KANE BIOTECH INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2010

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KANE BIOTECH INC.

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") is current to May 21, 2010 and should be read in conjunction with the unaudited interim financial statements for the three month period ended March 31, 2010 and the audited financial statements for the year ended December 31, 2009, and related notes, which are prepared in accordance with Canadian generally accepted accounting principles. This discussion and analysis provides an update to the Management's Discussion and Analysis for the year ended December 31, 2009, and should be read in conjunction with this document. The Company's independent auditors, KPMG LLP Chartered Accountants, have not reviewed the unaudited interim financial statements. All amounts are expressed in Canadian Dollars unless otherwise noted. Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website at www.kanebiotech.com.

OVERVIEW

Kane Biotech Inc. ("Kane" or the "Company") is a biotechnology company engaged in the development of products to prevent and remove microbial biofilms. Biofilms develop when bacteria and other microorganisms form a protective matrix that acts as a shield against attack. When in a biofilm, bacteria become highly resistant to antibiotics, antimicrobials, biocides and host immune responses. This resiliency contributes to numerous human health problems such as recurrent urinary tract infections, medical device associated infections and tooth decay. The Company is listed on the TSX Venture Exchange under the symbol "KNE". According to the National Institutes of Health (NIH), USA, biofilms are estimated to be responsible for 80% of all human infections and cost industry, governments and hospitals in the billions of dollars each year. As such, there is significant interest for safe and effective products to combat the biofilm problem.

Kane has a growing portfolio of products and intellectual property built upon three distinct technology platforms acquired from leading research institutions and the Company's own biofilm research expertise. This group of products that prevents and removes microbial biofilms, along with the numerous other uses for these products, has been developed from the Company's ability to screen for factors affecting biofilm formation.

Corporate Update

On February 23, 2010, Kane announced that its research and development team had made contributions to two new scientific books. At the invitation of the publishers, Humana Press and Nova Science Publishers, respectively, Kane's team has authored two book chapters reviewing its biofilm research methodology and the antibiofilm-antimicrobial technology development strategy for bacterial infection control.

On January 20, 2010, the Company announced the issuance of Patent No. 2003284385 entitled "Compositions and methods for enzymatic detachment of bacterial and fungal biofilms" by IP Australia (Australian Patent and Trademark Office). Australia is the third country to issue a patent covering Kane Biotech's DispersinB® anti-biofilm technology.

Intellectual Property

Patent #	Title	Jurisdiction
2,452,032	Synergistic Antimicrobial Compositions and Methods of Inhibiting Biofilm Formation	Canada
6,228,638	Escherichia coli CsrB and RNA Encoded Thereby	United States
6,537,815	Method of Altering the expression of CsrB to modify the properties of a cell	United States

6,923,962	Signal peptides, nucleic acid molecules and methods for Treatment of Caries	United States
7,144,992	Synergistic Antimicrobial Compositions and Methods for Reducing Biofilm Formation	United States
7,294,497	Compositions and Methods for Enzymatic Detachment of Bacterial Biofilms	United States
7,314,857	Synergistic Antimicrobial Compositions and Methods of Inhibiting Biofilm Formation	United States
7,556,807	Signal Peptides, Nucleic Acid Molecules and Methods for Treatment of Caries	United States
7,597,895	Signal Peptides, Nucleic Acid Molecules and Methods for Treatment of Caries	United States
540731	Compositions and Methods for Enzymatic Detachment of Bacterial and Fungal Biofilms	New Zealand
555378	Compositions and Methods for Enzymatic Detachment of Bacterial and Fungal Biofilms	New Zealand
2003284385	Compositions and Methods for Enzymatic Detachment of Bacterial and Fungal Biofilms	Australia

The Company has 31 pending patents. Successful development of products to prevent and remove microbial biofilms may be dependent upon the ability to obtain these patents; however, there is no guarantee they will be obtained, and, if obtained, it may not be possible to successfully defend against any subsequent infringements to these patents. Currently the Company is unaware that it has infringed on any existing patents issued to third parties and success may, in part, depend on operating without such infringement.

Trademark	**Jurisdiction**
DispersinB®	Canada
	United States
	Europe
StrixNB™	United States
Aledex™	United States

Research and Development

The Company's lead product for the prevention of catheter associated infections is Aledex™. Kane has both *in vitro* and *in vivo* data that demonstrates the product's ability to inhibit the activity of numerous catheter-associated pathogens, and protect against urinary catheter related infections. Approximately 30 million urethral catheters are sold in North America annually and indwelling urinary catheters are used in approximately 15-25% of short-term care patients and all patients in intensive care units. Additionally, in the U.S. alone, more than 150 million intravascular catheters are used and over 5 million central venous lines are inserted. This results in about 250,000 catheter related infections each year. Kane has also demonstrated the antimicrobial and anti-biofilm activity of Aledex™ combination against dental plaque and oral bacteria associated with periodontal disease.

The Company's lead technology for the chronic wound care market is DispersinB®. Chronic wounds are a serious debilitating complication of vascular disease, diabetes and prolonged immobility and are a huge unmet clinical need that costs the U.S. health care system $20 billion per year. The current global market for wound care management technology is estimated at US $4.5 billion per year. The Company has completed manufacturing of its first cGMP (current good manufacturing practices) batch of DispersinB® topical wound spray care product. The DispersinB® technology also has applications in coating medical devices to prevent device related hospital-acquired infections and Cystic Fibrosis associated infections.

Kane continues to be involved in research related to enhancing products for the prevention of dental plaque and caries. This research is based on the Company's novel Competence Stimulating Peptide ("CSP") technology which targets cavity causing bacteria. The U.S. dental market is over US $70 billion per year.

The Company has a number of Material Transfer Agreements in place with university research institutions to conduct third party research with its technology. In addition, the Company has Confidential Disclosure Agreements in place with a number of companies in both the Medical Device, Wound Care and Oral Care markets. Discussions that take place under these Confidential Disclosure Agreements allow for confidential dialogue and direction on the best design of Kane's research activities. The Company views guidance from market leaders and potential partners as an important external validation of the market potential for its products.

DispersinB® Technology

The Company has created a Master Cell Bank for manufacturing clinical grade DispersinB®, completed manufacturing of clinical grade DispersinB® and has now completed the manufacturing of the DispersinB® topical wound spray care product. Once the biocompatibility tests are completed, the Company plans to prepare the Investigational Device Exemption (IDE) package for submission to the FDA.

CSP Technology

Kane's CSP technology is being used for the development of novel anti-plaque and anti-cavity products. CSP is responsible for the ability of Streptococcus mutans (S. mutans) to form dental plaque leading to cavity formation, as well as many factors in the ability of bacteria to cause damage to the host. Kane has tested several CSP analog peptides that have been shown to interfere with the induction of biofilm formation in S. mutans and other caries-associated streptococci by CSP. These peptides represent a novel approach to the prevention of dental plaque and cavities by specifically preventing the formation of S. mutans biofilms. Also, CSP at higher concentrations has shown to have antibacterial activity against S. mutans and other oral streptococci and to interfere with the attachment of S. mutans to tooth surface, which is the first step in biofilm/plaque formation. Thus, there are numerous potential applications for a product derived from these peptides including use in toothpaste, mouthwash, chewing gum, candies, and soft drinks, along with dental office and veterinary applications. Currently, Ward Industries (Ireland) is developing a pets oral care formulation containing CSP analogue E2 in combination with other ingredients.

OUTLOOK

The strategic direction of the Company is centered on developing solutions to biofilm related problems. In order to advance these programs, Kane expects to continue incurring operating losses. Based on current projections and strategic plans, it is expected that total expenses will be similar in fiscal 2010 as compared to fiscal 2009.

The Company has taken measures to conserve cash and has substantially reduced the overall use of capital in the near term due to the challenges posed by current economic conditions and their negative impact on the Company's capitalization and ability to raise capital. With these measures in place, the Company believes its cash and cash equivalents are sufficient to support the Company's activities into the third quarter of 2010. The Company continues to be party to a commercial license agreement with Harland Medical Systems, Inc. and is in discussions with various other potential partners to pursue alliances with regard to its anti-microbial products, which may provide additional funding for research.

The Company's financial statements have been prepared using Canadian generally accepted accounting principles ("Canadian GAAP") 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 incorporation and has not reached successful commercialization of its products.

The Company's future operations are dependent upon its ability to generate product sales, negotiate collaboration or licence agreements with upfront payments, obtain research grant funding, defer expenditures, or other strategic alternatives, and/or secure additional funds. While the Company is striving to achieve these plans, there is no assurance that these and other strategies will be achieved or such sources of funds will be available or obtained on favourable terms or obtained at all. If the Company cannot generate product sales, negotiate collaboration or licence agreements with upfront payments, obtain research 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 intangible assets as well as seeking to outlicense assets or potential asset divestitures.

The Company may decide to accelerate, terminate or reduce its focus in certain research areas, or commence research in new areas as a result of the Company's research progress and the availability of financial resources. These decisions are made with the goals of managing the Company's cash resources and optimizing the Company's opportunities. Management is not presently aware of any factors that would change its strategy over the next year.

RISKS AND UNCERTAINTY

The Company operates in a highly competitive environment that involves significant risks and uncertainties, some of which are outside of the Company's control. The Company is subject to risks inherent in the biotechnology industry, including:

Risks Related to the Company's Financial Condition:

- The Company has not derived any revenue to date from the commercial sale of its anti-biofilm products. In light of the length of time and expense associated with bringing new products through commercialization, obtaining regulatory approval and bringing products to market, operating losses are expected to continue.
- The Company has relied on equity financing to support operations and will continue to need significant amounts of additional capital that may not be available to the Company on favourable terms, and may be dilutive.
- The Company may fail to obtain additional financing and be unable to fund operations and commercialize its product candidates.

The Company intends to raise additional financing, as required, through research, partnering and licensing arrangements, the exercise of warrants and options, and through equity and/or debt financing. However, there can be no assurance that these financing efforts will be successful or that the Company will continue to be able to meet ongoing cash requirements. It is possible that financing will not be available or, if available, may not be on favourable terms. The availability of financing will be affected by the results of scientific and clinical research, the ability to attain regulatory approvals, market acceptance of the Company's products, the state of the capital markets generally (with particular reference to pharmaceutical, biotechnology and medical companies), the status of strategic alliance agreements, and other relevant commercial considerations.

Risks Related to the Company's Business and Operations:

- The Company is in various stages of development of products and is dependent on the successful commercialization of products to prevent and remove microbial biofilms. Delays may cause the Company to incur additional costs which could adversely affect the Company's liquidity and financial results.
- The Company's business is subject to significant government regulation and failure to achieve regulatory approval of its products would negatively affect the business.
- The Company relies on contract manufacturers as part of its product development strategy, and it would be negatively affected if it is not able to maintain these relationships and/or the contract manufacturers failed to maintain appropriate quality levels.
- Even if product candidates receive all of the required regulatory approvals, there is no guarantee of market acceptance or commercialization of the resulting product candidates, which will be determined by the Company's sales, marketing and distribution capabilities and the positioning and competitiveness of its products compared with any alternatives.
- The Company's industry is characterized by rapid change and a failure by the Company to react to these changes could have a material adverse effect on its business.
- If the Company fails to hire or retain needed personnel, the implementation of its business plan could slow and future growth could suffer.

Risks Relating to Intellectual Property:

- Failure to protect intellectual property, or infringement on the intellectual property rights of others, may impede the Company's ability to operate freely.
- The Company is dependent on strategic partners, including contract research organizations, as part of its product development strategy, and it would be negatively affected if it is not able to initiate or maintain these relationships.

Kane views patents and other means of intellectual property protection as essential to the Company's core business by protecting the Company's proprietary technology from infringement by competitors. To that end, patents will continue to be filed by the Company to ensure the highest level of protection possible is obtained for its products and technologies. The Company requires all employees, consultants, and parties to collaborative research agreements to execute confidentiality agreements upon the commencement of employment, consulting relationships or a collaboration with the Company. These agreements require that all information developed or made known during the course of the engagement with the Company is to be kept confidential. The Company also maintains agreements with scientific staff and all parties contracted in a scientific capacity, providing that all inventions resulting from work performed for Kane, using Kane's property, or relating to Kane's business and conceived or completed during the period covered by the agreement are the exclusive property of the Company.

Risks Relating to the Company's Common Shares:

- The Company has not paid, and does not intend to pay, any cash dividends on its common shares and therefore, its shareholders may not be able to receive a return on their shares unless they sell them.
- The market price and trading volume of the Company's common shares may be volatile. In addition, variations in

future earnings estimates by securities analysts and the market prices of the securities of the Company's competitors may also lead to fluctuations in the trading price of the common shares.

- The significant costs that the Company will incur as a result of being a public company in Canada could adversely affect its business.

To date, no dividends have been declared or paid on the common shares, and it is not expected that dividends will be declared or paid in the immediate or foreseeable future. The policy of the Board of Directors of the Company is to reinvest all available funds in operations. The Board of Directors may reassess this policy from time to time. Any decision to pay dividends on the common shares of Kane will be made by the Board of Directors based on the assessment of, among other factors, earnings, capital requirements and the operating and financial condition of the Company.

SELECTED QUARTERLY FINANCIAL INFORMATION

The selected financial information provided below is derived from Kane's unaudited quarterly financial statements for each of the last eight quarters:

	Q1 - 2010	Q4 - 2009	Q3 - 2009	Q2 - 2009	Q1 - 2009	Q4 - 2008	Q3 - 2008	Q2 - 2008
Investment income	$ 3,021	$ 1,807	$ 937	$ 1,450	$ 2,453	$ 4,239	$ 6,780	$ 10,710
Loss for the period	(277,039)	(105,750)	(307,627)	(260,231)	(203,639)	(134,553)	(372,994)	(352,170)
Loss per share	$ (0.01)	$ (0.00)	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.02)	$ (0.01)

It is important to note that historical patterns of expenditures cannot be taken as an indication of future expenditures. The amount and timing of expenditures, and therefore liquidity and capital resources, may vary substantially from period to period depending on the business and research activities being undertaken at any one time and the availability of funding from investors and prospective commercial partners.

The Company's ongoing quarterly losses relate primarily to the execution of research programs and general and administrative expenses such as professional fees, investor relations, and stock-based compensation. The increasing average quarterly losses are mainly due to additional costs incurred as part of developing the process to manufacture clinical grade DispersinB®. The operations of the Company are not subject to any material seasonality or cyclical factors.

RESULTS OF OPERATIONS

Research

Research expenditures include costs associated with the Company's research programs, the major portion of which are salaries paid to research staff, equipment rental, laboratory rent, consumables, and consulting. The Company is in the development stage and devotes a significant portion of its financial resources to research activities.

The changes in research expenditures for the three months ended March 31, 2010 and 2009 are reflected in the following table:

Three months ended March 31,	2010	2009	Increase (decrease)
Compensation related costs			
Wages, consulting fees, and benefits	$ 73,569	$ 69,166	$ 4,403

Stock-compensation related costs	-	-	-
Consumables	9,686	4,709	4,977
Contract research and scientific consulting	128,533	11,833	116,700
Licence fees	10,178	12,325	(2,147)
Laboratory rent and occupancy costs	9,063	9,148	(85)
Other research costs	4,133	1,834	2,299
less: Government and other assistance	(100,494)	(25,119)	(75,375)
Research	$ 134,668	$ 83,896	$ 50,772

As expected, research expenditures for the three months ended March 31, 2010 were higher as compared to 2009. This net increase can be attributed to the following factors:

- Compensation related costs are higher, as compared to the prior year, as direct payroll expenses increased due to cost of living and merit increases.
- The increase in purchaes of consumables is directly related to the use of existing inventory in the prior year.
- The increase in contract research and scientific consulting is primarily due to costs incurred in manufacturing clinical grade DispersinB® to be used in the Company's wound care product being developed to treat chronic wounds.
- Laboratory rent and occupancy costs are consistent with the prior year.
- Other research costs are higher, as compared to the prior year as a result of an increase in travel and attendance at conferences by the Chief Scientific Officer.
- The increase in Government assistance is due to installments received from a NRC-IRAP contribution approved in the first quarter of the prior year.

The Company expects increased levels of research expenditures for the coming fiscal year if additional funding is received.

General and Administrative and Other Expenditures

General and administrative expenses include those costs not directly related to research activities. This includes expenses associated with management services, and professional fees such as legal, audit and investor relations activities. Other expenditures include amortization and write-down of intangible assets.

The changes in general and administrative expenditures for the three months ended March 31, 2010 and 2009 are reflected in the following table:

Three months ended March 31,	2010	2009	Increase (decrease)
Compensation related costs			
Wages, consulting fees, and benefits	$ 40,705	$ 37,633	$ 3,072
Stock-compensation related costs	22,704	-	22,704
Business development costs	47,262	60,821	(13,559)
Other administrative costs	14,172	14,877	(705)

Amortization and write-downs	20,549	8,865	11,684
General, administrative and other	$ 145,392	$ 122,196	$ 23,196

The net increase in costs for the three months ended March 31, 2010 as compared to 2009 can be attributed to the following factors:

- Wages, consulting fees, and benefits increased, as compared to the prior year, due mainly to an increase in the President's compensation.
- Stock-compensation expense is higher than the prior year as stock options were issued to employees or consultants focused on general and administrative activities.
- During the period, efforts continued on business development, including the pursuit of potential partnerships and financing arrangements. The decrease in business development costs, as compared to the prior year, is due to lower travel and financing costs incurred.
- The decrease in other administration costs is due, in combination, to decreased insurance, legal and transfer agent and filing fees.
- The Company records write-downs, when necessary, to recognize certain intellectual property assets no longer being pursued and certain patents with limited or no benefit within the Company's development plans, and consequently determined to have no future value. There is no expected relationship between write-downs in one period as compared to another.

The Company expects similar levels of general and administrative expenditures for the coming fiscal year.

Investment Income

The change in investment income for the three months ended March 31, 2010 and 2009 are reflected in the following table:

Three months ended March 31,	2010	2009	Increase (decrease)
Investment income	$ 3,021	$ 2,453	$ 568

The increase in interest income is the result of a higher average cash balance as compared to the prior fiscal period.

Loss and Comprehensive Loss for the period

The loss and comprehensive loss for the three months ended March 31, 2010 and 2009 is reflected in the following table:

Three months ended March 31,	2010	2009	Increase (decrease)
Loss and comprehensive loss for the period	$ (277,039)	$ (203,639)	$ 73,400
Loss per share	$ (0.01)	$ (0.01)	$ -

The Company's quarterly loss increased as compared to the prior year. This resulted mainly from additional costs incurred as part of developing the process to manufacture clinical grade DispersinB®. The Company expects to incur a loss next year as it continues its research programs.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, the Company has financed its operations from public and private sales of equity, the exercise of warrants and stock options, investment income on funds available for investment and government grants and tax credits. As at March 31, 2010, the Company had cash and cash equivalents totaling $568,253 compared with $351,238 at March 31, 2009.

Cash used in operating activities

Cash used in operating activities totaled $262,464 for the three months ended March 31, 2010, compared to $158,435 for the same period in fiscal 2009 as a result of an increase in actual cash outflows from ongoing research programs and general and administrative activities, net of non-cash items such as stock-based compensation and amortization.

Cash used in investing activities

Cash used in investing activities totaled $37,378 for the three months ended March 31, 2010. This amount comprises $37,378 used for patent and trademark costs and nil used for the acquisition of property and equipment. No cash was used for upfront licence fee payments. In the previous fiscal year, cash used in investing activities, for patent costs and acquisition of property and equipment, totaled $39,310.

Cash from financing activities

For the three months ended March 31, 2010, cash provided by financing activities was $63,175 (2009 - nil). On March 28, 2010, 451,250 warrants were exercised with gross proceeds to the Company of $63,175.

Shares, options, and warrants

	March 31, 2010	December 31, 2009
Common shares issued and outstanding	37,405,335	36,954,085
Options outstanding	1,607,500	1,432,500
Warrants outstanding	3,179,215	3,630,465

Subsequent to March 31, 2010, 48,566 Compensation Warrants relating to the Q2 2009 Offering were exercised at a strike price of $0.07. As of May 21, 2010, the Company had not issued any shares, options, or warrants, other than disclosed, subsequent to the end of the period. A summary of the Company's capital stock may be found in Note 7 of the unaudited interim financial statements.

The Company believes it has sufficient resources available to support the Company's activities into the third quarter of 2010. The Company's management may consider financing alternatives and may seek to raise additional funds for operations from current stockholders and other potential investors. This disclosure is not an offer to sell, nor a solicitation of an offer to buy the Company's securities. Where the Company pursues such financing, there is no assurance that funding would be available or obtained on favourable terms.

The Company's future operations are completely dependent upon its ability to generate product sales, negotiate collaboration or licence agreements with upfront payments, obtain research grant funding, defer expenditures, or other strategic alternatives, and/or secure additional funds. While the Company is striving to achieve the above plans, there is no assurance these and other strategies will be achieved or that such sources of funds will be available or obtained on favourable terms.

The Company's ability to continue as a going concern is dependent on its ability to obtain sufficient funds to conduct its research and development, and to successfully commercialize its products. The outcome of these matters cannot be predicted at this time. The Company's interim financial statements do not reflect adjustments to the carrying values of the assets and liabilities, expenses, and the balance sheet classification used, that would be necessary if the going concern assumption were not appropriate. Such adjustment could be material.

CONTRACTUAL OBLIGATIONS

The Company periodically enters into long-term contractual agreements for the lease of laboratory facilities and equipment, management services, and certain purchased services. The following table presents commitments arising from agreements currently in force over the next five years.

	Payments due by Period			
	Within 1 year	2 - 3 years	4 - 5 years	Total
Management services agreement	$ 160,000	$ -	$ -	$ 160,000
Contractual commitments	-	20,000	20,000	40,000
	$ 160,000	$ 20,000	$ 20,000	$ 200,000

A summary of the Company's contractual obligations may be found in Note 8 of the Company's unaudited interim financial statements.

GUARANTEES

The Company periodically enters into research and license 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 as a result 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.

RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2010, the Company paid Genesys Venture Inc ("GVI"), a company controlled by the Chairman, a total of $46,938 (2009 - $46,938) for laboratory lease and consulting fees, in accordance with the above noted contractual obligations. The Chief Financial Officer's services are provided through a consulting agreement with GVI. In addition, intellectual property, accounting, payroll, human resources, and information technology services are provided to the Company through the GVI agreement. As of March 31, 2010, included in accounts payable and accrued liabilities is nil (December 31, 2009 - $917) owed to GVI.

These transactions are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

OFF-BALANCE SHEET ARRANGEMENTS

Other than as described above, the Company does not have any off-balance sheet arrangements.

CONTROLS

As a result of the Company’s limited administrative staffing levels, internal controls which rely on segregation of duties in many cases are not appropriate or possible. Due to resources constraints and the present stage of the Company’s development, the Company does not have sufficient size and scale to warrant the hiring of additional staff to correct this potential weakness at this time. To help mitigate the impact of this potential weakness, the Company is highly reliant on the performance of compensating procedures and senior management’s review and approval. During the year ended March 31, 2010, the Company made no material changes to its systems of internal controls over financial reporting.

As a venture issuer, the Company is not required to certify the design and evaluation of the Company's disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR), and as such has not completed such an evaluation.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("Canadian GAAP") requires the Company to select from possible alternative accounting principles and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date, and reported costs and expenditures during the reporting period. Management believes that the estimates and assumptions upon which the Company relies are reasonable based upon information available at the time these estimates and assumptions are made. Estimates and assumptions may be revised as new information is acquired, and are subject to change.

In addition to the going concern assumption described above, management believes that its most critical accounting policies and estimates relate to the following areas, with reference to notes contained in the unaudited interim financial statements for the year ended December 31, 2009:

Research and development costs

The Company's accounting policy over research and development costs may be found in Note 2(i). Research expenditures are expensed as incurred. Development expenditures are deferred when they meet the criteria for capitalization in accordance with Canadian GAAP, and the future benefits could be regarded as being reasonably certain. Related tax credits are accounted for as a reduction to research and development expenditures on the condition that the Company is reasonably certain that these credits will materialize.

Patents and trademarks

The Company's accounting policy over patents and trademarks may be found in Notes 2(d) and 2(f). Patents and trademarks are reviewed for impairment on an ongoing basis whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the projected undiscounted future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value. Triggering events for reviews for impairment typically include abandonment of patent applications which result in the related asset being written down to a nil value.

Technology licenses

The Company's accounting policy over technology licences may be found in Notes 2(e) and 2(f). Technology licenses costs are initially recorded based on the fair value of the consideration paid and are amortized on a straight-line basis over their useful life once the related product is launched commercially and sales of the licensed products are first earned. The carrying amounts of technology license costs do not necessarily reflect present or future fair values and the ultimate amount recoverable will be dependent upon the successful development and commercialization of products based on these rights. Technology licences are reviewed for impairment on an ongoing basis whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and are subject to an annual impairment test until commercialization of the related product. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the projected undiscounted future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value.

Stock-based compensation

The Company's accounting policy over stock-based compensation may be found in Notes 2(h), 8(c) and 8(d). Where the Company issues warrants and stock options (to its employees, directors and officers), a fair value is derived using the Black-Scholes pricing model. The application of this pricing model requires Management to make assumptions regarding several variables, including the expected life of the options and warrants, the price volatility of the Company's stock over a relevant timeframe, the determination of a relevant risk-free interest rate and an assumption regarding the Company's dividend policy in the future.

A summary of all of the Company's significant accounting policies and estimates may be found in Note 2 to the audited financial statements for the year ended December 31, 2009.

CHANGES IN ACCOUNTING POLICIES

1. New Accounting Standards adopted during the period:

There were no changes in Accounting Policies during the period.

2. International Financial Reporting Standards (IFRS) Changeover Plan:

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB's strategic plan outlines the convergence of Canadian GAAP with IFRS over a five-year transitional period. In February 2008, the AcSB confirmed that IFRS will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011. The Company's first IFRS financial statements will be for the fiscal year ending December 31, 2011 and will include the comparative period for fiscal 2010.

The Company is in the process of preparing an implementation plan which identifies key activities to occur leading up to the changeover. In 2010, the Company plans to complete its detailed gap assessment of the current differences between Canadian GAAP and IFRS applicable to the Company. A summary analysis indicates that in most cases, the Company would opt for a prospective application when the choice is available. The Company will need to finalize its accounting policy choices within IFRS and assess its elective options under first-time adoption of IFRS.

While the Company has commenced the scoping and diagnostic activities, management has not yet determined the impact of the current Canadian GAAP to IFRS conversion on the Company's consolidated financial statements. Certain options permitted under IFRS are currently under analysis.

Strategic changes made over the past year have delayed implementation of the Company's IFRS conversion project. Management is still in the process of assessing the impact that IFRS will have on the Company's financial statements.

The Company expects the International Accounting Standards Board to continue to issue new accounting standards during the conversion period and as a result, the financial impact of IFRS on the Company's financial statements will only be measured once all the IFRS applicable at the conversion date are known.

FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical facts, included in this Prospectus regarding the Company's strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words “believe”, “anticipate”, “estimate”, “plan”, “expect”, “intend”, “may”, “project”, “will”, “would” and similar expressions and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements.

The Company's statements of “belief” in respect of its drug candidates are based primarily upon results derived to date from its pre-clinical and clinical research and development and the Company's research and development program. The Company also use the term “demonstrated” in this MD&A to describe certain findings that it makes arising from its research and development including any pre-clinical and clinical studies that the Company have conducted to date.

The Company believes that it has a reasonable scientific basis upon which it has made such statements of “belief” or arrived at such findings. It is not possible, however, to predict, based upon in vitro and/or animal studies whether a new therapeutic agent will be proved to be safe and/or effective in humans and no conclusions should be drawn in that regard from what the Company states has been demonstrated by us to date. The Company cannot assure the reader that the particular results expected by Kane will occur.

There are a number of important factors that could cause the Company's actual results to differ materially from those indicated or implied by forward-looking statements or statements of “belief”, including the factors discussed under “Risk Factors” and in other sections of this MD&A. These factors and the other cautionary statements made in this MD&A should be read as being applicable to all related forward-looking statements and statements of “belief” wherever they appear in this Prospectus.

Any forward-looking statements and statements of “belief” represent the Company's estimates only as of the date of this Prospectus and should not be relied upon as representing the Company's estimates as of any subsequent date. Except as required by law, the Company does not assume any obligation to update any forward-looking statements or statements of “belief”. The Company disclaims any intention or obligation to update or revise any forward-looking statements or statements of “belief”, whether as a result of new information, future events or otherwise except as otherwise required by law. The forward-looking statements contained in this MD&A include, but are not limited to, statements regarding our:

- intention to commercialize products to prevent and remove microbial biofilm;
- intention to carry out trials on our products to prevent and remove microbial biofilm;
- intention to obtain regulatory approval for our products;
- expectations with respect to the cost of the testing and commercialization of our products;
- sales and marketing strategy;
- anticipated sources of revenue;
- intentions regarding the protection of our intellectual property;
- business strategy; and
- intention with respect to dividends.

Such forward-looking statements involve known and unknown risks and uncertainties, including those referred to in this Prospectus or in any document incorporated by reference herein, which may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks include, but are not limited to:

- risks related to the early stage of our products and the Company, including our lack of product revenues and history of operating losses;
- uncertainties related to clinical trials and product development;
- uncertainties relating to current economic conditions;
- rapid technological change;
- uncertainties relating to forecasts and timing of clinical trials and regulatory approval;
- competition in the market for to products designed to prevent and remove microbial biofilm;
- risks relating to potential product liability claims;
- availability of additional financing and access to capital for research and development, clinical trials and regulatory approval;
- market acceptance and commercialization of our products;
- the availability and supply of raw materials, including supplies of sufficient active pharmaceutical ingredients for larger clinical trials and future commercial production;
- risks relating to the effective management of our growth;
- our potential reliance on partnering agreements to provide support for our discovery and development efforts, and on corporate sponsors, pharmaceutical companies, universities, research groups and other to successfully develop and commercialize our technology.