volume

The Khiron Shares are listed and traded on the TSXV under the trading symbol "KHRN" and the OTCQX under the trading symbol "KHRNF". The table below shows the price ranges and volume of trading on a monthly basis on the TSXV for the financial year ending December 31, 2019:

Period	High ($)	Low ($)	Volume
January 2019	2.88	1.43	16,495,203
February 2019	4.35	2.25	51,154,771
March 2019	4.26	3.01	31,312,810
April 2019	3.93	2.78	24,181,530
May 2019	3.6	2.43	16,328,878
June 2019	2.89	2.16	9,778,965
July 2019	2.38	1.73	9,543,659
August 2019	2.29	1.33	11,656,503
September 2019	1.76	1.17	9,489,779
October 2019	1.27	0.94	10,314,686
November 2019	1.07	0.79	9,524,010
December 2019	1.06	0.83	6,208,014

Prior Sales

The following table sets forth the details regarding all issuances of Khiron securities that are outstanding but not listed or quoted on a marketplace, including issuances of all securities convertible or exchangeable into Khiron Shares, during the most recently completed financial year:

Date	Number of Securities Issued	Type	Issuance Price Per Security	Exercise Price Per Security
28-Feb-19	786,600	Compensation Warrants(1)	N/A	$2.20
28-May-19	594,849	Compensation Warrants(2)	N/A	$2.90
31-May-19	925,000	Stock Options(3)	N/A	$3.25
31-May-19	4,090,000	RSUs(4)	$2.45	N/A
23-Aug-19	340,000	RSUs(4)	$1.59	N/A
25-Nov-19	1,700,000	RSUs(4)	$1.03	N/A
27-Nov-19	1,600,000	Stock Options(3)	N/A	$2.90

Notes:

(1) Issued in connection with the February 2019 Offering, see *"General Development of the Business*".
(2) Issued in connection with the May 2019 Offering, see *"General Development of the Business*".
(3) Issued pursuant to Stock Option Plan.
(4) Issued pursuant to Restricted Share Units Plan.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The following are the securities of the Company subject to escrow or contractual restrictions on transfer as of June 30, 2020:

Class	Number of securities held in escrow or that are subject to a contractual restriction on escrow	Percentage of class
Common Shares	5,743,940[2]	4.9%
Common Shares	2,043,455[3]	1.74%

Certain Khiron shareholders remain subject to the CPC Escrow Agreement with a total of 1,200,001 common shares subject to such agreement. Under the CPC Escrow Agreement, 10% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "**Initial Release**") and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months, and 36 months following the Initial Release.

In connection with the QT, certain Khiron shareholders entered into the Value Escrow Agreement with the Company and Escrow Agent dated May 15, 2018 in accordance with the conditional approval of the QT by the TSXV. Pursuant to the Value Escrow Agreement, a total of 19,146,467 common shares and 295,115 warrants were deposited into escrow with the Escrow Agent (the "**Value Escrow Securities**").

Under the terms of the Value Escrow Agreement, 10% of the Value Escrow Securities were released from escrow on the date of the Final Exchange Bulletin – with subsequent 15% releases occurring 6, 12, 18, 24, 30 and 36 months from the date of the Final Exchange Bulletin.

Certain non-principal shareholders of Khiron are subject to seed share resale restrictions ("**SSRR**"). SSRRs are Exchange hold periods of various lengths which apply where seed shares are issued to non-principals by private companies. The terms of the SSRRs are based on the length of time such shares of the target have been held and the price at which such shares were originally issued. There are 5 non-principal shareholders of Khiron who will hold an aggregate of 500,000 Khiron Shares that will be subject to a 36 month hold period which will be released on the same terms and conditions as the Value Escrow Agreement described above.

In addition, the sellers in the Netta Transaction entered into a lockup agreement with respect to certain Khiron Shares received as consideration for the purchase of Netta by Khiron ("**Consideration Shares**"). The Consideration Shares subject to the lockup agreement shall be released from the lock-up in accordance with the following schedule: i) 25% on the date that is the closing date; ii) 25% on the date that is 6 months from the closing date; iii) 25% on the date that is 12 months from the closing date; and iv) 25% on the date that is 18 months from the closing date.

[2] Escrowed securities

[3] Netta Transaction Consideration Shares subject to lockup agreement

DIRECTORS AND OFFICERS

Name, Occupation and Security Holdings

The table below lists the names; municipalities of residence; positions and offices held; principal occupations or employment; and the number of securities beneficially owned, directly or indirectly, or over which control or direction is exercised, of the directors and officers of Khiron as of June 30, 2020.

Name and Municipality of Residence	Principal Occupations for the Last Five Years	Served as a director of Khiron	Position With the Company	Number and Percent of Issued Shares	Number and Percent of Issued Warrants	Number and Percent of Issued Options or RSUs
Chris Naprawa *Toronto, Ontario*	President of Khiron from June 2018 until June 2020; Partner, Sprott Capital Partners from Jan. 2017 to June 2018; Managing Director, Primary Capital from Sept. 2013 to December 2016.	June 12, 2020 to present	Director and Chair of the Board; Member of Audit Committee, Compensation Committee	1,847,500[4] (1.6%)	---	200,000 Stock Options (3.9%)
Deborah Rosati *Wainfleet, Ontario*	Director of Khiron from Oct. 2019 to present; Board member of Lift & Co. since Sept. 2018; Board member of MedReleaf Corp. from June 2017 to July 2018; Board member of NexJ Systems Inc. from May 2015 to June 2018; Board member of Sears Canada Inc. from 2007 to 2018.	October 28, 2019 to present	Lead Director; Chair of Audit Committee; Member of Compensation Committee	17,000 (<<1%)	---	---
Vicente Fox *Guanajuato, Mexico*	Director of Khiron since July 2018. President of Vicente Fox Center of Studies, Library and Museum since Jan. 2007.	July 17, 2018 to present	Director	1,000,000 (<1%)	---	1,000,000 RSUs (20%)
Alvaro Yañez *Bogota, Colombia*	Director of Khiron and Principal, Yanez Abogados since May 2017; Legal Manager, Petrominerales Colombia Corp. from Jan. 2017 to May 2017; Legal Manager, Pacific Stratus Colombia Corp. from 2010 to Jan. 2017.	May 16, 2018 to present	Director of Khiron; Chair of Compensation Committee; Member of Corporate Governance Committee; Director of Khiron Colombia	158,900 (<1%)	---	200,000 Stock Options (3.9%)
Alvaro Torres *Bogota, Colombia*	Director and CEO of Khiron since Feb. 2017; Managing Director, Delphi Capital Partners from Oct. 2015 to Feb. 2017; Project Manager, QBO Constructores S.A.S. from July 2014 to June 2015.	May 16, 2018 to present	CEO and Director of Khiron; Member of Audit Committee and Corporate Governance Committee; Director of ILANS	4,498,302[5] (3.8%)	37,715[6] (0.03%)	137,500 RSUs (2.8%) 200,000 Stock Options (3.9%)

[4] 1,060,000 beneficially owned through Napperville Corp.

[5] 4,015,477 beneficially owned through Cannainversiones SAS

[6] Beneficially owned through Cannainversiones SAS

Name and Municipality of Residence	Principal Occupations for the Last Five Years	Served as a director of Khiron	Position With the Company	Number and Percent of Issued Shares	Number and Percent of Issued Warrants	Number and Percent of Issued Options or RSUs
Wendy Kaufman *Oakville, Ontario*	CFO of Khiron since July 2, 2019; CFO, Pasinex Resources Limited from July 2017 to June 2019, CFO, Primero Mining Corporation from 2014-2016.	---	CFO	---	---	300,000 RSUs (6.0%)
Livia Maduri *Toronto, Ontario*	General Counsel and Corporate Secretary of Khiron since May 2019; Director Legal Services, Patheon Inc. (part of ThermoFisher Scientific) from April 2011 to May 2019.	---	General Counsel and Corporate Secretary	1,000 (<<1%)	---	300,000 Stock Options (5.8%)
Andres Galofre *Bogota, Colombia*	Co-Founder of Khiron; Chief Commercial Officer of Khiron Colombia since January 2020 to present; Vice President Business Development of Khiron Colombia from January 2017 to December 2019; Marketing Manager, Alpina and Founder of VeggiesBox from January 2015 to January 2017.	---	Chief Commercial Officer and Director of Khiron Colombia	4,115,476[7] (3.5%)	37,714[8] (0.03%)	200,000 Stock Options (3.9%) 400,000 RSUs (8.0%)
Tejinder Virk *Frankfurt, Germany*	President and Managing Director, Khiron Europe from October 2019 to present; Managing Director Europe, Canopy Growth Corporation from January 2019 to October 2019; Managing Director, Global Equity Products, BMO Capital Markets from 2008 to December 2018.	---	President, Khiron Europe	---	---	800,000 Stock Options (15.5%) 800,000 RSUs (16.0%)
Franziska Katterbach *Frankfurt, Germany*	Chief Legal Officer and Managing Director, Khiron Europe from October 2019 to present; Director Legal Europe, Canopy Growth Corporation from July 2018 to August 2019; Senior Associate, Dentons from June 2014 to August 2018.	---	Chief Legal Officer, Khiron Europe	---	---	800,000 Stock Options (15.5%) 800,000 RSUs (16.0%)

Committee Members

Following are the members of the committees of the Board:

Audit Committee: Deborah Rosati (Chair); Chris Naprawa; and Alvaro Torres

Compensation Committee: Alvaro Yanez (Chair); Chris Naprawa; and Deborah Rosati

Corporate Governance Committee: Alvaro Torres (Chair); Alvaro Yanez; Vacant

[7] 4,015,476 beneficially owned through Cannainversiones SAS

[8] Beneficially owned through Cannainversiones SAS

Aggregate Ownership of Securities

As a group, the directors and officers of the Company hold approximately 11,638,178 Khiron Shares, representing 9.9 % of all issued and outstanding Khiron Shares.

Term of Directors

The term of office of the directors expires annually at the time of the Company's annual general meeting. The term of office of the executive officers expires at the discretion of the Board.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Khiron, as of the date of this AIF and within the ten years before the date of this AIF, no proposed director, officer or promoter is or has been a director, officer or promoter of any person or company that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or

(b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.

Penalties or Sanctions

To the knowledge of Khiron, no proposed director, officer or promoter of the Company has:

(c) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(d) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable security holder making an investment decision.

The foregoing information, not being within the knowledge of Khiron, has been furnished by the respective directors and executive officers.

Personal Bankruptcies

To the knowledge of Khiron, no director, officer or promoter of the Company, or a personal holding company of any of them, has, within the ten years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangements, or compromise with creditors or had a receiver manager or trustee appointed to hold the assets of that individual.

Conflicts of Interest

The Company's directors are required by law to act honestly and in good faith with a view to the Company's best interests and to disclose any interests which they may have in any project or opportunity of ours. If a conflict of interest arises, any director in a conflict will disclose his interest and abstain from voting on such matter at a meeting of the Board.

To the best of the Company's knowledge, and other than as disclosed in this AIF, there are no known existing or potential conflicts of interest among the Company, the Company's promoters, directors and officers or other members of management of ours or any proposed promoter, director, officer or other member of management as a result of their outside business interests, except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the ordinary course of business, Khiron may be subject to certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving tax, social security, labour lawsuits and other matters. Khiron will accrue liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. The Company is not currently and has not been a party to any material legal proceedings during the most recently completed financial year.

The Company has not been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, nor has the Company been subject to any other penalties or sanctions imposed by a court or regulatory body. The Company has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this AIF, none of the Company's directors, executive officers or principal securityholders, or associates or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction within the preceding three years or in any proposed transaction that has materially affected or will materially affect the Company.

TRANSFER AGENTS AND REGISTRARS

TSX Trust Company located at 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1 is transfer agent and registrar for Khiron.

MATERIAL CONTRACTS

The Company's material contracts entered into within the last financial year or prior thereto but that still remain in effect, excluding those made in the ordinary course of the Company's business, are as follows:

1. the Dayacann Agreement;
2. the February 2019 Underwriting Agreement;
3. the Netta SPA; and
4. the May 2019 Underwriting Agreement.

Copies of these agreements may be inspected during regular business hours at the office of Khiron's Canadian legal counsel, Gowling WLG (Canada) LLP, 100 King Street West, Suite 1600, Toronto, Ontario M5X 1G5.

INTERESTS OF EXPERTS

The Company's auditor is MNP LLP, Chartered Professional Accountants and is located at 111 Richmond Street West, Suite 300, Toronto, Ontario M5H 2G4. Such auditor is independent in accordance with the Code of Professional conduct of the Chartered Professional Accountants of Ontario.

No person whose profession or business gives authority to a statement made by such person and who is named in this AIF has received or will receive a direct or indirect interest in the Company's property or any of the Company's associates or affiliates. As at the date hereof, none of the aforementioned persons beneficially owns, directly or indirectly, securities of ours or the Company's associates and affiliates. In addition, none of the aforementioned persons nor any director, officer or employee of any of the aforementioned persons, is or is expected to be elected, appointed or employed as, a director, senior officer or employee of the Company or of any of the Company's associates or affiliates, or as a promoter of ours or an associate or affiliate of ours.

AUDIT COMMITTEES AND CORPORATE GOVERNANCE

The following information regarding the audit committee of the Board (the "**Audit Committee**") is required to be disclosed pursuant to National Instrument 52-110 – *Audit Committees*, ("**NI 52-110**") and the Company is relying on the exemption at section 6.1 of said instrument in disclosing the below.

Pursuant to applicable laws, the policies of the TSXV and NI 52-110, the Company is required to have an audit committee comprised of not less than three directors, a majority of whom are not officers, control persons or employees of the Company or any affiliate of the Company. NI 52-110 requires the Company, as a venture issuer, to disclose annually in its information circular certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor.

Audit Committee Charter

The Board has adopted a written charter for the Audit Committee, a copy of which is included as APPENDIX 1 to this Annual Information Form.

Composition of the Audit Committee

Name	Independent / Not Independent[(1)]	Financial Literacy[(1)]
Deborah Rosati[(2)]	Independent	Financially Literate
Chris Naprawa	Not Independent	Financially Literate
Alvaro Torres	Not Independent	Financially Literate

Notes: (1) Terms have their respective meanings ascribed in NI 52-110.
(2) Ms. Rosati is the Chair of the Audit Committee.

Relevant Education and Experience

The Audit Committee has the primary function of fulfilling its responsibilities in relation to reviewing the integrity of Khiron's financial statements, financial disclosures and internal controls over financial reporting; monitoring the system of internal control; monitoring Khiron's compliance with legal and regulatory requirements, selecting the external auditor for shareholder approval; and reviewing the qualifications, independence and performance of the external auditor. The Audit Committee has specific responsibilities relating to Khiron's financial reports; the external auditor; internal controls; regulatory reports and returns;

and legal or compliance matters that have a material impact on Khiron. In fulfilling its responsibilities, the Audit Committee meets regularly with the external auditor and key management members. Information concerning the relevant education and experience of the Audit Committee members can be found in "*Directors and Officers*" above. The full text of the Audit Committee's charter is disclosed in APPENDIX 1.

Audit Committee Oversight

At no time since the commencement of the financial year ended December 31, 2019 and up to the date of this AIF was a recommendation of the Audit Committee to nominate or compensate an external advisor not adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee will pre-approve all non-audit services to be provided to Khiron or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Audit Committee may delegate to one or more of its members the authority to pre-approve non-audit services but pre-approval by such member or members so delegated shall be presented to the full Audit Committee at its first scheduled meeting following such pre-approval.

External Auditor Services Fees

The following table sets forth, by category, the fees for all services rendered by MNP LLP for the two most recent fiscal years ended December 31, 2018 and December 31, 2019:

	Year Ended December 31, 2018	Year Ended December 31, 2019
Audit Fees[(1)]	$181,900	$267,500
Audit-Related Fees[(2)]	$42,693	Nil
Tax Fees[(3)]	$23,219	$15,984
All Other Fees[(4)]	$43,594	$13,393

Notes:

(1) "Audit Fees" include fees necessary to perform the annual audit of the Company's consolidated financial statement.
(2) "Audit Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultation on proposed transactions, internal control reviews and audit or attestation services not required by legislation or regulation.
(3) "Tax Fees" include fees for all tax services other than those included in the "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning, and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
(4) "All Other Fees" includes all other non-audit services, such as comfort letters, consents, reviews of security filings and consultations relating to ERP systems.

ADDITIONAL INFORMATION

Additional information regarding the Corporation may be found under the Corporation's profile on SEDAR at www.sedar.com and on the Company's website at investors.khiron.ca. Additional information, including the remuneration and indebtedness of the directors and executive officers of the Corporation, principal holders of the Corporation's securities and the securities authorized for issuance under equity compensation plans, is contained in the Information Circular of the Company dated April 30, 2019. Additional financial information relating to the Company is provided in the financial statements and management's discussion and analysis for the financial year ended December 31, 2019.

APPENDIX 1
KHIRON LIFE SCIENCES CORP.

AUDIT COMMITTEE CHARTER

The Audit Committee Charter (the "Charter") shall govern the activities of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Khiron Life Sciences Corp. (the "Company").

I. PURPOSE OF THE AUDIT COMMITTEE

The Committee is appointed by the Board to assist in fulfilling its oversight responsibility with respect to the integrity of the Company's financial reporting process, the performance and independence of the external auditors, the design and implementation and performance of internal controls over financial reporting and disclosure controls, and the monitoring of the Company's compliance with relevant legal and regulatory requirements applicable to financial reporting and public disclosure of financial information. The Committee is also responsible for other matters as set out in this Charter and/or as may be directed by the Board from time to time. The Committee should exercise continuous oversight of developments in these areas.

II. MEMBERSHIP

1. The Committee will consist of at least three members.
2. The members of the Committee will be appointed annually (and from time to time thereafter to fill vacancies on the Committee) by the Board. A Committee member may be removed or replaced at any time at the discretion of the Board.
3. If a Committee member simultaneously serves on the audit committee of more than three public companies, the Board shall consider and make a determination as to whether such simultaneous service would impair the ability of such member to effectively serve on the Company's Committee and may, if appropriate replace such member with another appropriate director.
4. If the Company ceases to be "venture issuer" (that term as defined in National Instrument 52-110), then all of its members shall be 'independent' as determined under the Board's annual assessment of the independence of its members and 'financially literate' one of which should be considered the 'financial expert', in each case as defined under any requirements of the Canadian Securities Administrators or other securities regulatory authorities to which the Corporation is subject.

III. AUTHORITY

In addition to all authority required to carry out the duties and responsibilities included in this Charter, the Committee has specific authority to:

1. engage, and set and pay the compensation for, independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities and any such consultants or professional advisors retained by the Committee will report directly to the Committee;
2. communicate directly with management and the external auditor without management involvement.

IV. DUTIES AND RESPONSIBILITIES

1. The duties and responsibilities of the Committee include:

Financial Reporting

(a) reviewing, monitoring, discussing and assessing the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company and discussing policies with respect to risk assessment and risk management, which

discussions will include (i) the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, and (ii) guidelines and policies to govern the process by which risk assessment and management is undertaken;

(b) reviewing and discussing with management and the external auditor the annual audited and quarterly unaudited financial statements and related Management Discussion and Analysis ("MD&A") and press releases for such financial statements, before the dissemination of these documents to shareholders, regulators, analysts and the public and make recommendations to the Board for approval of same. The review shall address the appropriateness of the Company's accounting policies, key estimates and judgements (including changes or variations thereto), clarity, accuracy and completeness of disclosure and obtaining reasonable assurance that the financial statements are presented fairly in accordance with GAAP and the MD&A is in compliance with appropriate regulatory requirements;

(c) periodically review and discuss with management and the independent auditors the significance of emerging regulatory and accounting standards and initiatives for the financial reporting of the Company;

(d) review treasury operations, including liquidity, financial derivatives and hedging activities;

(e) review all material off-balance sheet transactions, contingent liabilities and transactions with related parties;

External Auditors

(f) recommending to the Board for approval by the shareholders the external auditor to be nominated by the Board or approving any discharge of auditors where circumstances warrant, taking into consideration the Committee's assessment of the incumbent external auditor's performance pursuant to subsection (h) below among other things;

(g) approve the remuneration of the external auditor, to be paid by the Company, in connection with:

(i) performing the annual audit on the Company's financial statements; and

(ii) performing other audit, review or attestation services as approved by the Committee;

(h) reviewing the external auditor's annual audit plan, fee schedule and any related services proposals (including meeting with the external auditor to discuss any deviations from or changes to the original audit plan, as well as to ensure that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Committee);

(i) overseeing the work of the external auditor, including the resolution of any disagreements between management and the external auditor regarding financial reporting. The Committee will also perform an annual assessment of the external auditor subsequent to the conclusion of each annual audit of the Company's financial statements, as well as a comprehensive assessment of performance every 5 years, or sooner as may be appropriate or required for any reason;

(j) ensuring that the external auditor is independent by receiving a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services provided to Company;

(k) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board, by receiving, at least annually, a report by the external auditor on the audit firm's internal quality control processes and procedures;

(l) ensuring that the external auditor meets the rotation requirements for partners assigned to the Company's annual audit by receiving a report annually from the external auditors setting

out the status of each partner with respect to the appropriate regulatory rotation requirements and plans to transition new partners onto the audit engagement as various audit team members' rotation periods expire;

(m) reviewing and discussing with management and the external auditor the external auditor's material written communications to the Committee in accordance with generally accepted auditing standards and other applicable regulatory requirements arising from the annual audit and quarterly review engagements (if applicable);

(n) reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;

(o) pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor (The Chair of the Committee has the authority to pre-approve in between regularly scheduled Committee meetings any non-audit service of less than $50,000, however such approval will be presented to the Committee at the next scheduled meeting for formal approval);

Internal Controls and Compliance

(p) receive and review the interim and annual CEO and CFO certifications filed with securities regulatory authorities;

(q) review and assess reports prepared or caused to be prepared by management regarding internal controls, financial risk management and insurance programs;

(r) review annually the framework of internal controls, how these align with the objective of preventing and detecting fraud as well as management's assessment of the continued effectiveness and application of those internal controls;

(s) establishing procedures for:

(i) the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practises relating thereto; and

(ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

(t) review with the Company's counsel any legal matters, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies that could have a significant impact on the Company's financial statements;

(u) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Committee activities;

(v) review the findings of any examinations by regulatory agencies, and any external auditors observations made regarding those findings;

(w) review at least annually management's report on the Company's source deductions and other remittances required under applicable tax legislation.

Other Responsibilities

(x) establishing procedures for:

(i) reviewing the expenses of the Chair of the Board, and the Chief Executive Officer (the "CEO") on a quarterly basis;

(ii) reviewing the adequacy of the Company's insurance coverage;

(iii) reviewing activities, organizational structure, and qualifications of the Chief Financial Officer ("CFO") and the staff in the financial reporting area and ensuring that matters related to succession planning within the Company are raised for consideration at the Board;

(y) A regular part of Committee meetings involves the appropriate orientation of new members as well as the continuous education of all members. Items to be discussed include specific business issues as well as new accounting and securities legislation that may impact the organization. The Chair of the Committee will regularly canvass the Committee members for continuous education needs and in conjunction with the Board education program, arrange for such education to be provided to the Committee on a timely basis.

(z) On an annual basis the Committee shall review and assess the adequacy of this Charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by the applicable regulatory bodies with whom the Company has a reporting relationship and, if appropriate, recommend changes to the Charter to the Board for its approval.

V. MEETINGS

1. The quorum for a meeting of the Committee is a majority of the members of the Committee.
2. The Board of Directors will appoint the Chair of the Committee. The Chair of the Committee shall be responsible for leadership of the Committee, including scheduling and presiding over meetings, preparing agendas, facilitating the timely, accurate and proper flow of information to and from the Committee members, and making regular reports to the Board. The Chair of the Committee will also maintain regular liaison with the CEO, CFO, and the lead engagement partner of the external auditor.
3. The Committee's schedule of meetings and agendas will be set annually by the Committee. Dates and locations will be provided to the Board, the Committee members, the external auditors and management in advance.
4. The Committee will meet in camera separately with the CEO and separately with the CFO of the Company at least annually to review the financial affairs of the Company.
5. The Committee will meet with the external auditor of the Company in camera at least at each meeting at which the external auditor is in attendance, to review the external auditor's examination and report.
6. Each of the chair of the Committee, members of the Committee, Chair of the Board, external auditor, CEO, CFO or secretary shall be entitled to request that the Chair of the Committee call a meeting which shall be held within 48 hours of receipt of such request to consider any matter that such individual believes should be brought to the attention of the Board or the shareholders.

VI. REPORTS

1. The Committee will report, at least quarterly, to the Board regarding the Committee's examinations and recommendations, and annually to the Board regarding the Committee's compliance with this Charter.
2. The Committee will report its activities to the Board to be incorporated as a part of the minutes of the Board meeting at which those activities are reported.

VII. MINUTES

1. The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

VIII. ANNUAL PERFORMANCE EVALUATION

1. The Board will conduct an annual performance evaluation of the Committee, taking into account the Charter, to determine the effectiveness of the Committee.

Approved by the Board of Directors.
May 27, 2020

SCHEDULE "A"
LICENSES, CERTIFICATIONS AND MARKET APPROVALS

Cannabis Cultivation and Manufacturing, and Seed Production, Importation and Exportation

1. Resolution 0069 dated 22SEP2017, issued by the Ministry of Justice of Colombia, by means of which KHIRON COLOMBIA is granted a license to cultivate plants of Non-Psychoactive Cannabis.

2. Resolution 0841 dated 19OCT2017, issued by the Ministry of Justice of Colombia, by means of which KHIRON COLOMBIA is granted a license to cultivate plants of Psychoactive Cannabis.

3. Resolution 3735 dated 04OCT2017, issued by the Ministry of Health of Colombia, by means of which KHIRON COLOMBIA is granted a license to manufacture Cannabis Derivatives for a) national use, b) Scientific Research and c) export.

4. Resolution 4701 dated 11APR2019, issued by ICA, by means of which KHIRON COLOMBIA is registered to Import non-psychoactive and psychoactive cannabis seeds.

5. Resolution 19273 dated 28NOV2019, issued by the ICA, by means of which KHIRON COLOMBIA is registered to Export non-psychoactive and psychoactive cannabis seeds.

6. Resolution 25847 dated 28MAY2018, issued by the ICA, by means of which KHIRON COLOMBIA is registered to produce non-psychoactive and psychoactive cannabis seeds.

GMP and GEP Certifications

1. Certificate of Good Elaboration Practices for Magistral Preparations with Cannabis issued by INVIMA in favor of the company Bio Vie S.A.S., a GEP laboratory that manufactures magistral preparations with cannabis under contract to Khiron Colombia.

2. Certificate of Good Manufacturing Practices issued by INVIMA in favor of ESKO, which performs cosmetic manufacturing services under contract to Khiron Colombia.

Colombian Market Approval (Notificación Sanitaria Obligatoria or "NSO") for Kuida CBD Cosmetics

1. NSO number NSOC87288-18CO for Kuida Regenerative Night Cream

2. NSO number NSOC87284-18CO for Kuida Moisturizing Day Cream

3. NSO number NSOC87285-18CO for Kuida Body Mist

4. NSO number NSOC87286-18CO for Kuida Body Scrub

5. NSO number NSOC87283-18CO Kuida Eye Contour Cream

6. NSO number NSOC88075-18CO for Kuida Step 0 Fluid

7. NSO number NSOC87287-18CO for Kuida Body Lotion

8. NSO number NSOC96689-19 CO for Kuida Hair and Body Oil

9. NSO number NSOC96011-19 CO for Kuida Anti-Aging Hand Cream

10. NSO number NSOC96016-19 CO for Kuida Daily Care Hand Cream

11. NSO number NSOC96015-19 CO for Kuida Deep Hydrating Hand Cream

SCHEDULE "B"
KHIRON STRAINS AND REGISTRATION STATUS

The following table summarizes the status of the Company's 22 registered strains. "X" indicates the registration step has been completed.

	Strain name	Genetic Stabilization	Agronomical Test	Strain Registration Phase 1	Strain Registration Phase 2
1	FT-1-009	X	X	X	X
2	DQ-3-002	X	X	X	X
3	RE-1-003	X	X	X	X
4	TA-3-008	X	X	X	X
5	RO-3-007	X	X	X	X
6	WW-3-011	X	X	X	X
7	BB-3-009	X	X	X	X
8	AK-3-021	X	X	X	X
9	KHI-4-006	X	X	X	X
10	KHI-4-008	X	X	X	X
11	SK-2-003	X	X	X	X
12	KHI-4-011	X	X	X	X
13	KHI-4-012	X	X	X	X
14	KHI-4-013	X	X	X	X
15	KHI-4-015	X	X	X	X
16	WRH-3-026	X	X	X	X
17	SK-3-012	X	X	X	X
18	SM-3-015	X	X	X	X
19	KHI-4-003	X	X	X	X
20	KHI-4-004	X	X	X	X
21	KHI-4-007	X	X	X	X
22	KHI-4-009	X	X	X	X

The following table summarizes the ten strains undergoing agronomical evaluation, as well as the additional 34 strains available for future development, if required. "X" indicates the process has been completed.

	Strain name	Genetic Stabilization	Agronomical Test	Strain Registration Phase 1	Strain Registration Phase 2
23	TH-1-005	X	In Progress	Pending	Pending
24	MD-2-001	X	In Progress	Pending	Pending
25	AC-1-001	X	In Progress	Pending	Pending
26	KHI-1-013	X	In Progress	Pending	Pending
27	CHR-3-019	X	In Progress	Pending	Pending
28	IC-3-020	X	In Progress	Pending	Pending
29	MSK-3-022	X	In Progress	Pending	Pending
30	MK-3-023	X	In Progress	Pending	Pending
31	SCH-3-025	X	In Progress	Pending	Pending
32	KHI-1-012	X	In Progress	Pending	Pending
33	SD-3-016	Pending	Pending	Pending	Pending
34	BJ-3-018	Pending	Pending	Pending	Pending
35	MB-3-031	Pending	Pending	Pending	Pending
36	DC-3-003	Pending	Pending	Pending	Pending
37	HZ-3-011	Pending	Pending	Pending	Pending
38	KHI-4-002	Pending	Pending	Pending	Pending
39	KHI-4-014	Pending	Pending	Pending	Pending
40	KHI-4-016	Pending	Pending	Pending	Pending
41	CW-3-029	Pending	Pending	Pending	Pending
42	FR-1-007	Pending	Pending	Pending	Pending
43	UO-1-010	Pending	Pending	Pending	Pending
44	SOG-3-013	Pending	Pending	Pending	Pending
45	SSKOG-3-014	Pending	Pending	Pending	Pending
46	KHI-4-005	Pending	Pending	Pending	Pending
47	KHI-4-010	Pending	Pending	Pending	Pending
48	DB-3-024	Pending	Pending	Pending	Pending
49	SG-3-032	Pending	Pending	Pending	Pending
50	WM-3-027	Pending	Pending	Pending	Pending
51	WWA-3-028	Pending	Pending	Pending	Pending
52	FH-3-030	Pending	Pending	Pending	Pending
53	PCB-2-004	Pending	Pending	Pending	Pending
54	AO-3-001	Pending	Pending	Pending	Pending
55	MB-3-034	Pending	Pending	Pending	Pending
56	SSK-3-017	Pending	Pending	Pending	Pending