Condensed Interim Financial Statements
(Expressed in Canadian Dollars)

KANE BIOTECH INC.

Three and six months ended June 30, 2026 and 2025
(Unaudited)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrator, the Company discloses its auditors have not reviewed the unaudited condensed interim financial statements for the three and six months ended June 30, 2026 and 2025.

KANE BIOTECH INC.

Condensed Interim Statement of Financial Position

	Note		June 30, 2026		December 31, 2025
Assets					
Cash and cash equivalents		$	**854,729**	$	901,698
Trade and other receivables			**40,390**		36,495
Inventory	**7**		**480,482**		504,562
Prepaid expenses			**197,466**		246,498
Current assets			**1,573,067**		1,689,253
Property and equipment	**8**		**83,166**		476,488
Intangible assets	**9**		**572,001**		568,300
Non-current assets			**655,167**		1,044,788
Total assets		$	**2,228,234**	$	2,734,041
Liabilities and Shareholders' Deficit					
Accounts payable and accrued liabilities		$	**1,160,940**	$	1,076,177
Other liability			**98,083**		100,101
Government loan	**10(a)**		**1,302,745**		1,246,549
Lease liability	**10(c)**		**-**		79,045
Current liabilities			**2,561,768**		2,501,872
Convertible loan	**10(b)**		**660,329**		617,159
Lease liability	**10(c)**		**-**		361,555
Total non-current liabilities			**660,329**		978,714
Total liabilities			**3,222,097**		3,480,586
Shareholders' Deficit					
Share capital	**11(a)**		**28,815,037**		27,965,674
Contributed surplus			**8,554,423**		8,409,641
Warrants	**11(d)**		**321,505**		14,505
Deficit			**(38,684,828)**		(37,136,365)
Total Shareholders' Deficit			**(993,863)**		(746,545)
Going concern	**2(b)**				
Commitments and contingencies	**12**				
Subsequent event	**15**				
Total liabilities and shareholders' deficit		$	**2,228,234**	$	2,734,041

The notes on pages 5 to 14 are an integral part of these condensed interim financial statements.

KANE BIOTECH INC.

Condensed Interim Statement of Loss and Comprehensive Loss

	Note	Three months ended June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Revenue	5	$ 8,143	27,997	$ 51,361	$ 440,510
Cost of sales	7	6,699	73,523	53,816	443,589
Gross profit (loss)		1,444	(45,526)	(2,455)	(3,079)
Expenses					
General and administration	6,8	671,836	139,703	1,132,442	1,082,189
Research	6,8,9	114,091	90,227	322,887	351,246
Expenses		785,927	229,930	1,455,329	1,433,435
Loss from operations		(784,483)	(275,456)	(1,457,784)	(1,436,514)
Other income (expenses):					
Finance income		3,381	6,113	6,458	8,039
Finance expenses		(46,995)	(104,760)	(104,872)	(163,420)
Fair value adjustment		-	20,997	-	20,997
Foreign exchange gain (loss)		(1,682)	4,565	(4,580)	3,860
Gain on lease termination	8	-	-	20,395	-
Net other expenses		(45,296)	(73,085)	(82,599)	(130,524)
Loss and comprehensive loss before income tax		(829,779)	(348,541)	(1,540,383)	(1,567,038)
Deferred tax expense	10(b)	(3,857)	-	(8,080)	-
Net loss and comprehensive loss		$ (833,636)	$ (348,541)	$ (1,548,463)	$ (1,567,038)
Basic and diluted loss per share for the period		$ (0.01)	$ (0.00)	$ (0.01)	$ (0.01)

KANE BIOTECH INC.
Condensed Interim Statement of Changes in Shareholders' Deficit

	Note	Share Capital	Contributed Surplus	Warrants	Deficit	Total
Balance as of January 1, 2025		$ 24,402,338	$ 8,317,784	$ 65,767	$ (34,415,126)	$ (1,629,237)
Loss and comprehensive loss for the year		-	-	-	(2,721,239)	(2,721,239)
Total equity transactions:						
Net fair value of the equity component of the convertible loan	10(b)	-	292,013	-	-	292,013
Issuance of common shares	11(a)	3,330,379	-	-	-	3,330,379
Share-based payments	11(b),(c)	-	246,068	-	-	246,068
Exercised stock options	11(a),(b)	62,991	(12,991)	-	-	50,000
Restricted share units reversed	11(c)	-	(329,034)	-	-	(329,034)
Restricted share units redeemed	11(a),(c)	169,966	(169,966)	-	-	-
Warrants expired	11(d)	-	65,767	(65,767)	-	-
Warrants granted	11(d)	-	-	14,505	-	14,505
Total equity transactions		3,563,336	91,857	(51,262)	-	3,603,931
Balance as of December 31, 2025		$ 27,965,674	$ 8,409,641	$ 14,505	$ (37,136,365)	$ (746,545)
Net loss and comprehensive loss for the period		-	-	-	(1,548,463)	(1,548,463)
Total equity transactions:						
Issuance of common shares	11(a)	819,242	-	-	-	819,242
Share-based payments	11(b),(c)	-	188,010	-	-	188,010
Exercised stock options	11(a),(b)	29,121	(4,121)	-	-	25,000
Restricted share units reversed	11(c)	-	(46,187)		-	(46,187)
Restricted share units redeemed	11(a),(c)	1,000	(1,000)	-	-	-
Warrants granted	11(d)	-	-	307,000		307,000
Reversal of deferred tax recovery	10(b)	-	8,080	-	-	8,080
Total equity transactions		849,363	144,782	307,000	-	1,301,145
Balance as of June 30, 2026		$ 28,815,037	$ 8,554,423	$ 321,505	$ (38,684,828)	$ (993,863)

KANE BIOTECH INC.

Condensed Interim Statement of Cash Flows

	Note		Six months ended June 30, 2026		Six months ended June 30, 2025
Cash provided by (used in):					
Operating activities:					
Loss and comprehensive loss		$	(1,548,463)	$	(1,567,038)
Adjustments for:					
Depreciation of property and equipment			16,228		78,026
Amortization of intangible assets			15,821		16,151
Loss on disposal of equiptment	8		1,756		1,611
Loss on derecognition of intangible assets	9		25,612		30,699
Gain on lease termination including termination fee paid	8		(59,362)		-
Interest on loans and finance lease	10		101,569		133,454
Financing fee for convertible loan	10(b)		-		27,512
Warrant expense			-		(1,803)
Fair value adjustment			-		(20,997)
Share-based compensation (recovery)	11(b),(c)		141,823		(94,167)
Non-cash marketing expenses	11(a),(b)		25,000		-
Deferred tax expense	10(b)		8,080		-
Change in the following:					
Trade and other receivables			(3,895)		(50,999)
Inventory			24,080		41,484
Prepaid expenses			49,032		(94,219)
Accounts payable and accrued liabilities			84,763		(376,303)
Other liability			(2,018)		-
Cash used in operating activities			(1,119,974)		(1,876,589)
Financing activities:					
Issuance of common shares	11(a)		1,126,242		2,537,240
Interest on finance lease	10(c)		(2,203)		(25,462)
Financing fee for convertible loan	10(b)		-		(27,512)
Proceeds from convertible loan	10(b)		-		1,000,000
Repayment of government loan	10(a)		-		(210,000)
Repayment of lease liability	10(c)		(5,900)		(57,872)
Cash provided by financing activities			1,118,139		3,216,394
Investing activities:					
Purchase of property and equipment			-		(4,895)
Additions to intangible assets	9		(45,134)		(80,738)
Cash used in investing activities			(45,134)		(85,633)
Increase (decrease) in cash			(46,969)		1,254,172
Cash and cash equivalents, beginning of period			901,698		358,813
Cash and cash equivalents, end of period		$	854,729	$	1,612,985

The notes on pages 5 to 14 are an integral part of these condensed interim financial statements.

1. Reporting entity and basis of presentation

a) Basis of presentation

The condensed interim financial statements for the three and six months ended June 30, 2026 have been prepared as the separate financial statements of Kane Biotech Inc. (the "Company") in accordance with International Accounting Standard ("IAS") 27, *Separate Financial Statements.* In prior periods, the Company prepared consolidated financial statements that included the accounts of its former subsidiary, STEM Animal Health Inc. ("STEM"). The Company disposed of its interest in STEM on April 12, 2024 and, accordingly, no longer has any subsidiaries. As a result, the Company is no longer required to prepare consolidated financial statements. As the disposal of STEM occurred in a prior period and there are no discontinued operations in either the current or comparative period, no amounts have been presented as discontinued operations in these financial statements.

b) Reporting entity:

The Company is a biotechnology company engaged in the research, development and commercialization of technologies and products that prevent and remove microbial biofilms. The Company is domiciled and incorporated in Canada. Its registered office is 263-196 Innovation Drive, Winnipeg, Manitoba, Canada, R3T 6C5.

2. Basis of preparation of condensed interim financial statements:

a) Statement of compliance

These unaudited condensed interim financial statements of the Company for the three and six months ended June 30, 2026 and 2025 have been prepared in accordance with IAS 34, "*Interim Financial Reporting*" and they should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2025 ("last annual financial statements"), which were prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

These condensed interim financial statements have been authorized for issue by the Board of Directors on August 26, 2026.

b) Going concern

These condensed interim financial statements have been prepared assuming the Company will continue as a going concern, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is material uncertainty about the appropriateness of the use of the going concern assumption because the Company has experienced operating losses and net cash outflows from operations since inception and has not yet achieved profitability from the commercialization of its products which casts significant doubt on the Company's ability to continue as a going concern. For the six months ended June 30, 2026, the Company had a loss and comprehensive loss of $1,548,463 (June 30, 2025 – $1,567,038) and negative cash flow from operating activities of $1,119,974 (June 30, 2025 - $1,876,589), and as of that date had working capital deficit of $988,701 (December 31, 2025 - $812,619) and a deficit of $38,684,828 (December 31, 2025 - $37,136,365).

The Company's ability to continue operations is primarily dependent upon cash inflows from product revenues, non-dilutive government funding and securing additional capital through debt or equity financings. While the Company is striving to achieve this, there is no assurance that such sources of funds will be available or obtained on favourable terms. If the Company cannot generate product and services revenue, obtain grant funding, or if it cannot secure additional financing on acceptable terms, the Company will have to consider additional strategic alternatives. These may include, among other strategies, exploring the monetization of certain tangible and intangible assets as well as seeking to license assets, potential asset divestitures, winding up, dissolution or liquidation of the Company.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the successful completion of the actions taken or planned, some of which are described above, which management believes will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these financial statements. There is no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.

2. Basis of preparation of condensed interim financial statements (continued):

These financial statements do not reflect adjustments in the carrying values of the Company's assets and liabilities, revenue and expenses, and the statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

3. Use of judgements and estimates:

In preparing these condensed interim financial statements, management has made judgements and estimates about the future, including climate-related risks and opportunities, that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Determination of fair values

Several of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values that have been determined for measurement and/or disclosure purposes based on certain models are indicated below. When applicable, further information about the assumptions made in determining fair values was disclosed in the notes specific to that asset or liability in the last annual financial statements except those new and significant ones, which are disclosed in these condensed interim financial statements.

(a) Share-based payment transactions:

The fair value of stock options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not considered in determining fair value.

The fair value of restricted share units is determined by the Company's closing share price on the TSX Venture Exchange on the date of issuance.

(b) Financial assets and liabilities:

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. The carrying values of current monetary assets and liabilities approximate their fair values due to their relatively short periods to maturity.

Financial assets and liabilities that are recognized on the condensed interim statement of financial position at fair value follow a hierarchy that is based on the significance of the inputs used in making the measurements. The government loan and the convertible loan represent a level 2 input that represents inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

4. Change in accounting policy:

In these condensed interim financial statements, the Company applied the same accounting policies as those applied in its financial statements as at and for the year ended December 31, 2025 except as follows:

Annual Improvements to IFRS® Accounting Standards – Volume 11 (Amendments)

Amendments to IFRS 9, *Financial Instruments*, issued in July 2024, clarify that when a lessee determines that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to recognize any difference between the carrying amount and the consideration paid in profit and loss. Amendments to IFRS 9 also require that a trade receivable which does not contain a significant financing component should be measured at initial recognition at an amount determined by applying IFRS 15, *Revenue from Contracts with Customers*, which might differ from the transaction price. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The Company adopted the Amendment of IAS 21, *The Effects of Changes in Foreign Exchange Rates*, with no material impact on its condensed interim financial statements.

4. Change in accounting policy (Continued):

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

Amendments to IFRS 9 and IFRS 7, *Financial Instruments: Disclosures*, issued in May 2024, provide clarification that a financial liability is derecognized on the settlement date, provide an accounting policy option to derecognize a financial liability that is settled in cash using an electronic payment system before the settlement date if specified criteria are met; clarify how to assess the contractual cash flow characteristics of financial assets with contingent features, including environmental, social and corporate governance (ESG) linked features, clarify that, for a financial asset to have non-recourse features, the entity's ultimate right to receive cash flows must be contractually limited to the cash flows generated by specified assets, clarify the characteristics of the contractually linked instruments that distinguish them from other transactions, and add new disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and financial instruments that have certain contingent features. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The Company adopted these amendments, with no material impact on its condensed interim financial statements.

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after January 1, 2027 and earlier application is permitted. The Company has not early adopted any of the forthcoming new or amended accounting standards in preparing these condensed interim financial statements.

5. Revenue:

The Company's operations and main sources of revenue are described in the Company's December 31, 2025 financial statements. For the three and six months ended June 30, 2026, the Company's revenue is derived primarily from distributor contracts and direct sales to end users of its revyve® and DermaKB® product lines.

The following additional factors impacted the Company's revenues for the three and six months ended June 30, 2026 and June 30, 2025:

a) During the year ended December 31, 2024, the Company entered into a contract manufacturing agreement with Dechra Veterinary Products LLC ("Dechra") under which the Company manufactured animal health products for Dechra during the transition period between the sale of STEM to Dechra and December 31, 2024. This agreement was extendable for a period of two months based on mutual agreement of Dechra and the Company. All manufacturing under this agreement was completed in February 2025.

   For the three months ended June 30, 2016, the Company recognized no manufacturing service revenue (June 30, 2025 – $24,587) related to this contract manufacturing agreement.

   For the six months ended June 30, 2026, the Company recognized no manufacturing service revenue (June 30, 2025 – $420,729) related to this contract manufacturing agreement.

b) During the year ended December 31, 2025, the Company terminated its animal health product testing services agreement with a third party. The Company has now transitioned to and is focusing on human health related operations.

   For the three months ended June 30, 2026, the Company recognized no revenue (June 30, 2025 - $1,837) from these animal health product testing services.

   For the six months ended June 30, 2026, the Company recognized no revenue (June 30, 2025 - $10,898) form these animal health product testing services.

c) During the six months ended June 30, 2026, the Company completed the liquidation of its DermaKB® product inventory to an independent third party.

   For the three months ended June 30, 2026, the Company recorded no revenue (June 30, 2025 - $1,573) related to DermaKB.

   For the six months ended June 30, 2026, the Company recorded revenue of $39,759 (June 30, 2025 - $3,428) related to DermaKB.

6. Government and other assistance:

For the three months ended June 30, 2026, the Company recorded $4,000 in government assistance (June 30, 2025 - $44,157).

6. Government and other assistance (continued):

For the six months ended June 30, 2026, the Company recorded $8,000 in government assistance (June 30, 2025 - $151,442).

For the three and six months ended June 30, 2025, the Company received government assistance from the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP) and the U.S. Department of Defense's Medical Technology Enterprise Consortium Research Project Award (MTEC).

Government assistance was recorded as reductions in general and administration and research expenses in the condensed interim statement of loss and comprehensive loss.

7. Inventories:

For the three months ended June 30, 2026, the Company recognized inventory write-downs of $128 (June 30, 2025 – $14,810), related to discontinued and expired products. The write-downs are included in cost of sales.

For the six months ended June 30, 2026, the Company recognized a recovery of previously recorded inventory write-downs of $96,856 (June 30, 2025 - $14,335, write-downs), related to discontinued and expired products. This recovery is recorded as a reduction in cost of sales.

The recovery of $96,856 relates primarily to the Company's DermaKB scalp care product line. Inventory associated with the DermaKB product line was fully written down in the year ended December 31, 2024, During the three months ended March 31, 2026, the Company sold this inventory for proceeds of $39,759, compared to its original carrying value of $137,601.

8. Property and equipment:

The Company did not derecognize any property and equipment during the three months ended June 30, 2026 or 2025.

During the six months ended June 30, 2026, the Company terminated the lease on its laboratory premises. As a result, the Company derecognized net right-of-use assets of $375,338 and recorded a gain of $20,395, after deducting the termination fees of $38,967.

During the six months ended June 30, 2026, the Company wrote off $1,756 of computer and scientific equipment (June 30, 2025 - $1,611), which is included in general and administration and research expenses.

9. Intangible assets:

During the three months ended June 30, 2026, the Company capitalized $32,038 of patent expenditures (June 30, 2026 - $47,998) and $210 of trademark expenditures (June 30, 2025 - $1,663)

During the six months ended June 30, 2026, the Company capitalized $42,897 of patent expenditures (June 30, 2025 - $79,075) and $2,237 of trademark expenditures (June 30, 2025 - $1,663).

The Company has considered indicators of impairment as of June 30, 2026 and has determined that it was not feasible to pursue certain patents and patents pending and accordingly has derecognized net patents with a carrying value of $25,612 during the six months ended June 30, 2026 (June 30, 2025 - $30,699).

As of June 30, 2026, the Company has recorded aggregate impairment (derecognition) losses of $1,750,428 (June 30, 2025 - $1,724,816) primarily resulting from patents and patent applications that were abandoned. Amortization and derecognition expenses are included in research expenses.

10. Loans payable and lease liability:

The terms of the Company's loans payable and lease liabilities and related 2026 transactions are summarized below:

	Note		Government loan		Convertible loan		Lease liability
Nominal interest rate			N/A		3%		6%
Year of maturiry			2028		2031		2031
Balane as of January 1, 2026		$	1,246,549	$	617,159	$	440,600
Accretion expenses	(a),(b), (c)		56,196		43,170		2,203
Payments	(c)		-		-		(8,103)
Derecognition	(c)		-		-		(434,700)
Balance as of June 30, 2026		**$**	**1,302,745**	**$**	**660,329**	**$**	**-**

(a) Government loan

On June 16, 2025, the Company received a notice of default from Prairies Economic Development Canada ("PrairiesCan") under its funding agreement. The notice of default indicated that the Company had not complied with the repayment terms of the agreement, which require repayment of the contributions in 59 consecutive monthly installments of $42,000 commencing April 1, 2023, followed by a final installment of $13,267 due on March 1, 2028.

Under the terms of the funding agreement, overdue amounts bear interest at the average bank rate plus 3.00% (8.40% for 2026) calculated and compounded from the payment due date until the date payment is received by PrairiesCan. The Company made all required repayments from April 1, 2023 to May 1, 2025. As of June 30, 2026, thirteen installments totalling $546,000 remain unpaid. As a result of this default, the outstanding balance of the PrairiesCan funding has been classified as current liability on condensed interim statement of financial position.

As of June 30, 2026, the Company accrued interest of $24,250 (December 31, 2025 - $7,317) related to unpaid instalments and the outstanding balance of repayable contributions and accrued interest is $1,423,517 (December 31, 2025 - $1,406,584). As of June 30, 2026, the carrying value of repayable contributions and accrued interest included in the government loan balance on the condensed interim statement of financial position is $1,302,745 (December 31, 2025 - $1,246,549).

For the three months ended June 30, 2026, the Company recorded accretion expense of $23,944 (June 30, 2025 - $41,481) and made no repayments to PrairiesCan (June 30, 2025 – $84,000).

For the six months ended June 30, 2026, the Company recorded accretion expense of $56,196 (June 30, 2025 - $85,837) and made no repayments to PrairiesCan (June 30, 2025 - $210,000)

The repayment schedule of the remaining contributions and interest is as follows:

2027		1,358,891
2028		97,267
	$	1,456,158

(b) Convertible loan

The convertible debenture is classified as a compound financial instrument consisting of liability and equity components. At initial recognition, the liability component was measured at its fair value of $572,470 using a discount rate of 14% and recorded as a convertible loan. The residual equity component of$292,013, net of a deferred tax adjustment of $108,005, was recorded in contributed surplus. These amounts were allocated from net proceeds of $972,488. The liability component is subsequently measured at amortized cost using the effective interest method.

10. Loans payable and lease liability (continued):

During the three months ended June 30, 2026, the Company recorded deferred tax expense of $3,857 related to the convertible loan, primarily reflecting the reversal of a temporary difference previously recognized in equity in the year ended December 31, 2025.

During the six months ended June 30, 2026, the Company recorded deferred tax expense of $8,080 related to the convertible loan, primarily reflecting the reversal of a temporary difference previously recognized in equity in the year ended December 31, 2025.

As of June 30, 2026, the outstanding balance of the convertible loan with unpaid interest is $1,030,423 (December 31, 2025 - $1,015,534). As of June 30, 2026, the carrying value of the outstanding balance of the convertible loan including unpaid interest is $660,329 (December 31, 2025 - $617,159).

During the three months ended June 30, 2026, the Company recorded accretion expense of $21,776 (June 30, 2025 - $1,158) related to the convertible loan.

During the six months ended June 30, 2026, the Company recorded accretion expense of $43,170 (June 30, 2025 - $1,158) related to the convertible loan.

(c) Lease liability

During the three months ended March 31, 2026, the Company terminated the lease on its laboratory premises at which time the book value of the related right-of-use asset and lease liability balance were $375,338 and $434,700 respectively. The lease terms included an early termination fee of $38,967. The Company recorded a gain of $20,395 on the termination of the laboratory premises lease.

As of June 30, 2026, the carrying amount of the lease liability was $nil (December 31, 2025 - $440,600).

During the three months ended June 30, 2026, the Company made no lease liability payments (June 30, 2025 - $41,667) including interest of $nil (June 30, 2025 - $12,514).

During the six months ended June 30, 2026, $8,103 (June 30, 2025 - $83,334) was paid on the lease liability including interest of $2,203 (June 30, 2025 - $ 25,462).

11. Share Capital:

(a) Shares issued and outstanding

During the six months ended June 30, 2026, 250,000 stock options were exercised at an exercise price of $0.10 per share for aggregate gross proceeds of $25,000, which were settled against accounts payables. Upon exercise, the associated fair value of $4,121 was reclassified from contributed surplus to share capital.

During the six months ended June 30,2026, the Company completed a private placement of 23,200,000 units at a price of $0.05 per unit for aggregate gross proceeds of $1,160,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.06 per share for a period of 18 months from the date of issuance.

In connection with the offering, 192,000 finder's warrants were issued to eligible finders in respect of 3,200,00 units placed. Each finder's warrant is exercisable at a price of $0.06 per share. Total issuance costs attributable to the financing were $340,758, including $307,000 representing the fair value of 23,392,000 warrants issued to subscribers and eligible finders.

11. Share Capital (continued):

Shares issued and outstanding are as follows:

	Number of Common Voting Shares		Amount
Balance at January 1, 2025	137,786,567	$	24,402,338
Issuance of common shares	42,985,000		3,430,379
Cancelled shares	(1,000,000)		(100,000)
Restricted share units redeemed	1,324,998		169,966
Stock options exercised	500,000		62,991
Balance as of December 31, 2025	181,596,565	$	27,965,674
Issuance of common shares	23,200,000	$	819,242
Restricted share units redeemed	10,000		1,000
Stock options exercised	250,000		29,121
Balance as of June 30, 2026	205,056,565	$	28,815,037

(b) Stock option plan

The Company maintains an equity-settled Stock Option Plan ("Plan") for employees, directors, officers, and consultants which is administered by the Board of Directors. At the General and Special Meeting of Shareholders held on June 24, 2026, shareholders approved an amendment to the Plan providing for a rolling stock option reserve equal to 10% of the Company's issued and outstanding shares as of the date of grant.

As at June 30, 2026, a maximum of 20,505,657 common shares (December 31, 2025 – 16,586,657) were reserved for issuance under the Plan. Of this amount, 10,755,657 options remained available for future grant as at June 30, 2026 (December 31, 2025 – 16,086,657).

The continuity of stock options outstanding as at June 30, 2026 and December 31, 2025 is as follows:

	Six months ended June 30, 2026			Twelve months ended December 31, 2025		
	Options		**Weighted average exercise price**	Options		Weighted average exercise price
Balance, beginning of period	**500,000**	**$**	**0.10**	-	$	-
Granted	**9,750,000**	**$**	**0.05**	1,000,000	$	0.10
Exercised	**(250,000)**	**$**	**0.10**	(500,000)	$	0.10
Expired	**(250,000)**	**$**	**0.10**	-	$	-
Balance, end of period	**9,750,000**	**$**	**0.10**	500,000	$	0.10

Options outstanding as of June 30, 2026 consist of the following:

Range of exercise prices	Outstanding number	Weighted average remaining contractual life	Weighted average exercise price	Exercisable number
$0.05	9,500,000	4.91	$0.05	5,687,503

For the three months ended June 30, 2026, the Company recorded stock option compensation expense of $160,155 (June 30, 2025 - $10,436).

For the six months ended June 30, 2026, the Company recorded stock option compensation expense of $160,841 (June 30, 2025 - $10,436).

11. Share Capital (continued):

Stock option compensation expense is based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model with the following weighted average assumptions:

	2026	2025
Expected option life	**5 years**	1 year
Risk free interest rate	**3%**	3%
Expected volaility	**74%**	57%
Grant-date share price	**$ 0.04**	$ 0.10
Option exercise price	**$ 0.05**	$ 0.10

(c) Restricted share unit plan

The Company maintains an equity-settled Restricted Share Unit Plan ("RSU Plan") for employees, directors, officers, and consultants, which is administered by the Board of Directors. At the General and Special Meeting of Shareholders held on June 24, 2026, shareholders approved an amendment to the RSU plan providing for a fixed number of RSUs reserved for issuance equal to10% of the issued and outstanding shares of the Company as at the date of approval.

As of June 30, 2026, a maximum of 18,185,656 restricted share units (December 31, 2025 – 16,586,657) were reserved for issuance under the Plan. Of this amount, 5,031,090 RSUs remained available for future grants as at June 30, 2026 (December 31, 2025 – 2,242,219).

During the six months ended June 30, 2026, the Company issued 383,459 RSUs to a consultant of the Company. The expiry date of these RSUs is June 2, 2036. All RSUs vest on June 3, 2027.

Restricted share units outstanding as of June 30, 2026 and December 31, 2025 consist of the following:

	Six months ended June 30, 2026	Twelve months ended December 31, 2025
Balance, beginning of period	**13,114,440**	21,474,510
Additions	**383,459**	-
Expired	**-**	(3,488,406)
Forfeited	**(333,333)**	(3,546,666)
Redeemed	**(10,000)**	(1,324,998)
Balance, end of period	**13,154,566**	13,114,440
Restricted share units exercisable, end of period	**12,187,772**	12,364,439

For the three months ended June 30, 2026, the Company recognized a recovery of shared-based compensation expense related to RSUs of $31,963 (June 30, 2025 – expense of $249,165), with a corresponding decrease to contributed surplus. The net recovery consisted of RSU compensation expense of $14,224 (June 30, 2025 - $51,668) partially offset by a recovery of previously recognized compensation expense of $46,187 (June 30, 2025 - $300,833) relating to RSUs, forfeited during the period.

For the six months ended June 30, 2026, the Company recognized a recovery of share-based compensation expense related to RSUs of $19,018 (June 30, 2025 – expense of $ 104,603), with a corresponding decrease to contributed surplus. The net recovery consisted of RSU compensation expense of $27,169 (June 30, 2025 - $196,230) partially offset by a recovery of previously recognized compensation expense of $46,187 (June 30, 2025 - $300,833) relating to RSUs forfeited during the period.

RSU compensation expense is measured based on the fair value of the RSUs on the grant date, determined using the closing price of the Company's common shares on the TSX Venture Exchange.

11. Share Capital (continued):

(d) Warrants

During the six months ended June 30, 2026, the Company issued 23,392,000 warrants associated with its $1,160,000 private placement which closed on May 25, 2026. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.06 and has an expiry date of November 25, 2027.

Warrants outstanding as of June 30, 2026 and December 31, 2025 are as follows:

	Six months ended June 30, 2026			Twelve months ended December 31, 2025		
	Warrants	**Amount**	**Weighted average exercise price**	Warrants	Amount	Weighted average exercise price
Balance, beginning of period	**566,100**	**$ 14,505**	**$ 0.10**	3,125,000	$ 65,767	$ 0.10
Granted	**23,392,000**	**307,000**	**0.06**	566,100	14,505	0.15
Expired	**-**	**-**	**-**	(3,125,000)	(65,767)	0.10
Balance, end of period	**23,958,100**	**$ 321,505**	**$ 0.06**	566,100	$ 14,505	$ 0.15
Weighted average remaining contractual life		**1.37 years**			0.58 year	

The relative fair value of warrants issued in 2026 was determined at the date of issue using the Black-Scholes Model with the following weighted average assumptions:

Expected warrant life	**1.37 years**
Risk free interest rate	**3%**
Expected volatility	**93%**
Grant-date share price	**$ 0.04**
Warrant exercise price	**$ 0.06**

12. Commitments and contingencies:

As at June 30, 2026 and in the normal course of business, the Company has obligations to make future payments, representing contracts and other commitments that are known and committed.

Contractual obligation payments due by fiscal year ending December 31:

	USD
2026	$ 13,005
2027	$ 23,005
2028	$ 10,000
2029	$ 10,000
2030 and after	$ 10,000
	$ 66,010

13. Related parties:

For the three months ended June 30, 2026, key management personnel compensation expense was $250,178 (June 30, 2025 - $80,457, recovery).

For the six months ended June 30, 2026, key management personnel compensation expense was $382,381 (June 30, 2025 - $268,822).

14. Segmented information:

In the comparative period, the Company had two operating segments: human health and animal health. The human health segment included the revyve and DermaKB product lines, research and development activities, and corporate operations. The animal health segment related primarily to the manufacturing services agreement with Dechra following the sale of STEM Animal Health Inc.

During the six months ended June 30, 2026, the Company operated as a single reportable segment, human health.

In the comparative period, segment performance was regularly reviewed by the Company's Interim Chief Executive Officer, who functioned as the chief operating decision maker and allocated resources based on adjusted operating results.

The Company's human health and animal health segments were managed independently due to their differing operations, market strategies, and resource requirements. No inter-segment transactions occurred during the comparative period.

The revenue and profit generated by each of the Company's operating segments and segmented assets and liabilities are summarized as follows:

	Three months ended June 30, 2026			Three months ended June 30, 2025		
	Animal health	**Human health**	**Total**	Animal health	Human health	Total
External revenue	**$ -**	**$ 8,143**	**$ 8,143**	$ 26,424	$ 1,573	$ 27,997
Total loss	**-**	**(833,636)**	**(833,636)**	(18,646)	(329,895)	(348,541)
Loss from discontinued segment	**-**	**-**	**-**	(18,646)	-	(18,646)
Loss - operating segment	**$ -**	**$ (833,636)**	**$ (833,636)**	$ -	$ (329,895)	$ (329,895)

	Six months ended June 30, 2026			Six months ended June 30, 2025		
	Animal health	**Human health**	**Total**	Animal health	Human health	Total
External revenue	**$ -**	**$ 51,361**	**$ 51,361**	$ 431,627	$ 8,883	$ 440,510
Total profit (loss)	**-**	**(1,548,463)**	**(1,548,463)**	23,023	(1,590,061)	(1,567,038)
Profit from discontinued segment	**-**	**-**	**-**	23,023	-	23,023
Loss - operating segment	**$ -**	**$ (1,548,463)**	**$ (1,548,463)**	$ -	$ (1,590,061)	$ (1,590,061)

15. Subsequent event:

Issuance of Stock Options

On July 27, 2026, the Company's Audit and Compensation Committee approved the grant of 845,000 stock options to certain employees pursuant to the Company's Stock Option Plan. Each stock option entitles the holder to acquire one common share of the Company at an exercise price of $0.05 per share and expires five years from the date of grant. The options vest over a six-month period, with one-half vesting immediately and the remainder vesting in equal monthly instalments over the following six months. The stock options will be accounted for as share-based compensation in future reporting periods.