

Interim Condensed Financial Statements
(Expressed in Canadian Dollars)

KANE BIOTECH INC.

Three months ended March 31, 2018 and 2017
(Unaudited)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses its auditors have not reviewed the unaudited financial statements for the three months ended March 31, 2018.

KANE BIOTECH INC.

Interim Condensed Statement of Financial Position (unaudited)

	Note	March 31, 2018	December 31, 2017
Assets			
Current assets:			
Cash and cash equivalents	\$	1,244,828	\$ 1,975,723
Trade and other receivables	5	143,965	118,399
Inventory	6	131,251	135,158
Other current assets		54,864	20,942
Total current assets		1,574,908	2,250,222
Non-current assets:			
Property and equipment		56,891	60,279
Intangible assets	7	1,090,842	1,086,586
Total non-current assets		1,147,733	1,146,865
Total assets	\$	2,722,641	\$ 3,397,087
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	8 \$	831,677	\$ 659,035
Total current liabilities		831,677	659,035
Shareholders' Equity			
Share capital	9(b) \$	17,683,418	\$ 17,683,418
Contributed surplus		3,777,612	3,734,904
Warrants	9(d)	1,372,751	1,372,751
Deficit		(20,942,817)	(20,053,021)
Total		1,890,964	2,738,052
Total liabilities and equity	\$	2,722,641	\$ 3,397,087

The notes on pages 5 to 17 are an integral part of these financial statements

KANE BIOTECH INC.

Interim Condensed Statements of Comprehensive Loss (unaudited)

	Note	Three months ended March 31, 2018	Three months ended March 31, 2017
Revenue			
License & Royalty	\$	13,097	\$ 670,725
Sales of goods and services		80,113	114,175
Total Revenue		93,210	784,900
Cost of sales-sales of goods and services		39,384	\$ 36,885
Gross Profit		53,826	748,015
Expenses			
General and administration		709,295	750,384
Research		233,595	208,751
		942,890	959,135
Loss from operations		(889,064)	(211,120)
Finance costs (income):			
Finance income		(42)	(48)
Finance costs		526	27,557
Foreign exchange loss		248	(937)
Net finance costs		732	26,572
Loss and comprehensive loss for the period		\$ (889,796)	\$ (237,692)
Basic and diluted loss per share for the period	9(e)	\$ (0.01)	\$ (0.01)

The notes on pages 5 to 17 are an integral part of these financial statements

KANE BIOTECH INC.
Interim Condensed Statement of Changes in Equity
(unaudited)

	Note	Share Capital	Contributed Surplus	Warrants	Deficit	Total
Balance December 31, 2016		\$ 15,031,823	\$ 3,504,384	\$ 48,165	\$ (17,266,847)	\$ 1,347,495
Loss and comprehensive loss for the period					(2,786,174)	(2,786,174)
Transactions with owners, recorded directly in equity						
Issue of common shares	9(b)	2,651,595	-	-	-	2,651,595
Expiration of convertible note			29,970			-
Share based payments	9(c)	-	151,895	-	-	151,895
Warrants granted	9(d)	-	-	1,373,241	-	1,373,241
Warrants expired	9(d)	-	48,655	(48,655)	-	-
Total transactions with owners		2,651,595	230,520	1,324,586	-	4,176,731
Balance December 31, 2017		\$ 17,683,418	\$ 3,734,904	\$ 1,372,751	\$ (20,053,021)	\$ 2,738,052
Loss and comprehensive loss for the period					(889,796)	(889,796)
Transactions with owners, recorded directly in equity						
Share based payments	9(c)	-	42,708	-	-	42,708
Total transactions with owners		-	42,708	-	-	42,708
Balance March 31, 2018		\$ 17,683,418	\$ 3,777,612	\$ 1,372,751	\$ (20,942,817)	\$ 1,890,964

The notes on pages 5 to 17 are an integral part of these financial statements.

KANE BIOTECH INC.
Interim Condensed Statement of Cash Flows
(unaudited)

	Note	Three months ended March 31, 2018	Three months ended March 31, 2017
Cash provided by (used in):			
Operating activities:			
Loss and comprehensive loss for the period		\$ (889,796)	\$ (237,692)
Adjustments for:			
Depreciation of property and equipment		3,388	3,868
Amortization of intangible assets	7	14,022	9,164
Share based compensation	9(c)	42,708	25,399
Change in the following:			
Trade and other receivables	5	(25,566)	(37,362)
Inventory	6	3,907	22,756
Other current assets		(33,922)	36,873
Accounts payable and accrued liabilities	8	172,642	104,373
Cashed used in operating activities		(712,617)	(72,621)
Financing activities:			
Issuance of common shares and warrants, net of share issuance costs	9	-	11,877
Cash provided by financing activities:		-	11,877
Investing activities:			
Purchase of property and equipment		-	(7,180)
Additions to intangible assets	7	(18,278)	(92,091)
Cash used in investing activities:		(18,278)	(99,271)
Increase (decrease) in cash		(730,895)	(160,015)
Cash, beginning of period		1,975,723	739,568
Cash, end of period		\$ 1,244,828	\$ 579,553
Supplemental cash flow information:			
Non-cash financing activities:			
Shares issued in lieu of cash for interest payment		\$ -	\$ (12,439)

The notes on pages 5 to 17 are an integral part of these financial statements.

KANE BIOTECH INC.

Notes to the Financial Statements

Three months ended March 31, 2018 and 2017

1. Reporting entity:

Kane Biotech Inc. (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 162-196 Innovation Drive, Winnipeg, Manitoba, Canada.

2. Basis of preparation of financial statements:

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorized for issue by the Board of Directors on May 17, 2018.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

- financial instruments at fair value at the issue date
- equity settled share-based payment awards are measured at fair value at the grant date

(c) Going concern

These financial statements have been prepared using IFRSs that are applicable to a going concern, which contemplates that Kane Biotech Inc. 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 substantial doubt about the appropriateness of the use of the going concern assumption because the Company has experienced operating losses and cash outflows from operations since inception and has not yet achieved profitability from the commercialization of its products.

The Company's future operations are completely dependent upon its ability to negotiate collaboration or licence agreements with upfront and milestone payments as well as royalties, generate product and services revenue, obtain grant funding and/or secure additional funds. While the Company is striving to achieve the above plans, there is no assurance that such sources of funds will be available or obtained on favourable terms. If the Company cannot negotiate collaboration or licence agreements, generate product and services revenue, obtain grant funding, or if it cannot secure additional financing on terms that would be acceptable to it, the Company will have to consider additional strategic alternatives which 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.

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.

(d) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar except where indicated otherwise.

KANE BIOTECH INC.

Notes to the Financial Statements
Three months ended March 31, 2018 and 2017

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

(e) Use of estimates and judgments

The preparation of these financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial years are included in the following notes:

- Note 3(f)(i) Research and development costs
- Note 3(f)(ii) Patents and trademarks
- Note 3(f)(iii) Technology licenses
- Note 3(g)(ii) Impairment of non-financial assets
- Note 3(h)(ii) and Note 13 Share-based payment transactions

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and to the 2017 annual audited financial statements unless otherwise indicated.

(a) Revenue recognition

Effective January 1, 2018, the Company has adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). This new standard was applied using a retrospective approach. The adoption of IFRS 15 has had no impact on the timing and measurement of the Company's revenue and no adjustment to the opening deficit balance as at January 1, 2018.

Upon adoption of IFRS 15 effective January 1, 2018, the Company's updated revenue recognition policy is as follows:

(i) License Fees

Non-refundable payments received at the time of executing a license agreement are recognized as revenue upon execution of the license agreements when the Company has no significant future performance obligation and collectibility of the payments is probable. Under IFRS 15, the Company determines whether the Company's promise to grant a license provides its customers with either a "right to access" the Company's intellectual property or a "right to use" the Company's intellectual property. Based on the Company's determination that it provides a "right to use" license of its technology in its license agreements, the Company recognizes as revenue the full amount of any initial payments it receives from the licensee upon execution of these agreements.

(ii) Milestone Revenue

Revenue associated with license agreement milestones is recognized when it is highly probable that the milestone event criteria has been met and the risk of reversal of revenue recognition is remote.

(iii) Royalties

Royalty income earned from a license agreement is recognized when contractually earned.

(iv) Goods and Services Revenue

Revenue from the sales of goods and services is recognized when the Company has satisfied performance obligations,

KANE BIOTECH INC.

Notes to the Financial Statements
Three months ended March 31, 2018 and 2017

3. Significant accounting policies (continued):

transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. These criteria are considered to be met when the goods and services are delivered to the buyer).

(b) Foreign currency transactions

Transactions in foreign currencies are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated at the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Financial Instruments

Effective January 1, 2018, the Company has adopted IFRS 9 *Financial Instruments* ("IFRS 9") which replaces the provisions of IAS 39 *Financial Instruments: Recognition and Measurement* ("IFRS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting.

IFRS 9 contains three principle classification categories for financial instruments: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 bases the classification of financial instruments on the contractual cash flow characteristics and the company's business model for managing the financial asset.

The adoption of IFRS 9 on January 1, 2018 resulted in changes to accounting policies which have been applied retrospectively, however this did not result in any financial statement adjustments. Upon adoption of IFRS 9 effective January 1, 2018, the Company's updated new financial instrument classifications are as follows:

Financial Instrument	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Loans and receivables	Amortized cost
Interest-bearing debt	Loans and receivables	Amortized cost

(d) Inventory

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour and other direct costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Obsolete, redundant and slow-moving inventories are identified and written down to net realizable values.

(e) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The costs of the day-to-day servicing of property and equipment are recognized in the statement of comprehensive loss in the period in which they are incurred.

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Notes to the Financial Statements
Three months ended March 31, 2018 and 2017

3. Significant accounting policies (continued):

(ii) Depreciation

Depreciation is recognized in profit or loss over the estimated useful lives of each part of an item of property and equipment in a manner which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives and depreciation method for the current and comparative periods are as follows:

Asset	Basis	Rate
Computer and office equipment	Diminishing balance	20-30%
Scientific and manufacturing equipment	Diminishing balance	20%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(f) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design to produce new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically, and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No development costs have been capitalized to date.

(ii) Patents and trademarks

Costs incurred in obtaining a patent are capitalized and are amortized on a straight-line basis over the legal life of the respective patent once the patent has been issued. Trademarks have an indefinite life and are not amortized. Costs incurred in successfully obtaining a patent or trademark are measured at cost less accumulated amortization and accumulated impairment losses. The cost of servicing the Company's patents and trademarks is expensed as incurred.

(iii) Technology licenses

Technology licenses are recorded at cost less accumulated impairment losses. The cost of technology licences will be amortized over their estimated useful life commencing in the period in which the product is commercially launched, and sales of the licensed products are first earned.

(iv) Subsequent expenditures

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

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Notes to the Financial Statements

Three months ended March 31, 2018 and 2017

3. Significant accounting policies (continued):

(g) Impairment

(i) Financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired.

If such evidence exists, the Company recognizes an impairment loss for financial assets. The carrying amount of the asset is reduced by this amount either directly or indirectly using an allowance account.

(ii) Non-financial assets

The carrying amount of long-lived non-financial assets, including intangible assets and property and equipment, is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite lives and intangible assets not yet put into use are evaluated for impairment at least annually.

An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use. The fair value less costs to sell calculation is based on available data from observable market prices, less incremental costs. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market size and market growth trends, strength of customer demand and degree of variability in cash flows, as well as other factors, are considered when making assumptions about future cash flows and the appropriate discount rate. A change in any of the significant assumptions of estimates used to evaluate the underlying assets could result in a material change to the results of operations.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed, to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment had been recognized. Write-downs because of impairment are recognized in research expense in the statement of comprehensive loss.

(h) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided.

(ii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as a personnel expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

(i) Government grants

Grants are recognized in profit or loss as deductions from the related expenditures when the grants become receivable. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a

KANE BIOTECH INC.

Notes to the Financial Statements
Three months ended March 31, 2018 and 2017

3. Significant accounting policies (continued):

systematic basis over the useful life of the asset.

(j) Finance income and finance costs

Finance income comprises interest income on funds invested which is recognized as it accrues in profit or loss, using the effective interest method. Finance costs comprise accretion expense on borrowings which are recognized in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

(k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. No deferred tax assets have been recognized to date.

Refundable scientific research and development tax credits, which are earned as a result of incurring qualifying research and development expenditures, are recorded as a reduction of the related expense when there is reasonable assurance that they will be realized. Non-refundable scientific research and development tax credits, which are also earned on qualifying research and development expenditures, are not recorded in the financial statements.

(l) Earnings (loss) per share

The Company presents basic earnings per share (EPS) data for its common voting shares. Basic EPS is calculated by dividing the profit or loss attributable to common voting shareholders of the Company by the weighted average number of common voting shares outstanding during the period, adjusted for own shares held. Common voting share equivalents have been excluded from the calculation of diluted loss per share as their effect is anti-dilutive.

(m) New standards and interpretations not yet adopted

The Company adopted new standards and amendments to standards for its interim and annual consolidated financial statements commencing January 1, 2018. These changes have not had and are not expected to have a material impact on its financial results. These standard and amendments to standards are as follows:

- IFRS 2 *Share-based Payment*
- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*

Certain new standards, interpretations and amendments to existing standards issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) that are not yet effective up to the date of issuance of the Company's

KANE BIOTECH INC.

Notes to the Financial Statements
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3. Significant accounting policies (continued):

financial statements are listed below. The Company is assessing the impact of these pronouncements on its results and financial position. The Company intends to adopt those standards when they become effective.

IFRS 16 Leases

IFRS 16 *Leases* replaces IAS 17 *Leases* and requires lessees to account for leases on balance sheet by recognizing a right of use asset and a lease liability. Lessor accounting, however, remains largely unchanged and the distinction between operation and financing leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. Currently, the Company does not expect the implementation of IFRS 16 to have a significant impact on its financial statements.

4. License and Distribution Agreement

In Q1, 2017, the Company signed an exclusive license and distribution agreement with Dechra Veterinary Products LLC (“Dechra”) that provides for an initial payment of \$500,000 USD along with a series of potential payments linked to various commercial milestones to a combined maximum of \$2.0 million USD. In addition, Kane Biotech receives ongoing royalty payments on net sales of products by Dechra in North America, subject to certain minimum annual royalty payments from Dechra to the Company.

The adoption of IFRS 15 required the Company to use a new five-step model to determine when the recognition of revenue with respect to payments received from Dechra was to be recorded. Under the five-step approach, the Company exercised judgement in determining revenue recognition, specifically tied to the initial payment received in Q1, 2017. The Dechra agreement includes many rights and obligations, the most significant being Dechra’s exclusive “right to use” as it relates to the selling and distribution of the Company’s StrixNB™ and DispersinB® antibiofilm technologies in the North American veterinary market. The transfer of control of this right from the Company to Dechra was completed once the \$500,000 USD initial payment was received in Q1, 2017 and this amount was recognized as revenue at that time in accordance with IFRS 15.

The agreement also provides for subsequent lump-sum payments from Dechra to the Company related to the completion of specific milestones. The completion of these milestones is related to specific performance obligations and the Company will be recognizing revenue in full as those performance obligations are fulfilled and there is certainty that the related payments will be received.

5. Trade and other receivables:

	March 31, 2018	December 31, 2017
Trade receivables	\$ 104,453	\$ 88,911
Other receivables	39,512	29,488
	\$ 143,965	\$ 118,399

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Notes to the Financial Statements
Three months ended March 31, 2018 and 2017

6. Inventory:

	March 31, 2018	December 31, 2017
Raw materials	\$ 102,450	\$ 97,886
Work-in-progress	2,345	775
Finished goods	26,456	36,497
	\$ 131,251	\$ 135,158

7. Intangible assets:

The following is a summary of intangible assets as at March 31, 2018:

Cost	Technology			Total
	Patents	Trademarks	Licenses	
Balance December 31, 2017	\$ 1,236,225	\$ 87,243	\$ 30,551	\$ 1,354,019
Additions - 2018	18,278	-	-	18,278
Balance March 31, 2018	\$ 1,254,503	\$ 87,243	\$ 30,551	\$ 1,372,297
Accumulated amortization and derecognition	Technology			Total
	Patents	Trademarks	Licenses	
Balance December 31, 2017	\$ 218,746	\$ 18,136	\$ 30,551	\$ 267,433
Amortization - 2018	14,022			14,022
Balance March 31, 2018	\$ 232,768	\$ 18,136	\$ 30,551	\$ 281,455
Carrying amounts	Technology			Total
	Patents	Trademarks	Licenses	
Balance December 31, 2017	1,017,479	69,107	-	1,086,586
Balance March 31, 2018	1,021,735	69,107	-	1,090,842

The Company has considered indicators of impairment as of March 31, 2018. To March 31, 2018, the Company has recorded aggregate impairment losses of \$940,740, primarily resulting from patent applications not pursued.

Amortization and derecognition expenses are recognized in research expense.

8. Accounts payable and accrued liabilities:

	March 31, 2018	December 31, 2017
Trade payables	\$ 497,631	\$ 224,216
Non-trade payables and accrued expenses	334,046	434,819
	\$ 831,677	\$ 659,035

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Notes to the Financial Statements
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9. Share capital:

(a) Authorized

The Company has authorized share capital of an unlimited number of common voting shares, an unlimited number of class A common shares and an unlimited number of preferred shares. The preferred shares may be issued in one or more series, and the directors may fix prior to each series issued, the designation, rights, privileges, restrictions and conditions attached to each series of preferred shares.

(b) Shares issued and outstanding

Shares issued and outstanding are as follows:

	Number of Common Voting Shares	Amount
Balance December 31, 2016	227,641,422	\$ 15,031,823
Share Consolidation - 5 to 1	(182,113,134)	-
Issued in lieu of cash for interest, net of costs of \$562	80,251	11,877
Issued in Private Placement Offerings, net of issue costs and warrants of \$1,553,118	34,504,997	2,639,718
Balance December 31, 2017	80,113,536	\$ 17,683,418
Balance March 31, 2018	80,113,536	\$ 17,683,418

During the year ended December 31, 2017, the Company closed an aggregate private placement offering of units at a price of \$0.12. At the closing, 34,504,997 units were issued for aggregate gross proceeds of \$4,140,600. Issue costs associated with the transaction were \$156,624 of which \$103,777 was related to the issuance of common shares and \$52,847 related to the share purchase warrants. Each Unit is comprised of one Common Share of the Company and one share purchase Warrant. Each Warrant will expire 18 months from the date the Warrant is issued and will entitle the holder to purchase one Common Share at a price of \$0.18 up to the expiry date. The Shares and Warrants will be restricted from transfer for a period of four months from the issue date in accordance with applicable securities laws and the policies of the TSX Venture Exchange.

Also, during the year ended December 31, 2017, the Company completed the consolidation of its issued and outstanding common shares based on one post-consolidation common share for every five pre-consolidation common shares (the "Consolidation") resulting in a total of 45,528,288 common shares issued and outstanding following the Consolidation.

Also, during the period ended March 31, 2017 the Company elected to issue, in lieu of cash, 80,251 common shares in payment of \$12,439 in interest owing on the Company's convertible note (Note 10). Issue costs related with the transaction were \$562.

During the period ended March 31, 2018, the Company had no change in shares issued and outstanding.

(c) Stock option plan

The Company has an equity-settled Stock Option Plan ("Plan") in place for employees, directors, officers and consultants of the Company which is administered by the Board of Directors. The number of common shares reserved for issuance of stock options is limited to a maximum of 10% of the issued and outstanding shares of the Company at any one time. At March 31, 2018, an aggregate maximum of 8,011,354 (December 31, 2017 – 8,011,354) common share options are reserved for issuance under the Plan with 4,482,354 (December 31, 2017 – 3,925,354) of those common share options remaining available.

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9. Share capital (continued):

Share options issued to employees, directors and officers of the Company under the Plan expire five years from the grant date. The attributed exercise price of the grant per the Plan cannot be less than the closing price per common share on the date of the grant.

Effective on all stock options issued after October 1, 2015;

- i) The exercise price shall, at a minimum, be equal to the fair market value of the Company's common stock on the grant date (TSXV share price);
- ii) Each stock option shall vest in 3 equal annual installments, beginning on the grant date;
- iii) The options shall expire 5 years from the date of issue;
- iv) Grants to Executive officers shall be made by the Compensation Committee. Grants to staff shall be made by Authorized Officers (the CEO and CFO). The Authorized Officers may not approve any stock option awards exceeding 500,000 shares to any staff member. Non-Management Directors automatically receive a grant in the amount of the last previous grant to Management Directors. Management Directors are not eligible for Non-Management Directors stock option grants;
- v) All exceptions must be approved by the Compensation Committee.

Changes in the number of options outstanding during the period ended March 31, 2018 and 2017 are as follows:

	March 31, 2018		March 31, 2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of period	3,808,000	\$ 0.34	3,255,500	\$ 0.40
Granted	-	\$ -	-	-
Exercised	-	\$ -	-	-
Forfeited, cancelled or expired	(279,000)	\$ 0.61	(464,500)	0.40
Balance, end of period	3,529,000	\$ 0.32	2,791,000	\$ 0.40
Options exercisable, end of period	2,169,333	\$ 0.33	2,791,000	\$ 0.40
Weighted average fair value				
per unit of option granted during the period		\$ -		\$ -

Options outstanding at March 31, 2018 consist of the following:

Range of exercise prices	Outstanding number	Weighted average remaining contractual life	Weighted average exercise price	Exercisable number
\$0.25-\$0.50	3,529,000	3.31	\$ 0.32	2,169,333

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9. Share capital (continued):

For the period ended March 31, 2018, the Company recorded share option compensation expense of \$42,708 (March 31, 2017 \$25,398) with a corresponding credit to contributed surplus. Share option compensation expense was based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model.

For awards that vest at the end of a vesting period, compensation cost is recognized on a straight-line basis over the period of service. For awards subject to graded vesting, each instalment is treated as a separate award with separate fair value and a separate vesting period.

d) Warrants

Changes in the number of warrants outstanding during the period ended March 31, 2018 and 2017 are as follows:

	March 31, 2018			March 31, 2017		
	Warrants	Amount	Weighted average exercise price	Warrants	Amount	Weighted average exercise price
Balance, beginning of year	35,304,997	\$ 1,372,751	\$ 0.18	1,050,000	\$ 48,165	\$ 0.35
Expired	-	-	-	(250,000)	(23,037)	0.05
Balance, end of period	35,304,997	\$ 1,372,751	\$ 0.18	800,000	\$ 25,128	\$ 0.10
Weighted average remaining contractual life	0.79 years			0.22 years		

The relative fair value of warrants was determined at the date of measurement using the Black-Scholes option pricing model.

(e) Per share amounts

The weighted average number of common voting shares outstanding for the period ended March 31, 2018 and 2017 was 80,113,536 and 45,530,963 respectively. The dilution created by options and warrants has not been reflected in the per share amounts as the effect would be anti-dilutive.

10. Commitments and contingencies:

(a) Commitments

As at March 31, 2018 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 period ending March 31, 2018:

	USD	CND
2018	\$ 10,000	\$ 55,565
2019	\$ 10,000	\$ 71,109
2020	\$ 10,000	\$ -
2021	\$ 10,000	\$ -
2022	\$ 10,000	\$ -
	\$ 50,000	\$ 126,674

The Company has no planned capital commitments for the coming year.

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10. Commitments and contingencies (continued):

The Company holds a worldwide exclusive right to Competence Stimulating Peptide (CSP) technology from the University of Toronto Innovations Foundation (UTIF). In consideration for the right, the Company will pay UTIF a royalty of a stipulated percentage of the net sales, if any, of the licensed products. If the Company sublicenses any rights to a third party, the Company will pay UTIF a percentage of a sublicense fee or sublicense royalty fees. The Company does not expect to make royalty payments under this agreement in fiscal 2018 and cannot predict when such royalties will become payable, if at all.

Also, the Company holds a worldwide exclusive license to DispersinB® enzyme from the University of Medicine and Dentistry of New Jersey (UMDNJ), now part of Rutgers University (Rutgers). In consideration for the right, the Company will pay a royalty to Rutgers of a stipulated percentage of the net sales, if any, of the licensed products. If the Company sublicenses any rights to a third party, the Company will pay Rutgers a percentage of a sublicense fee and/or sublicense royalty fees. A minimum royalty fee of \$10,000 USD per annum is payable for the life of the license, with additional milestone payments possible throughout the term of the agreement.

(b) Guarantees

The Company periodically enters into research and licence agreements with third parties that include indemnification provisions customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred because of claims arising from research and development activities undertaken on behalf of the Company. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions could be unlimited. These indemnification provisions generally survive termination of the underlying agreement. The nature of the indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any indemnification payments under such agreements and no amount has been accrued in the accompanying financial statements with respect to these indemnification obligations.

11. Government and other assistance:

During the period ended March 31, 2018, the Company received \$75,631 (March 31, 2017 - \$25,970) in government and other assistance for the purpose of research and product market development. Government and other assistance has been recorded as a reduction to research and general and administrative expenses. No grants repayable have been recorded to date.

12. Related parties:

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, President & CEO and CFO are key management personnel.

In addition to their salaries, the Company also provides non-cash benefits and participation in the Stock Option Plan (Note 8(c)). The following table details the compensation paid to key management personnel:

	March 31, 2018		March 31, 2017	
Salaries, fees and short-term employee benefits	\$	98,306	\$	69,505
Share-based payments		22,836		12,587
	\$	121,142	\$	82,092

(b) Key management personnel and director transactions

Directors and key management personnel control thirty-two percent of the voting shares of the Company.

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13. Determination of fair values:

A number 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 is disclosed in the notes specific to that asset or liability.

Share-based payment transactions

The fair value of the employee share 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 taken into account in determining fair value.