Managements' Discussion and Analysis
(Expressed in Canadian Dollars)

KANE BIOTECH INC.

Years ended December 31, 2010 and 2009

KANE BIOTECH INC.

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") is current to April 26, 2011 and should be read in conjunction with the audited financial statements for the year ended December 31, 2010, and related notes, which are prepared in accordance with Canadian generally accepted accounting principles. Annual references are to the Company's fiscal years, which end on December 31. 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 and commercialization of products that 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. According to the National Institutes of Health (NIH), USA, biofilms are estimated to be responsible for 80% of all human bacterial infections and cost industry, governments and hospitals in the billions of dollars each year. As such, there is significant interest in safe and effective products that can 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. These products that prevent and remove microbial biofilms, among other uses, have been developed from the Company's ability to screen for factors affecting biofilm formation.

The Company is listed on the TSX Venture Exchange under the symbol "KNE".

Corporate Update

On February 24, 2011, Kane announced that it had been named one of the top ten companies in the biotech industry by Fast Company in its annual list of the world's "Most Innovative Companies." The magazine, whose editorial team analyzed information on thousands of businesses across the globe, singled out Kane Biotech's "wound care spray that could aid and speed healing" in its March 2011 issue.

On February 8, 2011, the Company announced the issuance of Patent No. 564904 entitled "Antimicrobial Compositions and Uses Thereof" by the New Zealand IP office. This patent covers the method of preventing growth and proliferation of biofilm-embedded microorganisms on medical devices such as urinary and vascular access catheters.

On February 1, 2011, Kane announced that it had developed the DispersinB® enzyme-linked immunosorbent assay (ELISA) kit. The Massachusetts Institute of Technology (MIT), the University of Toronto and the University of Washington are the first to have purchased and received kits. This kit will be used for detection and quantification of minute quantities of DispersinB®.

On January 26, 2011, the Company announced that its DispersinB® wound spray has passed the FDA-recommended sub-chronic toxicity test. The test was conducted by WuXi AppTec Inc. (St. Paul, MN) in compliance with Good Laboratory Practice (GLP). Coupled with earlier biocompatibility results, the Company has now confirmed that DispersinB® wound spray is non-cytotoxic, non-mutagenic, non-genotoxic, non-irritant and non-sensitizing and non-allergenic.

On December 15, 2010, the Company announced $100,000 in financial assistance from the Government of Manitoba's Technology Commercialization Program (TCP). The mandate of the TCP is to assist Manitoba companies with technology commercialization or the acquisition of new technology in order to create economic benefits for Manitoba and create incremental wealth through job creation. The cost-shared financial assistance program provides funding to cover up to 50% of eligible costs to a maximum assistance of $100,000.

On November 16, 2010, the Company announced the issuance of Patent No. 7,833,523 entitled "Compositions and methods for enzymatic detachment of bacterial and fungal biofilms" by the United States Patent and Trademark Office.

On November 8, 2010, the Company announced that its DispersinB® wound spray has passed the FDA-recommended sensitization test. The test was conducted by WuXi AppTec Inc. (St. Paul, MN) in compliance with Good Laboratory Practice (GLP). The in-vivo maximization sensitization test method is designed to evaluate the allergenic potential or sensitizing capacity of DispersinB® wound spray.

On November 2, 2010, the Company announced the appointment of Dr. Essam Hamza as an advisor to the board of directors.

Dr. Hamza is CEO and co-founder of Hamza Thindal Capital Corporation, a capital markets consulting company.

On October 14, 2010, the Company announced that it had been selected as one of Canada's Top 10™ Emerging Life Sciences companies. Canada's Top 10™ is organized by OCRI (Ottawa Centre for Research and Innovation). The winners are chosen by an independent expert panel of Canadian and U.S. venture capitalists.

On October 4, 2010, Kane announced that its DispersinB® topical wound spray has passed the FDA-recommended cytotoxicity, primary skin irritation and genotoxicity tests. The tests were conducted in compliance with Good Laboratory Practice (GLP). The Genotoxicity tests included bacterial mutagenicity, in vitro mouse lymphoma and in vivo mouse micronucleus assays.

On September 30, 2010, the Company announced that its DispersinB® topical wound spray has passed all required quality control (QC) tests, including the sterility test, after a 12.5-week accelerated shelf-life study at 25°C and 60 RH (Relative Humidity), which is equivalent to a shelf-life of one year at 4°C. The DispersinB® topical wound spray was manufactured under current Good Manufacturing Practices (cGMP).

On September 21, 2010, Kane announced that the development and selection of hybridoma cell lines to produce anti-DispersinB® monoclonal antibodies for a DispersinB® immunoassay had been successfully completed. The development of a specific and sensitive monoclonal antibody-based immunoassay method for detection and quantification of DispersinB® in nanograms or micrograms is essential in the product's development.

On September 15, 2010, Kane announced the appointment of Mr. Philip Renaud to its board of directors. Mr. Renaud is Managing Director of Church Advisors, a European investment advisory firm involved in private financings.

On July 20, 2010, the Company announced the appointment of Dr. Jeffrey B. Kaplan to its Scientific Advisory Board. Dr. Jeffrey B. Kaplan is an Associate Professor in the Department of Oral Biology at the University of Medicine and Dentistry of New Jersey and the discoverer of the antibiofilm enzyme DispersinB®.

On June 29, 2010, Kane announced the invention of biotech plants producing DispersinB® antibiofilm enzyme. This provides a proof of concept for developing bacterial disease resistant agricultural crops. The prevention of agricultural crop diseases such as 'soft rot' and 'bacterial wilt' is made possible by preventing the biofilm formation of bacterial pathogens Erwinia carotovora and Ralstonia solanacearum, respectively.

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).

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
6,923,962	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 and Fungal 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
7,833,523	Compositions and Methods for Enzymatic Detachment of Bacterial and Fungal Biofilms	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
556114	Signal peptides, Nucleic Acid Molecules and Methods for Treatment of Caries	New Zealand
564904	Antimicrobial compositions for inhibiting growth and proliferation of Mirobial Biolms	New Zealand

The Company has 29 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 any existing patents issued to third parties and success may, in part, depend on operating without such infringement.

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

Research and Development

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 DispersinB® technology also has potential applications in coating medical devices to prevent device related hospital acquired infections and Cystic Fibrosis associated infections. Kane has demonstrated the *in vitro* and *in vivo* efficacy of central venous catheters coated with the combination of DispersinB® and Triclosan against blood stream infection associated bacteria. Furthermore, the in vitro efficacy of DispersinB® in combination with an antimicrobial against wound and Cystic Fibrosis infections associated bacteria has also been confirmed.

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.

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 CSP technology has applications in both human and companion animal oral care. Kane has demonstrated the *in vitro* efficacy of both CSP and its analogue against dental plaque and caries associated oral bacteria.

The Company has a number of Material Transfer Agreements in place with universities and 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.

Aledex™ Technology

In exchange for a future royalty stream, the Company has licensed the Aledex™ technology to Harland Medical Systems (Eden Prairie, Minnesota) for applications in urinary, central venous and veterinary catheters. Kane completed testing on the durability of Aledex™ coated silicone Foley catheters and in addition confirmed the broad spectrum activity and durability in artificial urine of the finished Aledex™ coated silicone Foley catheters. To date, no royalties have been received related to this licence agreement.

DispersinB® Technology

The Company has created a Master Cell Bank for manufacturing clinical grade DispersinB®, completed manufacturing of clinical grade DispersinB® and the manufacturing of the DispersinB® wound spray. The FDA recommended biocompatibility testing of the wound spray has also been completed and confirms that DispersinB® wound spray is non cytotoxic, non irritant, non mutagenic, non genotoxic, non sensitizing and non-allergenic.

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 analogue 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. Ward Biotech (Ireland) is developing an oral care formulation which contains CSP analogue E2 among other ingredients, for the companion animal market.

OUTLOOK

The strategic direction of the Company is centered on developing solutions to biofilm related problems. In order to advance these programs, management expects Kane to continue incurring operating losses. Based on current projections and strategic plans, total expenses are expected to be similar in fiscal 2011 as compared to fiscal 2010.

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 and the recently closed private placements (see "Liquidity and capital resources"), the Company believes its cash resources are sufficient to support the Company's activities through 2011. The Company continues to be party to a commercial license agreement with Harland Medical Systems, Inc. and Ward Biotech Inc. and is in discussions with various other potential companies to pursue alliances with regard to its antimicrobial products, which may provide additional funding for research.

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, or other strategic alternatives, 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 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 tangible and intangible assets as well as seeking to outlicense assets or potential asset divestitures.

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.

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 antibiofilm 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 and debt 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 the 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 ANNUAL FINANCIAL INFORMATION

The following is selected financial information about the Company, for its 2010, 2009, and 2008 fiscal years:

Years ended December 31,	2010	2009	2008
Research expenses	$ (423,754)	$ (340,108)	$ (520,304)
General and administrative expenses	(476,687)	(490,757)	(583,187)
Investment income	6,666	6,647	26,647
Loss and comprehensive loss for the year	(973,254)	(877,247)	(1,076,844)
Loss per share	(0.03)	(0.03)	(0.04)
Total assets	1,254,364	1,865,937	1,572,311
Total liabilities	90,748	68,618	79,562
Deficit	(7,265,185)	(6,291,931)	(5,414,684)
Total capital stock, warrants and contributed surplus	8,428,801	8,089,250	6,907,433

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:

	Q4 - 2010	Q3 - 2010	Q2 - 2010	Q1 - 2010	Q4 - 2009	Q3 - 2009	Q2 - 2009	Q1 - 2009
Investment income	$ 363	$ 1,227	$ 2,044	$ 3,031	$ 1,806	$ 937	$ 1,450	$ 2,453
Loss for the period	(196,944)	(263,010)	(236,267)	(277,034)	(105,750)	(307,628)	(260,230)	(203,639)
Loss per share	(0.02)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	(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 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 years ended December 31, 2010 and 2009 are reflected in the following table:

Years ended December 31,	2010	2009	Increase (decrease)
Compensation related costs			
Wages, consulting fees, and benefits	$ 293,352	$ 272,412	$ 20,940
Stock-compensation related costs	-	14,295	(14,295)
Consumables	27,629	29,217	(1,588)
Contract research and scientific consulting	178,782	158,684	20,098
Licence fees	10,178	12,325	(2,147)
Laboratory rent and occupancy costs	34,228	36,288	(2,060)
Other research costs	5,523	4,623	900
less: Government assistance	(125,938)	(187,736)	61,798
Research	$ 423,754	$ 340,108	$ 83,646

As expected, research expenditures for the year ended December 31, 2010 were higher as compared to 2009. This 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. This increase was partially offset due to no stock options being issued to employees or consultants focused on research and development activities.

- Consumables are consistent with 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 research related to the Company's wound care product being developed to treat chronic wounds.
- Licence fees are consistent with the prior year.
- The decrease in laboratory rent and occupancy costs is primarily due to a reduction in square footage that is leased, as compared to the prior year.
- Other research costs are consistent with the prior year.
- The decrease in Government assistance is due to the final payment from a NRC-IRAP contribution that was received in the first quarter of the year. No subsequent Government assistance was received by the Company.

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

General and Administrative

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 and public relations activities.

The changes in general and administrative expenditures for the years ended December 31, 2010 and 2009 are reflected in the following table:

Years ended December 31,	2010	2009	Increase (decrease)
Compensation related costs			
Wages, consulting fees, and benefits	$ 162,789	$ 151,871	$ 10,918
Stock-compensation related costs	34,569	27,250	7,319
Business development costs	199,287	238,553	(39,266)
Other administration costs	80,042	73,083	6,959
	-	-	-
Total general and administrative	$ 476,687	$ 490,757	$ (14,070)

The net decrease in costs for the year ended December 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 and in an increase in benefits costs.
- The increase in stock compensation related costs is related to an increase in the number of stock options granted to certain of the Company's management, directors and employees.
- During the year, 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 investor communication costs incurred.
- The increase in other administration costs is due, in combination, to increased legal and audit fees, offset by a reduction in insurance and TSX Venture Exchange fees.

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

Amortization and write-downs

The change in amortization and write-downs for the years ended December 31, 2010 and 2009 are reflected in the following table:

Years ended December 31,	2010	2009	Increase
Amortization and write-downs	$ 79,478	$ 53,029	$ 26,449

The increase in amortization and write-downs is due to an increase in patent write-offs during the year, as compared to 2009. This increase was offset by a reduction of amortization expense due to certain leasehold improvements being fully amortized during the year.

Investment Income

The change in investment income for the years ended December 31, 2010 and 2009 are reflected in the following table:

Years ended December 31,	2010	2009	Increase
Investment income	$ 6,666	$ 6,647	$ 19

Interest income is consistent with the prior fiscal year. The Company anticipates that investment income will increase in the coming year resulting from funds received from a private placement closed subsequent to year-end.

Loss and comprehensive loss for the year

The loss and comprehensive loss for the years ended December 31, 2010 and 2009 is reflected in the following table:

Years ended December 31,	2010	2009	Increase
Loss and comprehensive loss for the year	$ (973,254)	$ (877,247)	$ 96,007
Loss per share	$ (0.03)	$ (0.03)	$ -

The Company's annual loss increased compared to the prior year. This resulted mainly from management's focus on priority research programs and specifically, an increase in contract research costs incurred for manufacturing of the DispersinB® topical wound care product to be used in ongoing research activities. 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 December 31, 2010, the Company had cash totaling $187,522 compared with $804,919 at the previous year-end.

Cash used in operating activities

Cash used in operating activities totaled $792,058 for the year ended December 31, 2010, compared to $764,261 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 $130,321 for the year ended December 31, 2010. This amount represents primarily patent costs. In the previous fiscal year, cash used in investing activities, for patent costs and acquisition of property and equipment totaled $120,075.

Cash from financing activities

For the year ended December 31, 2010, cash provided by financing activities totaled $304,982 (2009 - $1,140,272) comprising net proceeds from private placements of common shares and warrants.

Shares and options, and warrants

	April 26, 2011	December 31, 2010	December 31, 2009
Common shares issued and outstanding	60,546,229	40,619,901	36,954,085
Options outstanding	3,905,000	1,577,500	1,432,500
Warrants outstanding	26,818,680	5,913,245	3,630,465

On April 15, 2011, the Company announced that it had closed its previously announced private placement offering (the "Offering") with aggregate gross proceeds to the Company of $2,391,159.40 from the sale of 19,926,328 units ("Units") at a price of $0.12 per Unit. Each Unit is comprised of one common share of the Company (a “Share”) and one Share purchase warrant (a "Warrant"). Each Warrant will expire 18 months from the date the Warrant is issued (the “Expiry Date”) and will entitle the holder to purchase one Share at a price of $0.17 up to the Expiry Date. Net proceeds of the Offering shall be used for research and development and working capital purposes

On December 1, 2010, Kane announced the closing a private placement offering (the “2010 Offering”) with aggregate gross proceeds to the Company of $253,280 from the sale of 3,166,000 units ("Units") at a price of $0.08 per Unit. Each Unit is comprised of one common share of the Company (a “Share”) and one Share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder to purchase one Share at a price of $0.13 for a period of 12 months from the date the Warrant is issued. The Warrants are callable, at the option of the Company, in the event that the Shares trade at or above $0.20 per Share for any 20 out of 30 consecutive trading days. The net proceeds of the Offering shall be used for research and development and working capital purposes.

A summary of the Company's capital stock may be found in Note 8 of the audited financial statements.

The Company believes it has sufficient resources available to satisfy operating requirements through 2011. 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. If the Company should pursue such financing, there would be no assurance that funding would be available or obtained on favourable terms.

The audited financial statements do not reflect adjustments in the carrying values of the Company’s assets and liabilities, expenses, and the balance sheet classifications used, that would be necessary if the going concern assumption were not appropriate. Such adjustments 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 [1]	$ 104,000	$ -	$ -	$ 104,000
Contractual commitments	10,000	20,000	20,000	50,000
Accounts payable and accrued liabilities	90,748	-	-	90,748
	$ 204,748	$ 20,000	$ 20,000	$ 244,748

[1] The Management services agreement is for 12 month term beginning on January 1, 2011 and may be terminated by either party on 90 days notice anytime after December 31, 2011.

A summary of the Company's contractual obligations may be found in Note 9 of the annual financial statements.

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 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

Related Party transactions incurred during the years ended December 31, 2010 and 2009 are as follows:

	December 31, 2010	December 31, 2009
Business and administrative services	160,000	160,000
Rent	27,750	27,750

The Chief Financial Officer's services are provided through the business and administrative services agreement with Genesys Venture Inc. (the "GVI Agreement"), a company controlled by the Chairman of the Board of Directors. In addition, intellectual property, accounting, payroll, human resources and information technology services are provided to the Company through the GVI Agreement.

As of December 31, 2010, included in accounts payable and accrued liabilities is $919 (December 31, 2009 - $917) owed to Genesys Venture Inc.

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 December 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 audited financial statements for the year ended December 31, 2010:

Research and development costs

The Company's accounting policy over research and development costs may be found in Note 2(h). 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(e). 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(d). Technology license costs are initially recorded based on the fair value of the consideration paid. They are amortized over their expected useful lives commencing in the period in which the licence becomes available for use, which is no later than when 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, 2010.

CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards (IFRS) Changeover Plan:

In February 2008, the the Canadian Accounting Standards Board (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. Accordingly, the Company will prepare its financial statements in accordance with IFRS commencing January 1, 2011; thus, its first quarter under IFRS reporting standards will be for the three months ended March 31, 2011 for which current and comparative information will be prepared under IFRS including an opening IFRS balance sheet as at January 1, 2010 (the date of transition).

Described below are the Company's IFRS changeover plan, selected key activities and their status, and the significant, known possible high impact accounting areas on the Company's financial reporting identified to date.

This information is provided to allow investors and others to obtain a better understanding of our IFRS changeover plan. Readers are cautioned, however, that it may not be appropriate to use such information for any other purpose. This information also reflects our most recent assumptions and expectations; circumstances may arise, such as changes in IFRS, regulations or economic conditions, which could have an impact on these assumptions or expectations. The information presented below is therefore subject to change and does not represent a final assessment of divergences noted by the Company to date but is intended to highlight areas in which it has achieved considerable progress.

IFRS changeover plan

The Company developed a plan for its changeover to IFRS which comprised three phases:

- Phase 1: Scope and Plan: The objective of this phase was to identify the required changes to the Company's accounting policies and practices resulting from the changeover to IFRS and to thereby determine the scope of the work effort required for the subsequent phases of the project.
- Phase 2: Design and Build: The objective of this phase was to design and develop solutions to address the differences identified in Phase 1.

- Phase 3: Implementation and Review: The objective of this phase was the implementation and review of changes that affect accounting policies and practices, business processes, systems and internal controls. Changes will be tested prior to the formal reporting requirements under IFRS to ensure all significant differences are addressed in time for the first reporting period.

The Company is working through the phases as it prepares for its March 31, 2011 unaudited interim financial statements under IFRS. The findings of the Phases, insofar as they relate to the significant accounting areas for conversion to IFRS that will impact the Company's financial statements are summarized below.

Progress towards completion of the Company's IFRS changeover plan

The Company has now finalized Phases 1 and 2. It has reviewed all currently relevant IFRS standards and identified a number of areas of measurement and classification differences under IFRS as compared to Canadian GAAP.

IFRS 1 "First Time Adoption of Reporting Standards"

IFRS 1, "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1"), provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions in certain areas to the general requirement for full retrospective application of IFRS.

The areas below have been identified as having an impact on the Company's financial statements.

Share-based payment transactions – Full retrospective application of IFRS 2 "Share-based Payment" may be avoided for certain share-based instruments depending on the grant date, vesting terms and settlement of any related liabilities. The Company will not apply IFRS 2 to equity instruments that were granted after 7 November 2002 and vested before January 1, 2010.

Under IFRS, forfeitures due to service conditions are required to be estimated at the grant date and such estimates are revised for differences between the expected and actual number of instruments that vest. Canadian GAAP, as applied by Kane, permits the recognition of compensation expense as if all instruments granted were expected to fully vest and recognition of actual forfeitures as they occur. The estimated forfeitures method will result in a decrease to the Company's opening IFRS deficit balance and an increase to contributed surplus within shareholders' equity as at January 1, 2010 that is not expected to be material.

The following summarizes other significant accounting areas analyzed by management for conversion to IFRS that could possibly impact the Company's financial statements post transition:

IAS 36 "Impairment of Assets"

Under Canadian GAAP, capital assets and intangible assets subject to amortization are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable.

As it relates to the measurement of the impairment loss, under Canadian GAAP for assets other than financial assets, a write-down to estimated fair value is recognized if the estimated undiscounted future cash flows from an asset or group of assets are less than their carrying value. Under IAS 36, a write-down is recognized if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or the discounted future cash flows from an asset or group of assets, is less than carrying value. In contrast, under Canadian GAAP, impairments are measured at the amount by which carrying value exceeds fair value.

The difference in testing and determining an impairment may result in more frequent impairment charges, where carrying values of assets may have been supported under Canadian GAAP on an undiscounted cash flow basis, but cannot be supported on a discounted cash flow basis. The Company has completed an impairment test under the IFRS model and determined no impairment as at January 1, 2010.

IAS 36 also requires the reversal of any previous impairment losses where circumstances requiring the impairment charge have changed and reversed, other than for goodwill. With respect to long-lived assets, Canadian GAAP does not permit the reversal of impairment losses under any circumstances.

Under IFRS, Kane will need to assess impairment in terms of the recoverable amount as defined under IFRS. Kane will monitor possible subsequent reversals of previously written down long-lived assets; this will require that the Company track assets and their original carrying values as well as implied accumulated depreciation for possible future reversals of impairment allowed under IFRS. The Company has not identified any past impairments of intangible assets that would require reversal upon transition.

Other IFRS transition items

The Company has performed an analysis of its data system infrastructure and internal controls and has concluded that transition to IFRS will not result in a material modification to any of its IT processes as a result of the differences it has identified to date. Significant impacts identified, if any, on processes and controls will be disclosed in future filings when the assessment will be finalized.

Phase 3 of the changeover plan began in the fourth quarter of 2010. The Company is completing the final selection of accounting policies and transition options under IFRS. As described above some adjustments to the opening IFRS deficit balance as at January 1, 2010, are expected.

Prior to filing financial statements for its first quarter of 2011, the Company will complete the design and implementation effort required to ready business processes and internal controls for the changeover. Based on the analysis to date, no significant changes are anticipated to processes and internal controls.

Appropriate resources have been secured to complete the changeover on a timely basis according to the Company's plan milestones. The Company continues to ensure that appropriate training needs are met. Third-party subject matter experts continue to assist the Company throughout the changeover.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis contains forward-looking statements which may not be based on historical fact, including without limitation statements containing the words "believes," "may," "plan," "will," "estimate," "continue," "anticipates," "intends," "expects," and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among others, the Company's stage of development, lack of product revenues, additional capital requirements, risks associated with the completion of clinical trials and obtaining regulatory approval to market the Company's products, the ability to protect its intellectual property and dependence upon collaborative partners. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements are made as of the date hereof, and the Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- interest rates and foreign exchange rates;
- the timing of the receipt of regulatory and governmental approvals for the Company's research and development projects;
- the availability of financing for the Company's research and development projects, or the availability of financing on reasonable terms;
- the Company's costs of trials;
- the Company's ability to attract and retain skilled staff;
- the impact of changes in Canadian-US dollar and other foreign exchange rates on the Company's costs and results;

- market competition;
- tax benefits and tax rates;
- the Company's ongoing relations with its employees and with its business partners.

Management cautions you that the foregoing list of important factors and assumptions is not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. You should also carefully consider the matters discussed under “Risk Factors” in this MD&A. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise.