

Consolidated Financial Statements  
(Expressed in Canadian Dollars)

## **KANE BIOTECH INC.**

Three and six months ended June 30, 2025 and 2024  
(Unaudited)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrator, the Company discloses its auditors have not reviewed the unaudited consolidated financial statements for the three and six months ended June 30, 2025 and 2024.

# KANE BIOTECH INC.

## Consolidated Statement of Financial Position

	Note	June 30, 2025	December 31, 2024
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 1,612,985	\$ 358,813
Trade and other receivables	8,17	139,083	88,084
Inventory	9	334,550	376,034
Prepaid expenses		300,147	205,928
Total current assets		2,386,765	1,028,859
Non-current assets:			
Property and equipment	10	854,520	929,262
Intangible assets	11	569,943	536,055
Total non-current assets		1,424,463	1,465,317
<b>Total assets</b>		<b>\$ 3,811,228</b>	<b>\$ 2,494,176</b>
<b>Liabilities and Shareholders' Deficit</b>			
Current liabilities:			
Accounts payable and accrued liabilities	12,13(d),17	\$ 1,451,936	\$ 1,828,239
Deposits - private placement	15(b)	-	120,000
Government loan	13(b)	410,870	344,224
Lease liability	14	121,072	117,502
Total current liabilities		1,983,878	2,409,965
Non-current liabilities:			
Government loan	13(b)	767,429	958,238
Convertible loan	13(c)	601,140	-
Lease liability	14	693,768	755,210
Total non-current liabilities		2,062,337	1,713,448
<b>Total liabilities</b>		<b>4,046,215</b>	<b>4,123,413</b>
<b>Shareholders' Deficit</b>			
Share capital	15(b)	27,055,570	24,402,338
Contributed surplus		8,677,102	8,317,784
Warrants	15(e)	14,505	65,767
Deficit		(35,982,164)	(34,415,126)
Total		(234,987)	(1,629,237)
Going concern	2(c)		
Commitments and contingencies	16		
Subsequent event	21		
<b>Total liabilities and shareholders' deficit</b>		<b>\$ 3,811,228</b>	<b>\$ 2,494,176</b>

The notes on pages 5 to 32 are an integral part of these consolidated financial statements.

# KANE BIOTECH INC.

## Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

	Note	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
<b>Revenue</b>					
License	6	\$ -	\$ 257,586	\$ -	\$ 279,642
Sales of goods and services	7	27,997	362,851	440,510	392,681
<b>Total Revenue</b>		<b>27,997</b>	<b>620,437</b>	<b>440,510</b>	<b>672,323</b>
<b>Cost of sales - sales of goods and services</b>	7,9	<b>73,523</b>	<b>259,941</b>	<b>443,589</b>	<b>271,776</b>
<b>Gross Profit (loss)</b>		<b>(45,526)</b>	<b>360,496</b>	<b>(3,079)</b>	<b>400,547</b>
<b>Expenses</b>					
General and administration	17	139,703	978,477	1,082,189	1,765,328
Research	11,17	90,227	484,920	351,246	926,222
		229,930	1,463,397	1,433,435	2,691,550
<b>Loss from continuing operations</b>		<b>(275,456)</b>	<b>(1,102,901)</b>	<b>(1,436,514)</b>	<b>(2,291,003)</b>
<b>Other income (expenses):</b>					
Finance income		6,113	-	8,039	473
Finance expenses		(104,760)	(100,768)	(163,420)	(418,286)
Fair value adjustment		20,997	-	20,997	-
Foreign exchange gain (loss)		4,565	(12,327)	3,860	(966)
<b>Net other (expenses) from continuing operations</b>		<b>(73,085)</b>	<b>(113,095)</b>	<b>(130,524)</b>	<b>(418,779)</b>
<b>Loss and comprehensive loss from continuing operations</b>		<b>(348,541)</b>	<b>(1,215,996)</b>	<b>(1,567,038)</b>	<b>(2,709,782)</b>
<b>Income and comprehensive income from discontinued operations</b>	5	<b>-</b>	<b>10,417,826</b>	<b>-</b>	<b>10,564,787</b>
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$ (348,541)</b>	<b>\$ 9,201,830</b>	<b>\$ (1,567,038)</b>	<b>\$ 7,855,005</b>
<b>Net income (loss) and comprehensive income (loss) attributable to:</b>					
Shareholders:					
Continuing operations		\$ (348,541)	(1,215,996)	\$ (1,567,038)	\$ (2,709,782)
Discontinued operations	5	-	10,398,507	-	10,496,472
		(348,541)	9,182,511	(1,567,038)	7,786,690
Minority interest:					
Continuing operations		-	-	-	-
Discontinued operations	5	-	19,319	-	68,315
		-	19,319	-	68,315
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$ (348,541)</b>	<b>\$ 9,201,830</b>	<b>\$ (1,567,038)</b>	<b>\$ 7,855,005</b>
<b>Net loss per share attributable to shareholders from continuing operations</b>					
Basic	15(f)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Diluted	15(f)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
<b>Net income per share attributable to shareholders from discontinued operations</b>					
Basic	15(f)	\$ -	\$ 0.08	\$ -	\$ 0.08
Diluted	15(f)	\$ -	\$ 0.07	\$ -	\$ 0.07

The notes on pages 5 to 32 are an integral part of these consolidated financial statements.

# KANE BIOTECH INC.

## Consolidated Statement of Changes in Deficit

	Note	Share Capital	Contributed Surplus	Warrants	Minority Interest	Deficit	Total
Balance as of January 1, 2024		\$ 23,686,359	\$ 7,749,013	\$ 140,600	\$ 2,148,912	\$ (42,134,276)	\$ (8,409,392)
Loss and comprehensive loss from continuing operations					-	(3,161,097)	(3,161,097)
Loss and comprehensive loss from discontinued operations	5				68,315	9,259,039	9,327,354
Transactions with owners, recorded directly in equity							
Share based payments	15(d)	-	710,831	-	-	-	710,831
Restricted share units redeemed	15(b),(d)	142,060	(142,060)	-	-	-	-
Warrants exercised	15(b),(e)	573,919	-	(74,833)	-	-	499,086
Total transactions with owners		715,979	568,771	(74,833)	-	-	1,209,917
Changes of ownership interest in subsidiary	5	-	-	-	(2,217,227)	1,621,208	(596,019)
Balance as of December 31, 2024		\$ 24,402,338	\$ 8,317,784	\$ 65,767	\$ -	\$ (34,415,126)	\$ (1,629,237)
Loss and comprehensive loss for the period					-	(1,567,038)	(1,567,038)
Transactions with owners, recorded directly in equity							
Fair value of the equity component of the convertible loan	13(c)	-	400,018	-	-	-	400,018
Issuance of common shares	15(b)	2,640,932	-	-	-	-	2,640,932
Share based payments	15(c),(d)	-	206,666	-	-	-	206,666
Restricted share units forfeited	15(d)	-	(300,833)	-	-	-	(300,833)
Restricted share units redeemed	15(d)	12,300	(12,300)	-	-	-	-
Warrants expired	15(e)	-	65,767	(65,767)	-	-	-
Warrants granted	15(b),(e)	-	-	14,505	-	-	14,505
Total transactions with owners		2,653,232	359,318	(51,262)	-	-	2,961,288
Balance as of June 30, 2025		\$ 27,055,570	\$ 8,677,102	\$ 14,505	\$ -	\$ (35,982,164)	\$ (234,987)

The notes on pages 5 to 32 are an integral part of these consolidated financial statements.

# KANE BIOTECH INC.

## Consolidated Statement of Cash Flows

	Note	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
<b>Cash provided by (used in):</b>					
<b>Operating activities:</b>					
Income (loss) and comprehensive income (loss)		\$ (348,541)	\$ 9,201,830	\$ (1,567,038)	\$ 7,855,005
Adjustments for:					
Income and comprehensive income from discontinued operations	5	-	(10,417,826)	-	(10,564,787)
Depreciation of property and equipment	10	38,791	40,031	78,026	79,643
Amortization of intangible assets	11	7,534	14,358	16,151	28,858
Derecognition of property and equipment	10	-	-	1,611	77
Derecognition of intangible assets	11	30,699	-	30,699	-
Interest on loans and finance lease	13,14	76,151	99,604	133,454	416,225
Financing fee for convertible loan	13(c)	27,512	-	27,512	-
Warrant expense	15(e)	-	-	(1,803)	-
Fair value adjustment	13(c)	(20,997)	-	(20,997)	-
Share-based compensation	15(c),(d)	(238,729)	206,742	(94,167)	428,707
Change in the following:					
Trade and other receivables		64,898	(325,248)	(50,999)	(335,332)
Inventory		(176,962)	(484,839)	41,484	(477,235)
Prepaid expenses		139,896	67,835	(94,219)	(18,298)
Accounts payable and accrued liabilities		(373,155)	(55,423)	(376,303)	228,782
Contract liabilities		-	(298,531)	-	(348,107)
Cash used in operating activities - continuing operations		(772,903)	(1,951,467)	(1,876,589)	(2,706,462)
Cash used in operating activities - discontinued operations	5	-	(217,691)	-	(446,882)
Cash used in operating activities		(772,903)	(2,169,158)	(1,876,589)	(3,153,344)
<b>Financing activities:</b>					
Issuance of common shares	15(b)	1,086,285	-	2,537,240	-
Interest paid on loans and finance lease	13(a),14	(12,515)	(756,615)	(25,462)	(934,605)
Financing fee for convertible loan	13(c)	(27,512)	-	(27,512)	-
Proceeds from convertible loan	13(c)	1,000,000	-	1,000,000	-
Repayment of loan payable	13(a)	-	(6,000,000)	-	(6,000,000)
Repayment of long-term government loans	13(b)	(84,000)	(126,000)	(210,000)	(292,000)
Repayment of lease liability	14	(29,153)	(27,459)	(57,872)	(54,510)
Cash provided by (used in) financing activities - continuing operations		1,933,105	(6,910,074)	3,216,394	(7,281,115)
Cash used in financing activities - discontinued operations	5	-	(659,052)	-	(689,052)
Cash provided by (used in) financing activities		1,933,105	(7,569,126)	3,216,394	(7,970,167)
<b>Investing activities:</b>					
Purchase of property and equipment	10	8,860	(10,194)	(4,895)	(15,259)
Additions to intangible assets	11	(49,661)	(23,082)	(80,738)	(25,192)
Proceeds from sale of subsidiary	5	-	9,568,689	-	10,779,351
Disposal costs	5	-	(490,643)	-	(490,643)
Cash provided by (used in) investing activities - continuing operations		(40,801)	9,044,770	(85,633)	10,248,257
Cash used in investing activities - discontinued operations	5	-	(403)	-	(3,546)
Cash provided by (used in) investing activities		(40,801)	9,044,367	(85,633)	10,244,711
<b>Increase (decrease) in cash</b>		<b>1,119,401</b>	<b>(693,917)</b>	<b>1,254,172</b>	<b>(878,800)</b>
<b>Cash, beginning of period - continuing operations</b>		<b>493,584</b>	<b>826,699</b>	<b>358,813</b>	<b>749,248</b>
<b>Cash, beginning of period - discontinued operations</b>		<b>-</b>	<b>877,146</b>	<b>-</b>	<b>1,139,480</b>
		<b>493,584</b>	<b>1,703,845</b>	<b>358,813</b>	<b>1,888,728</b>
<b>Less cash, end of period - discontinued operations</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash, end of period - continuing operations</b>		<b>\$ 1,612,985</b>	<b>\$ 1,009,928</b>	<b>\$ 1,612,985</b>	<b>\$ 1,009,928</b>

The notes on pages 5 to 32 are an integral part of these consolidated financial statements.

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and six months ended June 30, 2025 and 2024

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### 1. Reporting entity:

Kane Biotech Inc. (the "Company"), including its former subsidiary STEM Animal Health Inc. ("STEM") is a biotechnology company engaged in the research, development and commercialization of technologies and products that prevent and remove microbial biofilms. The Company is domiciled and incorporated in Canada. Its registered office is 190-100 Innovation Drive, Winnipeg, Manitoba, Canada, R3T 6G2.

### 2. Basis of preparation of consolidated financial statements:

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS<sup>®</sup> Accounting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements were authorized for issue by the Board of Directors on August 27, 2025.

#### (b) Basis of measurement

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

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

#### (c) Going concern

These consolidated financial statements have been prepared using IFRSs that are applicable to a going concern, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is material uncertainty about the appropriateness of the use of the going concern assumption because the Company has experienced operating losses and net cash outflows from operations since inception and has not yet achieved profitability from the commercialization of its products which casts significant doubt on the Company's ability to continue as a going concern. For the six months ended June 30, 2025, the Company had a loss and comprehensive loss of \$1,567,038 (June 30, 2024 – \$7,855,005, income and comprehensive income) and negative cash flow from operating activities of \$1,876,589 (June 30, 2024 - \$3,153,344), and as of that date had working capital of \$402,887 (December 31, 2024 - \$1,381,106, deficit) and a deficit of \$35,982,164 (December 31, 2024 - \$34,415,126).

The Company's future operations are completely dependent upon its ability to negotiate collaboration or licence agreements with upfront and milestone payments as well as royalties, generate product and services revenue, obtain grant funding and/or secure additional funds. While the Company is striving to achieve this, there is no assurance that such sources of funds will be available or obtained on favourable terms. If the Company cannot negotiate collaboration or licence agreements, generate product and services revenue, obtain grant funding, or if it cannot secure additional financing on acceptable terms, the Company will have to consider additional strategic alternatives. These may include, among other strategies, exploring the monetization of certain tangible and intangible assets as well as seeking to license assets, potential asset divestitures, winding up, dissolution or liquidation of the Company.

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

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

#### (d) Functional and presentation currency

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

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and six months ended June 30, 2025 and 2024

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

### (e) Use of estimates and judgments

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

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

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

- Note 2(c) Going concern. The determination that the Company will continue as a going concern.
- Note 2(f) Basis of consolidation. The determination of control of STEM.
- Note 3(b) Revenue recognition. The determination of the exclusive right to access a license representing the primary performance obligation in the Company's license and distribution agreements as well as when milestone revenue becomes highly probable. The determination of the duration of a contract where renewal terms may exist.
- Note 3(d) Fair value of long-term government loan and convertible loan. The determination of the effective interest rate for measuring the fair value of loan advances when received and the estimated repayment term.
- Note 3(e) Inventory. The determination of net realizable value for the purpose of assessing inventory impairment.
- Note 3(g)(i) Research and development costs. The determination of research and development expenditures that meet the criteria for capitalization.
- Note 3(h)(i) Impairment of financial assets. The calculation of expected credit losses related to trade and other receivables and loan receivable.
- Note 3(h)(ii) Impairment of non-financial assets. The determination that the Company has a single cash generating unit as the Company cannot clearly distinguish cash inflows that are largely independent of other cash flows specific to certain assets or technologies. The determination that the fair value of future net cash flows related to the Company's non-financial assets exceeds their carrying value per the financial statements.
- Note 3(h)(iii) Impairment of assets held-for-sale. The determination of assets held-for-sale recorded at lower of carrying value and fair value, less costs to sell.
- Note 3(i) Employee benefits. The estimated fair value of variable compensation for a key employee of STEM.
- Note 3(i)(ii) and Note 15(c), (d) and (e) Share-based payment transactions. The determination of the risk-free interest rate and expected volatility with respect to the assumptions used in the Black-Scholes option pricing model for the purpose of determining stock options expense for employee share-based compensation. The determination that the fair value of restricted share units is the closing price of the Company's stock on the grant date.
- Note 3(j) Government grants. The determination of eligible expenditures for scientific research and experimental development investment tax credits (SR&ED ITC).
- Note 3(n) Leases. The determination of the incremental borrowing rate where there is no rate implicit in the lease, by way of reference to the Company's incremental borrowing rate for a loan of similar security and term. The determination of the lease term when optional renewal periods exist and the determination of variable lease payments that should be excluded from the calculation of the right of use asset and lease liability.

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and six months ended June 30, 2025 and 2024

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

### (f) Basis of consolidation

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of acquired subsidiaries to conform their accounting policies to those of the Company.

Intercompany balances and transactions, and any realized or unrealized revenue and expenses arising from intercompany transactions, are eliminated in preparing these consolidated financial statements.

The Company had one subsidiary, STEM, which was 66.66% owned by the Company. The principal place of business of STEM was Winnipeg, Manitoba, Canada, and its functional currency was Canadian dollars. Refer to note 5 for further information regarding discontinued operations and the sale of STEM in 2024.

## 3. Material accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

### (a) Cash and cash equivalents

Cash includes currency on hand and demand deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

### (b) Revenue recognition

The Company has consistently applied accounting policies in accordance with IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") to all periods presented in these consolidated financial statements. These policies are as follows:

#### (i) License and distribution agreement revenue

The Company has entered into exclusive license and distribution agreements for specific territories for which there may be non-refundable upfront payments, milestone payments based on achievement of certain milestones and royalties on related sales. Under the terms of these agreements in addition to the exclusive license rights, the Company may provide support, knowledge transfer, marketing materials and efforts to increase the value of the license through introduction of new products or industry certifications. As these additional activities are not distinct and separable from the exclusive license rights, the primary performance obligation under the agreements has been determined to be a right to access the exclusive license. As a result, where non-refundable upfront payments are received or receivable, they are recognized over time on a straight-line basis over the contractual life of the agreement. If the agreement terminates early and there are no further obligations related to the non-refundable upfront payment, the remaining unrecognized balance is immediately recognized. Where milestone payments represent variable consideration, they are recognized as an adjustment to the transaction price of the contract when it is highly probable that a significant reversal of cumulative revenue recognized will not occur.

Royalties not subject to guaranteed minimum royalties are recognized as the related sales occur. Where guaranteed minimum annual royalties apply, the Company recognizes the minimum guaranteed royalty revenue throughout the related year and recognizes excess sales royalties as the related sales occur.

Sales based milestone payments are recognized as revenue only when the applicable sales target has been met.

#### (ii) Sales of goods and services

Revenue from the sales of goods and services, net of discounts, is recognized when control of those goods has been transferred to the customer or the related services have been rendered.

### (c) Foreign currency transactions

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



# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and six months ended June 30, 2025 and 2024

## 3. Material accounting policies (continued):

### (d) Financial instruments

IFRS 9 *Financial instruments* contains three principal classification categories for financial instruments: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). IFRS 9 bases the classification of financial instruments on the contractual cash flow characteristics and the Company's business model for managing the financial asset.

Trade and other receivables, accounts payable and accrued liabilities, and interest and non-interest-bearing debt are all classified as amortized cost under this standard.

The government loans are initially measured at fair value based on management's best estimate of the effective interest rate at initial recognition. The fair value of the Prairies Economic Development Canada ("PrairiesCan") loan is also based on the loan being repayable over five years starting in April 2023. The loans are subsequently measured at amortized cost.

A promissory note was issued to an insider in May 2025 and subsequently converted to an unsecured convertible debenture in June 2025. The promissory note was initially measured at fair value based on management's best estimate of the effective interest rate at initial recognition.

The convertible debenture is a compound financial instrument, which contains both a liability and an equity component. It was initially measured at fair value based on management's best estimate of the effective interest rate at initial recognition. The carrying amount of the liability component of the convertible loan is recorded as a non-current liability and the carrying amount of the equity component of the convertible loan is recorded as contributed surplus in shareholders' deficit. The convertible loan is subsequently measured at amortized cost.

The Company does not adjust for modifications to share purchase warrants classified as equity instruments that are not share based payments.

### (e) Inventory

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

### (f) Property and equipment

#### (i) Recognition and measurement

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

#### (ii) Depreciation

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

Asset	Basis	Rate
Computer and office equipment	Diminishing balance	20-30%
Scientific and manufacturing equipment	Diminishing balance	20%
Right-of-use assets	Straight-line	Over the term of the lease

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

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and six months ended June 30, 2025 and 2024

## 3. Material accounting policies (continued):

### (g) Intangible assets

#### (i) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in the consolidated statement of income (loss) and comprehensive income (loss) as incurred.

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

#### (ii) Patents and trademarks

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

#### (iii) Subsequent expenditures

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in the consolidated statement of income (loss) and comprehensive income (loss) as incurred.

### (h) Impairment

#### (i) Financial assets

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

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

At each reporting date, the Company applies the simplified method and measures a loss allowance equal to the lifetime expected credit losses for trade receivables.

#### (ii) Non-financial assets

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

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

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

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and six months ended June 30, 2025 and 2024

## 3. Material accounting policies (continued):

### (iii) Assets held-for-sale

In 2023, management made the strategic decision to sell the Company's 66.66% interest in STEM. The assets in STEM had been classified as held-for-sale as of December 31, 2023, since their value would be recovered primarily through a sale rather than through continuing usage. These assets were recorded at lower of carrying value and fair value, less costs to sell. Impairment losses on the initial classification of held-for-sale and subsequent gains and losses on remeasurement were recognized in the consolidated statements of operations under discontinued operations. Property and equipment were no longer amortized once they were classified as assets held-for-sale. The directly associated liabilities were separately classified as liabilities held-for-sale.

On April 12, 2024, the Company completed the sale of its interest in STEM Animal Health Inc. to Dechra Veterinary Products, Inc. ("Dechra"). The net assets of STEM that were previously classified as held-for-sale were derecognized from the consolidated statement of financial position as of December 31, 2024. The minority interest in STEM and the deficit associated with STEM's operations were derecognized from the consolidated statement of financial position and the consolidated statement of changes in deficit as of December 31, 2024.

### (i) Employee benefits

#### (i) Short-term employee benefits

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

#### (ii) Share-based payment transactions

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

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

### (j) Government grants

Grants are recognized in the consolidated statement of income (loss) and comprehensive income (loss) as deductions from the related expenditures when the grants become receivable based on the related conditions on criteria being met.

Grants that compensate the Company for the cost of an asset are recognized in the consolidated statement of income (loss) and comprehensive income (loss) as a reduction of expenses on a systematic basis over the useful life of the asset.

Scientific research and experimental development (SR&ED) investment tax credits (ITC) are recognized in the consolidated statement of income (loss) and comprehensive income (loss) as deductions from research expenditure. Expenditures that are eligible for SR&ED ITC must be spent on work that is conducted in Canada for the advancement of scientific knowledge or for the purpose of achieving a technological advancement. Remaining eligible expenditures after deduction of other government and non-government R&D funding and assistance are claimed SR&ED ITC.

The Company has estimated the amount of SR&ED credits based on the eligible expenditures incurred. The estimate is subject to change based on the outcome of the review by taxation authorities.

### (k) Finance income and finance expenses

Finance income comprises interest income on funds invested which is recognized as it accrues in the consolidated statement of income (loss) and comprehensive income (loss) using the effective interest method. Finance expenses are comprised of accretion expense on long-term borrowings, which are recognized in profit or loss using the effective interest method, as well as other expenses incurred to secure loan financing. Foreign currency gains and losses are reported on a net basis.

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and six months ended June 30, 2025 and 2024

## 3. Material accounting policies (continued):

### (l) Income tax

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

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

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

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

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

### (m) Earnings (loss) per share

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to common voting shareholders of the Company by the weighted average number of common voting shares outstanding during the period, adjusted for own shares held. Diluted EPS is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted EPS assumes that the proceeds to be received on the exercise of diluted share options, warrants and restricted share units are used to repurchase common shares at the average marketing price during the period. Common voting share equivalents have been excluded from the calculation of diluted loss per share as their effect is anti-dilutive.

### (n) Leases

The Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use asset and lease liability are recognized at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimated restoration costs, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. If the rate cannot be readily determined, the Company's incremental rate of borrowing is used.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate or the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and six months ended June 30, 2025 and 2024

## 3. Material accounting policies (continued):

### (o) New standards and interpretations, adopted and not yet adopted

#### Standards and interpretations adopted

Amendments to IAS 21, issued in August 2023, specify when a currency is exchangeable into another currency and when it is not, specify how to determine whether a currency is exchangeable into another currency, how to determine the spot exchange rate when a currency lacks exchangeability, and requires the disclosure of additional information when a currency is not exchangeable. Effective January 1, 2025, the Company adopted the Amendment of IAS 21 with no material impact on its consolidated financial statements.

#### Standards and interpretations not yet adopted

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

Amendments to IFRS 9, issued in July 2024, clarify that when a lessee determines that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to recognize any difference between the carrying amount and the consideration paid in profit and loss. Amendments to IFRS 9 also require that a trade receivable which does not contain a significant financing component should be measured at initial recognition at an amount determined by applying IFRS 15 Revenue from Contracts with customers, which might differ from the transaction price. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

Amendments to IFRS 9 and IFRS 7, issued in May 2024, provide clarification that a financial liability is derecognized on the settlement date, provide an accounting policy option to derecognize a financial liability that is settled in cash using an electronic payment system before the settlement date if specified criteria are met; clarify how to assess the contractual cash flow characteristics of financial assets with contingent features, including environmental, social and corporate governance (ESG) linked features, clarify that, for a financial asset to have non-recourse features, the entity's ultimate right to receive cash flows must be contractually limited to the cash flows generated by specified assets, clarify the characteristics of the contractually linked instruments that distinguish them from other transactions, and add new disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and financial instruments that have certain contingent features. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

April 2024, the International Accounting Standards Board (IASB) issued IFRS 18 *Presentation and Disclosure in Financial Statements*. IFRS 18 replaces IAS Presentation of Financial Statements and will introduce a new defined structure for the statement of profit and loss and require the classification of income and expenses in that statement into one of five categories: operating, investing, financing, income taxes and discontinued operations; require disclosure of management-defined performance measures (MPMs) in a single note to the financial statements; enhance guidance about how to group information within the financial statements; and for the statement of cash flows, require that operating profit or loss be used as the starting point for determining cash flows from operating activities under the indirect method, and remove the optionality around classification of cash flows from interest and dividends. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, including for interim financial statements. Earlier application is permitted. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

## 4. Minority interest:

Effective September 28, 2020, the Company entered into subscription and license and distribution agreements with Animalcare Group PLC ("Animalcare") under which the parties formed STEM, a company dedicated to treating biofilm-related ailments in animals.

Under the terms of the agreements, the Company created a new subsidiary, STEM, in which Animalcare was to invest \$3 million in installments payable to STEM over a period of 48 months, to acquire a 33.34% equity interest. STEM was established with a global license over the Company's existing range of animal health oral care products and in collaboration with Animalcare was focusing on the research and development of novel animal treatments based on biofilm targeting technology. Animalcare would have licensing rights over future STEM products in Europe and Asia and the option, for a period of six years, to acquire an additional 16.67% interest in the subsidiary for \$4 million, payable to the Company.

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and six months ended June 30, 2025 and 2024

### 4. Minority interest (continued):

Additionally, in exchange for Animalcare receiving the right to commercialize the Company's coactiv+™ and DispersinB® products in global veterinary markets outside the Americas, Animalcare provided an initial payment to STEM of \$500,000. There were additional potential payments payable to STEM linked to various commercial milestones to a combined maximum of \$2 million along with ongoing royalties. As of March 31, 2024, \$1.2 million of the \$2 million in potential payments had been made to STEM. STEM was recognizing the \$1.2 million of payments received on a straight-line basis over the 10-year life of the agreement.

Effective September 28, 2020, the Company transferred to STEM all of the required assets to operate its animal health business, in exchange for its 66.66% interest. The Company and STEM accounted for the transferred assets at book value. Animalcare had provided an initial capital contribution of \$1 million to STEM with the remaining \$2 million payable to STEM in instalments of \$500,000 on each of the first four anniversary dates of the agreement. At initial recognition, using a discount rate of 7%, the Company determined the fair value of the future capital contributions receivable to be \$1,693,606.

STEM received payments of \$500,000 from Animalcare towards the capital contribution receivable in each of 2021, 2022, and 2023.

The Company, which held a 66.66% interest in STEM, along with other contributing factors, such as the Company retaining three of five Board positions of STEM, providing extensive services to STEM, and having a significant ability to affect the returns of STEM, concluded that it controlled STEM. Accordingly, all of STEM's assets, liabilities, equity, income, expense, and cash flows up to April 11, 2024, were included with Kane Biotech's in the Company's consolidated financial statements. Animalcare's investment was recorded as a minority interest in the consolidated statement of financial position at its initial fair value of \$2,693,606, which was subsequently derecognized from the consolidated statement of financial position and the consolidated statement of changes in deficit as of December 31, 2024.

STEM's principal place of business was in Winnipeg, Manitoba, Canada.

STEM's assets, liabilities and equity are excluded from the consolidated statement of financial position as of June 30, 2025 and December 31, 2024, and STEM's revenue and income summary for the three and six months ended June 30, 2025 and 2024 is as follows:

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Revenue	\$ -	\$ 189,915	\$ -	\$ 1,079,690
Income and comprehensive income	\$ -	\$ 57,944	\$ -	\$ 204,905

### 5. Discontinued operations:

On April 12, 2024, the Company completed the sale of its 66.66% interest in STEM to Dechra.

Pursuant to the terms of the Share Purchase Agreement, Kane received consideration for its issued and outstanding shares in STEM based on the following calculation:

- Base Purchase Price: \$8,000,000 USD.
- Plus the amount, if any, by which the Final Working Capital exceeds the Target Working Capital
- Minus the amount, if any, by which the Target Working capital exceeds the Final Working Capital
- Minus the amount of the Final indebtedness.



# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and six months ended June 30, 2025 and 2024

### 5. Discontinued operations (continued):

The total consideration was \$11,678,877 in cash of which \$10,852,174 was received in 2024 and \$826,703 was received in 2023. A dividend of \$596,017 was declared and paid to Kane from STEM as part of the total consideration. The gain on the sale of STEM was \$9,122,449 calculated as follows:

	<b>December 31, 2024</b>
Base Purchase Price	\$ 11,082,860
Final Working Capital excess of Target Working Capital (US\$435,000)	596,017
<b>Total consideration</b>	<b>11,678,877</b>
Derecognition of subsidiary's net assets on closing	(755,529)
Costs of disposal	(490,643)
Gain on sale of subsidiary before income tax	10,432,705
Deferred income tax on gain on sale of subsidiary	(1,310,256)
<b>Gain on sale of subsidiary</b>	<b>\$ 9,122,449</b>

As of April 12, 2024, STEM's net assets were as follows:

	<b>April 12, 2024</b>
Cash and cash equivalents	\$ 63,035
Trade and other receivables	503,159
Inventory	587,827
Capital contributions receivable	484,365
Prepaid expenses	39,187
Property and equipment	107,032
Intangible assets	55,319
Accounts payable and accrued liabilities	(121,472)
Contract liabilities	(962,923)
<b>Total net assets in STEM</b>	<b>\$ 755,529</b>

The base purchase price of \$11,082,860 for the year ended December 31, 2024 was adjusted from the \$11,010,037 purchase price recorded during the three months ended June 30, 2024, by adding the extra payment of \$72, 823 received during the three months ended September 30, 2024. The deferred income tax on the gain on sale of subsidiary was excluded from the calculation of the gain on sale of subsidiary for the three months ended June 30, 2024. Hence, the gain on sale of subsidiary was recorded as \$10,359,882 for the three and six months ended June 30, 2024.

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and six months ended June 30, 2025 and 2024

### 5. Discontinued operations (continued):

Financial results relating to the discontinued operations for the three and six months ended June 30, 2025 and 2024 are summarized as follows:

	Note	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
<b>Revenue</b>					
License	6	\$ -	\$ 7,668	\$ -	\$ 70,398
Royalty		-	34,738	-	149,026
Sales of goods and services		-	147,509	-	860,266
<b>Total Revenue</b>		-	189,915	-	1,079,690
<b>Cost of sales-sales of goods and services</b>	9	-	85,958	-	454,998
<b>Gross Profit</b>		-	103,957	-	624,692
<b>Expenses</b>					
General and administration		-	56,410	-	446,142
Research		-	537	-	6,917
		-	56,947	-	453,059
<b>Income from discontinued operations</b>		-	47,010	-	171,633
<b>Other income (expenses):</b>					
Finance income		-	997	-	9,104
Finance expenses		-	(110)	-	(3,793)
Foreign exchange gain		-	10,047	-	27,961
<b>Net other income from discontinued operations</b>		-	10,934	-	33,272
<b>Income and comprehensive income from discontinued operations</b>		-	57,944	-	204,905
<b>Gain on sale of subsidiary</b>	5	-	10,359,882	-	10,359,882
<b>Net income and comprehensive income from discontinued operations</b>		\$ -	10,417,826	\$ -	10,564,787
<b>Net income and comprehensive income from discontinued operations attributable to:</b>					
Shareholders		-	10,398,507	-	10,496,472
Minority interest		-	19,319	-	68,315
<b>Net income and comprehensive income from discontinued operations</b>		\$ -	\$ 10,417,826	\$ -	\$ 10,564,787

As of June 30, 2025, the carrying value of the net assets of STEM is \$nil (December 31, 2024 - \$nil).

The net cash flows from discontinued operations incurred by STEM presented on the consolidated statement of cash flows for the three and six months ended June 30, 2025 and 2024 are as follows:

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
<b>Net cash flows:</b>				
Used in operating activities	\$ -	\$ (217,691)	\$ -	\$ (446,882)
Used in financing activities	-	(659,052)	-	(689,052)
Used in investing activities	-	(403)	-	(3,546)
<b>Net decrease in cash from discontinued operations</b>	\$ -	\$ (877,146)	\$ -	\$ (1,139,480)



# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and six months ended June 30, 2025 and 2024

### 6. License and distribution agreements:

The Company had an exclusive license and distribution agreement with Dechra that provided for an initial payment of \$500,000 USD along with a series of potential payments linked to various commercial milestones to a combined maximum of \$2.0 million USD. In addition, the Company received ongoing royalty payments on net sales of products by Dechra in North America, subject to certain minimum annual royalty payments from Dechra to the Company.

The Company subsequently expanded its exclusive distribution agreement with Dechra to include South America which resulted in an additional \$125,000 USD milestone payment from Dechra received in 2021 related to the successful production of a pilot product manufacturing batch by a manufacturer in South America.

The Company also had an exclusive license and distribution agreement with Animalcare Group PLC ("Animalcare") that provided for an initial payment of \$500,000 along with a series of potential payments linked to various commercial milestones to a combined maximum of \$2.0 million.

On April 17, 2023, the Company signed a license and distribution agreement with Skout's Honor Pet Supply Co. ("Skout's Honor"). Under the terms of the agreement, STEM was entitled to receive a \$500,000 USD license fee to be paid over the 10-year term of the agreement, as well as an ongoing royalty on all of Skout's Honor's product sales in North America that use the coactiv+™ technology.

On April 18, 2023, the Company signed an exclusive distribution agreement with ProgenaCare Global LLC ("ProgenaCare") that provides for an upfront payment of \$500,000 USD to cover the Company's product manufacturing scale-up costs and for the prepayment of future products. Under the terms of the agreement, ProgenaCare had exclusive distribution rights in the United States wound care market for the Company's coactiv+™ Antimicrobial Wound Gel. During the three months ended June 30, 2025, the Company terminated the agreement due to various material breaches of the agreement by ProgenaCare.

During the year ended December 31, 2022, STEM was awarded the Veterinary Oral Health Council Seal of Acceptance which, in accordance with the Dechra and Animalcare license and distribution agreements, triggered \$1.3 million in milestone payments of which \$500,000 USD was received in 2022 and \$700,000 was received in 2023.

IFRS 15 requires the Company to use a five-step model to determine the timing and amount of revenue recognition with respect to payments received pursuant to its licenses and distribution agreement. Upon the evaluation of payments received using the five-step model, the Company concluded that all initial and milestone payments received should be recognized over the terms of the agreements with the exception of the initial payment received from ProgenaCare which the Company determined should be recognized upon the delivery of clinically usable products as per the terms of the related exclusive distribution agreement.

When the Company completed the sale of its interest in STEM on April 12, 2024, all outstanding license and distribution agreements with Dechra, Animalcare and Skout's Honor were terminated. Therefore, the balances of contract liabilities related to these outstanding agreements as of April 12, 2024 were recorded as license revenue in the three months ended June 30, 2024.

For the three months ended June 30, 2025, the Company recognized license revenue of \$nil (June 30, 2024 - \$257,586) in continuing operations and \$nil (June 30, 2024 - \$7,668) in discontinued operations, and sales of \$nil (June 30, 2024 - \$40,945) in continuing operations, associated with initial and milestone payments received in prior periods.

For the six months ended June 30, 2025, the Company recognized license revenue of \$nil (June 30, 2024 - \$279,642) in continuing operations and \$nil (June 30, 2024 - \$70,398) in discontinued operations, and sales of \$nil (June 30, 2024 - \$68,465) in continuing operations, associated with initial and milestone payments received in prior periods.

### 7. Manufacturing agreement:

On May 24, 2024, the Company entered into a contract manufacturing agreement with Dechra under which the Company manufactured animal health products for Dechra during the transition period between the date of acquisition of STEM by Dechra and December 31, 2024. This agreement was extendable for a period of two months based on mutual agreement of Dechra and the Company. All manufacturing under this agreement was completed in February 2025.

During the three months ended June 30, 2025, the Company recorded manufacturing services revenue of \$24,586 (June 30, 2024 - \$277,502) and cost of sales of \$44,455 (June 30, 2024 - \$213,330) associated with this contract manufacturing agreement.

During the six months ended June 30, 2025, the Company recorded manufacturing services revenue of \$420,729 (June 30, 2024 - \$277,502) and cost of sales of \$405,562 (June 30, 2024 - \$213,330) associated with this contract manufacturing agreement.

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and six months ended June 30, 2025 and 2024

## 8. Trade and other receivables:

	June 30, 2025	December 31, 2024
Trade receivables	\$ 79,970	\$ 13,692
Other receivables	59,113	74,392
	<b>\$ 139,083</b>	<b>\$ 88,084</b>

## 9. Inventory:

	June 30, 2025	December 31, 2024
Raw materials	\$ 35,583	\$ 129,272
Work-in-progress	47,810	2,769
Finished goods	421,587	447,678
Allowance for inventory obsolescence	(170,430)	(203,685)
	<b>\$ 334,550</b>	<b>\$ 376,034</b>

The cost of inventories recognized as an expense and included in cost of sales of goods and services for the three months ended June 30, 2025 was \$51,487 (June 30, 2024 - \$226,034) in continuing operations and \$nil (June 30, 2024 - \$61,372) in discontinued operations. During the three months ended June 30, 2025, the Company has written down \$14,810 (June 30, 2024 - \$3,881) in continuing operations and has written down \$nil (June 30, 2024 - \$179) in discontinued operations, related to discontinued and expired products, which is included in the cost of sales.

The cost of inventories recognized as an expense and included in the cost of sales for the six months ended June 30, 2025 was \$416,631 (June 30, 2024 - \$235,107) in continuing operations and \$nil (June 30, 2024 - \$298,623) in discontinued operations. In the six months ended June 30, 2025, the Company has written down \$14,335 (June 30, 2024 - \$3,881) in continuing operations and has written down \$nil (June 30, 2024 - \$15,226, recovery) in discontinued operations, related to discontinued and expired products, which is included in cost of sales.

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and six months ended June 30, 2025 and 2024

## 10. Property and equipment:

The following is a summary of property and equipment as of June 30, 2025 and December 31, 2024:

Cost	Computer and Office Equipment	Scientific and Manufacturing Equipment	Right-of-use Assets	Total
Balance as of January 1, 2024	\$ 105,283	\$ 297,592	\$ 1,225,425	\$ 1,628,300
Additions - 2024	16,534	8,207	-	24,741
Change due to derecognition - 2024	-	(4,788)	-	(4,788)
Balance as of December 31, 2024	\$ 121,817	\$ 301,011	\$ 1,225,425	\$ 1,648,253
Additions - 2025	2,937	1,958	-	4,895
Change due to derecognition - 2025	(6,246)	-	-	(6,246)
<b>Balance as of June 30, 2025</b>	<b>\$ 118,508</b>	<b>\$ 302,969</b>	<b>\$ 1,225,425</b>	<b>\$ 1,646,902</b>

  

Depreciation	Computer and Office Equipment	Scientific and Manufacturing Equipment	Right-of-use Assets	Total
Balance as of January 1, 2024	\$ 47,699	\$ 188,097	\$ 326,780	\$ 562,576
Additions - 2024	15,879	22,704	122,543	161,126
Change due to derecognition - 2024	-	(4,711)	-	(4,711)
Balance as of December 31, 2024	\$ 63,578	\$ 206,090	\$ 449,323	\$ 718,991
Additions - 2025	7,165	9,590	61,271	78,026
Change due to derecognition - 2025	(4,635)	-	-	(4,635)
<b>Balance as of June 30, 2025</b>	<b>\$ 66,108</b>	<b>\$ 215,680</b>	<b>\$ 510,594</b>	<b>\$ 792,382</b>

  

Carrying amounts	Computer and Office Equipment	Scientific and Manufacturing Equipment	Right-of-use Assets	Total
Balance as of December 31, 2024	\$ 58,239	\$ 94,921	\$ 776,102	\$ 929,262
<b>Balance as of June 30, 2025</b>	<b>\$ 52,400</b>	<b>\$ 87,289</b>	<b>\$ 714,831</b>	<b>\$ 854,520</b>

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and six months ended June 30, 2025 and 2024

## 11. Intangible assets:

The following is a summary of intangible assets as of June 30, 2025 and December 31, 2024:

Cost	Patents	Trademarks	Total
Balance as of January 1, 2024	\$ 908,570	\$ 64,528	\$ 973,098
Additions - 2024	57,296	8,101	65,397
Change due to derecognition - 2024	(337,976)	-	(337,976)
Balance as of December 31, 2024	\$ 627,890	\$ 72,629	\$ 700,519
Additions - 2025	79,075	1,663	80,738
Change due to derecognition - 2025	(63,710)	-	(63,710)
<b>Balance as of June 30, 2025</b>	<b>\$ 643,255</b>	<b>\$ 74,292</b>	<b>\$ 717,547</b>
Accumulated amortization	Patents	Trademarks	Total
Balance as of January 1, 2024	\$ 239,814	\$ -	\$ 239,814
Amortization - 2024	57,344	-	57,344
Change due to derecognition - 2024	(132,694)	-	(132,694)
Balance as of December 31, 2024	\$ 164,464	\$ -	\$ 164,464
Amortization - 2025	16,151	-	16,151
Change due to derecognition - 2025	(33,011)	-	(33,011)
<b>Balance as of June 30, 2025</b>	<b>\$ 147,604</b>	<b>\$ -</b>	<b>\$ 147,604</b>
Carrying amounts	Patents	Trademarks	Total
Balance as of December 31, 2024	\$ 463,426	\$ 72,629	\$ 536,055
<b>Balance as of June 30, 2025</b>	<b>\$ 495,651</b>	<b>\$ 74,292</b>	<b>\$ 569,943</b>

The Company has considered indicators of impairment as of June 30, 2025 and has determined that it was not feasible to pursue certain patents and patents pending and accordingly has derecognized patents of \$63,710 with a net book value of \$30,699 for the three months ended June 30, 2025 (June 30, 2024 - \$nil).

For the six months ended June 30, 2025, the Company has derecognized patents of \$63,710 with a net book value of \$ 30,699 (June 30, 2024 - \$nil).

As of June 30, 2025, the Company has recorded aggregate impairment (derecognition) losses of \$1,724,816 (June 30, 2024 - \$1,488,835) primarily resulting from patents and patent applications that were abandoned. Amortization and derecognition expenses are recognized in research expense.

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and six months ended June 30, 2025 and 2024

## 12. Accounts payable and accrued liabilities:

	June 30, 2025	December 31, 2024
Trade payables	\$ 1,037,669	\$ 1,186,113
Non-trade payables and accrued expenses	414,267	642,126
	<b>\$ 1,451,936</b>	<b>\$ 1,828,239</b>

## 13. Loans payable:

### (a) Loan payable

During the first and second quarters of 2024, the Company had a non-revolving term loan credit agreement outstanding (the "Credit Agreement") with Pivot Financial Inc. ("Pivot").

In connection with the Credit Agreement, Kane had entered into a general security agreement in favour of Pivot creating a first priority security interest in all of its present and after-acquired personal property of Kane, as well as an intellectual property security agreement.

On April 12, 2024, the Company paid Pivot the principal amount owing of \$6,000,000 as well as accumulated interest owing on the principal of \$742,409. The balance of the Pivot loan owing as of June 30, 2025 is \$nil (December 31, 2024 - \$nil).

### (b) Government loans

During the year ended December 31, 2019, the Company signed a funding agreement with Prairies Economic Development Canada ("PrairiesCan"), previously known as Western Economic Diversification Canada ("WD"). The Company received a total of \$2,491,267 from PrairiesCan in the form of interest-free repayable contributions over three years on an expense incurred basis retroactive to April 1, 2019. The average effective interest rate is 14%. Repayment of these contributions has been taking place over five years since April 2023.

During the three months ended June 30, 2025, the Company received a notice of default from PrairiesCan related to the funding agreement. Kane made all required repayments from April 1, 2023 to May 1, 2025.

As of June 30, 2025, the outstanding balance of repayable contributions is \$1,399,267 (December 31, 2024 - \$1,609,267). As of June 30, 2025, the fair value of the outstanding repayable contributions included in Government loan balance of the consolidated statement of financial position is \$1,178,299 (December 31, 2024 - \$1,302,462). There are no further funding contributions receivable from PrairiesCan.

During the three months ended June 30, 2025, the Company recorded accretion expense of \$41,481 (June 30, 2024 - \$52,400) and repaid to PrairiesCan \$84,000 of the contributions (June 30, 2024 - \$126,000).

During the six months ended June 30, 2025, The Company recorded accretion expense of \$85,837 (June 30, 2024 - \$107,298) and repaid to PrairiesCan \$210,000 (June 30, 2024 - \$252,000)

The repayment schedule of the remaining contributions is as follows:

2025	\$ 294,000
2026	504,000
2027	504,000
2028	97,267
	<b>\$ 1,399,267</b>

In 2020 and 2021, the Company also received \$60,000 in loan advances from the Canada Emergency Business Account (CEBA) program. These loan advances were interest-free up to the amended term date ending December 31, 2023 and \$20,000 was forgivable if \$40,000 was repaid prior to the amended term date. The Company recorded the loan at fair value at the initial recognition assuming forgiveness of \$20,000 and an effective interest rate of 14%. During the three months ended March 31, 2024, the Company repaid \$40,000 of the loan principal prior to the amended term date and the remaining \$20,000 of the loan principal was forgiven as per the terms of the loan agreement.

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and six months ended June 30, 2025 and 2024

## 13. Loans payable (continued):

The following is a summary of Government loan transactions as of June 30, 2025 and December 31, 2024:

	PrairieCan Loan	CEBA Loan	Total
Balance as of January 1, 2024	\$ 1,602,226	\$ 40,000	\$ 1,642,226
Repayment - 2024	(504,000)	(40,000)	(544,000)
Accretion expense - 2024	204,236	-	204,236
Balance as of December 31, 2024	\$ 1,302,462	\$ -	\$ 1,302,462
Repayment - 2025	(210,000)	-	(210,000)
Accretion expense - 2025	85,837	-	85,837
<b>Balance as of June 30, 2025</b>	<b>\$ 1,178,299</b>	<b>\$ -</b>	<b>\$ 1,178,299</b>
Government loans - current	410,870	-	410,870
Government loans - long-term	767,429	-	767,429
	<b>\$ 1,178,299</b>	<b>\$ -</b>	<b>\$ 1,178,299</b>

### (c) Convertible loan

During the three months ended June 30, 2025, the Company received \$1,000,000 from an insider of the Company and issued the insider a promissory note of \$1,000,000 bearing no interest with the principal payable on demand.

During the three months ended June 30, 2025, the promissory note was cancelled and replaced with a convertible redeemable unsecured debenture with an interest rate of 3% per annum compound annually. The principal and related interest is repayable on the maturity date of June 26, 2030.

This debenture allows the holder the right, at the holder's option, at any time before the Maturity date to convert all or a portion of the debenture into shares at the conversion price of \$0.10/share.

The debenture, plus all accrued and unpaid interest is redeemable by the Company at any time, before the Maturity Date, in whole or in part, provided not less than thirty days' prior notice is provided to the holder of this debenture.

At initial recognition, using a discount rate of 14%, the Company determined the fair value of the promissory note to be \$979,003. During the three months ended June 30, 2025, the Company recorded a fair value adjustment of \$20,997 (June 30, 2024 - \$nil) for the advance of \$1,000,000 received during the period. This amount has been offset with an accretion expense of \$20,997 (June 30, 2024 - \$nil) related to this promissory note. As of June 30, 2025, the outstanding balance of the promissory note is \$nil (December 31, 2024 - \$nil) since it was replaced by the convertible debenture.

The convertible debenture is a compound financial instrument, which contains both a liability and an equity component. At initial recognition, using a discount rate of 14%, the Company determined the fair value of the liability component to be \$599,982 recorded as convertible loan and the fair value of the equity component to be \$400,018 recorded in contributed surplus. The convertible loan is subsequently measured at amortized cost. As of June 30, 2025, the outstanding balance of the convertible loan with unpaid interest is \$1,000,411 (December 31, 2024 - \$nil). As of June 30, 2025, the fair value of the outstanding balance of the convertible loan with unpaid interest is \$601,140 (December 31, 2024 - \$nil).

During the three months ended June 30, 2025, the Company recorded an accretion expense of \$1,158 (June 30, 2024 - \$nil), and financing fee of \$27,512 (June 30, 2024 - \$nil) related to the convertible loan, as finance expenses.

### (d) Credit facilities

The Company has access to commercial credit card facilities with an aggregate credit limit of \$50,000. As of June 30, 2025, the related credit card balances outstanding included in accounts payable and accrued liabilities on the consolidated statement of financial position is \$11,734 (December 31, 2024 - \$26,414).

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and six months ended June 30, 2025 and 2024

### 14. Lease liability:

Effective May 1, 2021, the Company signed a 10-year facility lease for both its laboratory and office premises. The terms of the lease require fixed monthly rent payments of \$13,889 over 10 years. At initial recognition, using a discount rate of 6%, the Company determined the fair value lease of the lease liability to be \$1,225,425.

The Company has the option to extend the lease for two separate and consecutive terms of five years each.

As of June 30, 2025, the carrying amount of lease liability was \$814,840 (December 31, 2024 - \$872,712). The breakdown of contractual undiscounted cash flows for lease liability as of June 30, 2025 and December 31, 2024 is as follows:

	June 30, 2025	December 31, 2024
Less than one year	\$ 166,669	\$ 166,669
One to five years	666,674	666,674
Over five years	133,542	216,876
Discounting	(152,045)	(177,507)
	<b>\$ 814,840</b>	<b>\$ 872,712</b>
Lease liability - current	121,072	117,502
Lease liability - long-term	693,768	755,210
	<b>\$ 814,840</b>	<b>\$ 872,712</b>

Transactions related to lease liability are summarized as follows:

	Facility Lease
Balance as of January 1, 2024	\$ 983,388
Payments - 2024	(166,669)
Interest paid - 2024	55,993
Balance as of December 31, 2024	\$ 872,712
Payments - 2025	(83,334)
Interest paid - 2025	25,462
<b>June 30, 2025</b>	<b>\$ 814,840</b>

The following is a summary of expenses recognized in the consolidated statement of income (loss) and comprehensive income (loss) related to lease liability and short-term leases:

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Interest on lease liability	\$ 12,515	\$ 14,208	\$ 25,462	\$ 28,824
Expenses related to variable lease payments	\$ 6,592	\$ 16,432	\$ 14,283	\$ 26,922
Expenses related to short-term leases	\$ 1,400	\$ 18,737	\$ 41,166	\$ 60,348

For the three months ended June 30, 2025, the total cash outflow for leases was \$49,659 (June 30, 2024 - \$58,099) in continuing operations and \$nil (June 30, 2024 - \$18,737) in discontinued operations.

For the six months ended June 30, 2025, the total cash outflow for leases was \$138,783 (June 30, 2024 - \$110,257) in continuing operations and \$nil (June 30, 2024 - \$60,348) in discontinued operations.

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and six months ended June 30, 2025 and 2024

### 14. Lease liability (continued):

During the three months ended June 30, 2025, the Company signed a lease amendment agreement with its landlord for the termination and surrender of its office premises. Under the agreement, the office premises portion of the 10-year facility lease effectively terminates on July 31, 2025 at which date the corresponding right-of-use assets and lease liabilities on the Company's consolidated statement of financial position will be reduced accordingly.

### 15. Share capital:

#### (a) Authorized

The Company has authorized share capital of an unlimited number of common voting shares.

#### (b) Shares issued and outstanding

Shares issued and outstanding are as follows:

	Number of Common Voting Shares		Amount
Balance at January 1, 2024	131,844,567	\$	23,686,359
Restricted share units redeemed	942,000		142,060
Warrants exercised	5,000,000		573,919
Balance as of December 31, 2024	137,786,567	\$	24,402,338
Restricted share units redeemed	95,000		12,300
Issuance of common shares	27,985,000		2,640,932
Balance as of June 30, 2025	165,866,567	\$	27,055,570

During the year ended December 31, 2024, 5,000,000 warrants, 2,500,000 of which were granted to a third-party for its guarantee of a \$1,000,000 increase in the Pivot Credit facility in 2023 and 2,500,000 of which were granted to Pivot as part of a further amended and restated credit agreement signed with Pivot in 2023, were exercised at a price of \$0.10 per unit for aggregate proceeds of \$500,000. The exercise cost was \$914 and the \$74,833 value of the warrants was recognized when the warrants were granted.

During the three months ended March 31, 2025, the Company completed a private placement offering of 16,985,000 shares at a price of \$0.10 per share for aggregate gross proceeds of \$1,698,500. Issuance costs associated with the common shares were \$143,853, including \$16,308 for the value of 566,100 warrants at an exercise price of \$0.15 per share granted to eligible finders.

During the three months ended June 30, 2025, the Company completed a private placement offering with insiders of the Company of 12,000,000 shares at a price of \$0.10 per share for aggregate gross proceeds of \$1,200,000. Issuance costs associated with the common shares were \$13,715.

During the three months ended June 30, 2025, the Company cancelled 1,000,000 shares which were issued to a third-party who provides marketing and distribution services to the Company at \$0.10/share during the three months ended March 31, 2025, since the related service agreement was terminated.

#### (c) Stock option plan

The Company has an equity-settled Stock Option Plan ("Plan") in place for employees, directors, officers, and consultants of the Company which is administered by the Board of Directors. At the General and Special Meeting of Shareholders held on June 25, 2025, the Company received shareholder approval to set the number of common shares reserved for the issuance of stock options under the Plan at 10% of the issued and outstanding shares of the Company as of June 25, 2025. As of June 30, 2025, an aggregate maximum of 16,586,657 (December 31, 2024 – 1,148,302) common share options are reserved for issuance under the Plan with 15,586,657 (December 31, 2024 – 1,148,302) of those common share options remaining available.



# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and six months ended June 30, 2025 and 2024

## 15. Share capital (continued):

Share options issued to employees, directors, and officers of the Company under the Plan expire five years from the grant date. Share options issued to consultants or persons employed in investor relations activities expire within a 12-month period from the grant date. The attributed exercise price of the grant per the Plan cannot be less than the closing price per common share on the date of the grant.

Effective on all stock options issued after April 21, 2021:

- i) The exercise price shall, at a minimum, be equal to the fair market value of the Company's common stock on the grant date (TSXV share price).
- ii) Each stock option shall vest in three equal annual installments, beginning on the grant date unless the participant is employed in investor relation activities for the Company. In such case each stock option shall vest in four equal quarterly installments beginning three months after the grant date
- iii) The options shall expire five years from the date of issue.
- iv) Grants to executive officers shall be made by the Compensation Committee of the Company's Board of Directors. Grants to staff shall be made by authorized officers (the CEO and CFO). The authorized officers may not approve any stock option awards exceeding 500,000 shares to any staff member.
- v) All exceptions must be approved by the Compensation Committee.

During the three months ended June 30, 2025, the Company issued 1,000,000 stock options to a third party who is contracted to provide marketing and distribution services to the Company. Each option is exercisable into one common share of the Company at the price of \$0.10 and expires one year after the issuance date. The options vest in equal tranches per 3-month period over 12 months.

Options outstanding as of June 30, 2025 consist of the following:

Range of exercise prices	Outstanding number	Weighted average remaining contractual life	Weighted average exercise price	Exercisable number
\$0.10	1,000,000	0.78	\$0.10	-

For the three months ended June 30, 2025, the Company recorded stock option compensation expense of \$10,436 (June 30, 2024 - \$nil).

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

	2025	2024
<b>Expected option life</b>	<b>1 year</b>	N/A
<b>Risk free interest rate</b>	<b>3%</b>	N/A
<b>Expected volatility</b>	<b>57%</b>	N/A
<b>Grant-date share price</b>	<b>\$ 0.10</b>	N/A
<b>Option exercise price</b>	<b>\$ 0.10</b>	N/A

Expected volatility is determined by the Company's historical volatility measured weekly over the same period as the life of the stock options.

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

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and six months ended June 30, 2025 and 2024

### 15. Share capital (continued):

#### (d) Restricted share unit plan

The Company has an equity-settled Restricted Share Unit Plan ("RSU Plan") in place for employees, directors, officers, and consultants of the Company which is administered by the Board of Directors. At the General and Special Meeting of Shareholders held on June 25, 2025, the Company received shareholder approval to set the number of common shares reserved for the issuance of RSUs under the RSU Plan at 10% of the issued and outstanding shares of the Company as of June 25, 2025. As of June 30, 2025, an aggregate maximum of 16,586,657 (December 31, 2024 – 25,177,197) restricted share units are reserved for issuance under the Plan with 664,242 (December 31, 2024 – 3,427,687) of those common share options remaining available.

During the year ended December 31, 2024, the Company issued 4,213,333 RSU's to various directors, officers and consultants of the Company. The expiry date of these RSUs is July 14, 2034. 3,630,000 of these RSUs will vest on July 14, 2025 and 583,333 of these RSUs will vest on July 14, 2026.

Restricted share units outstanding as of June 30, 2025 and December 31, 2024 consist of the following:

	June 30, 2025	December 31, 2024
Balance, beginning of period	21,474,510	18,203,177
Additions	-	4,213,333
Expired	(2,140,429)	-
Forfeited	(3,316,666)	-
Redeemed	(95,000)	(942,000)
Balance, end of period	15,922,415	21,474,510
Restricted share units exercisable, end of period	14,292,415	15,769,511

During the three months ended June 30, 2025, the Company recorded a recovery of \$249,165 for RSU compensation expenses (June 30, 2024 - \$206,742, expense) with a corresponding offset to contributed surplus, which includes RSU compensation expenses of \$51,668 and RSU compensation recovery of \$300,833 recorded expenses for the RSUs, which forfeited during the three months ended June 30, 2025.

During the six months ended June 30, 2025, the company recorded a recovery of \$104,603 for RSU compensation expenses (June 30, 2024 - \$428,707, expense) with a corresponding offset to contributed surplus, which includes RSU compensation expenses of \$196,230 and RSU compensation recovery of \$300,833 recorded expenses for the RSUs, which forfeited during the six months ended June 30, 2025.

RSU compensation expense is based on the fair value of the RSUs as determined by the Company's closing share price on the TSX Venture Exchange on the date of issuance.

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

#### (e) Warrants

During the year ended December 31, 2023, the Company issued 2,500,000 warrants to a third-party for their guarantee of the \$1,000,000 increase in the credit facility related to an amended credit agreement signed with Pivot on March 1, 2023. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.10 and has an expiry date of September 11, 2024. These warrants were exercised during the three months ended September 30, 2024 at an exercise price of \$0.10.

During the year ended December 31, 2023, the Company issued 2,500,000 warrants to Pivot Financial as part of the further amended and restated credit agreement signed with Pivot on September 11, 2023. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.10 and has an expiry date of September 11, 2024. These warrants were exercised during the three months ended September 30, 2024 at an exercise price of \$0.10.

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and six months ended June 30, 2025 and 2024

### 15. Share capital (continued):

During the year ended December 31, 2023, the Company issued 3,125,000 warrants associated with its \$500,000 private placement which closed on September 11, 2023. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.10 and has an expiry date of March 11, 2025. These warrants expired during the three months ended March 31, 2025.

During the three months ended March 31, 2025, the Company issued 321,000 warrants to the eligible finders associated with the private placement which closed on January 17, 2025. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 and has an expiry date of July 17, 2026. The associated issuance cost is \$910 and the value of these warrants was determined to be \$9,243.

During the three months ended March 31, 2025, the Company issued 245,100 warrants to the eligible finders associated with the private placement which closed on February 18, 2025. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 and has an expiry date of February 18, 2026. The associated issuance cost is \$893 and the value of these warrants was determined to be \$7,065.

Warrants outstanding as of June 30, 2025 and December 31, 2024 are as follows:

	June 30, 2025			December 31, 2024		
	Weighted average			Weighted average		
	Warrants	Amount	exercise price	Warrants	Amount	exercise price
Balance, beginning of period	3,125,000	\$ 65,767	\$ 0.10	8,125,000	\$ 140,600	\$ 0.10
Granted	566,100	14,505	0.15	-	-	-
Exercised	-	-	-	(5,000,000)	(74,833)	0.10
Expired	(3,125,000)	(65,767)	0.10	-	-	-
Balance as of June 30, 2025	566,100	\$ 14,505	\$ 0.15	3,125,000	\$ 65,767	\$ 0.10
Weighted average remaining contractual life	1.08 years			0.19 year		

The relative fair value of warrants issued in 2025 was determined at the date of issue using the Black-Scholes Model with the following weighted average assumptions:

Expected option life	1.5 year
Risk free interest rate	3.91%
Expected volatility	83.32%
Grant-date share price	\$ 0.10
Warrant exercise price	\$ 0.15

Expected volatility is determined by the Company's historical volatility measured weekly over the same period as the life of the warrants.

### (f) Per share amounts

The weighted average number of common voting shares outstanding for the three months ended June 30, 2025 and 2024 was 163,025,798 and 132,357,644 respectively.

The weighted average number of common voting shares outstanding for the six months ended June 30, 2025 and 2024 was 156,577,479 and 132,101,105 respectively.

The Company presents basic and diluted earnings per share data for its ordinary shares, being Common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted earnings per share is determined by dividing the profit or loss attributable to shareholders of ordinary shares by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and six months ended June 30, 2025 and 2024

### 15. Share capital (continued):

The details of the computation of basic and diluted earnings (loss) per share for the three and six months ended June 30, 2025, and 2024 as follows:

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Numerator				
Net loss and comprehensive loss from continuing operations	\$ (348,541)	\$ (1,215,996)	\$ (1,567,038)	\$ (2,709,782)
Net income and comprehensive income from discontinued operations	-	10,398,507	-	10,496,472
Net income (loss) and comprehensive income (loss)	\$ (348,541)	\$ 9,182,511	\$ (1,567,038)	\$ 7,786,690
Denominator:				
Weighted average number of basic shares outstanding	163,025,798	132,357,644	156,577,479	132,101,105
Weighted average number of diluted shares outstanding	180,514,313	158,018,821	174,065,994	157,762,282
Loss per share from continuing operations:				
Basic	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Income per share from discontinued operations:				
Basic	\$ -	\$ 0.08	\$ -	\$ 0.08
Diluted	\$ -	\$ 0.07	\$ -	\$ 0.07

### 16. Commitments and contingencies:

#### (a) Commitments

As of June 30, 2025 and in the normal course of business, the Company has obligations to make future payments, representing contracts and other commitments that are known and committed.

Contractual obligation payments due by fiscal year ending December 31:

	USD
2026	\$ 10,000
2027	\$ 10,000
2028	\$ 10,000
2029 and after	\$ 10,000
	<b>\$ 40,000</b>

The Company holds a worldwide exclusive right to Competence Stimulating Peptide (CSP) technology from the University of Toronto Innovations Foundation (UTIF). In consideration for the right, the Company will pay UTIF a royalty of a stipulated percentage of the net sales, if any, of the licensed products. If the Company sublicenses any rights to a third party, the Company will pay UTIF a percentage of a sublicense fee or sublicense royalty fees. The Company does not expect to make royalty payments under this agreement in fiscal 2025 and cannot predict when such royalties will become payable, if at all.

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

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and six months ended June 30, 2025 and 2024

### 16. Commitments and contingencies (continued):

#### (b) Guarantee

The Company periodically enters into research and licence agreements with third parties that include indemnification provisions customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred because of claims arising from research and development activities undertaken on behalf of the Company. In some cases, the maximum potential number 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.

### 17. Government and other assistance:

For the three months ended June 30, 2025, the Company recorded \$44,157 in government assistance (June 30, 2024 - \$57,193).

For the six months ended June 30, 2025, the Company recorded \$151,442 in government assistance (June 30, 2024 - \$99,954)

Government assistance was recorded as reductions from general and administration expenditures and research expenditures in the consolidated statement of income (loss) and comprehensive income (loss).

As of June 30, 2025, trade and other receivables included \$41,128 (December 31, 2024 – \$71,864) of government assistance receivable.

As of June 30, 2025, accounts payable and accrued liabilities included \$ 28,921 (December 31, 2024 - \$31,321) payable to Canada Revenue Agency (CRA), which was \$45,315 claw back as the result of a recent CRA review of the Company's 2023 Scientific Research and Experimental Development (SR&ED), offset by \$13,994 of the Company's estimated SR&ED refundable tax credit for the year ended December 31, 2024 and accrued refundable tax credit of \$2,400 for the six months ended June 30, 2025.

### 18. Related parties:

#### (a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company. The Board of Directors, Executive Chair, President & CEO, Chief Financial Officer and Chief Quality Officer are key management personnel.

Board of Director compensation includes board fees and RSUs. The Interim CEO, Chief Financial Officer and Chief Quality Officer compensation includes base salaries, a short-term incentive plan and RSUs. The following table details the compensation recorded for key management personnel:

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Salaries, fees and short-term employee benefits	\$ 174,972	\$ 588,761	\$ 387,813	\$ 716,551
Share-based payments expense (recovery)	(255,429)	110,482	(118,991)	246,982
	\$ (80,457)	\$ 699,243	\$ 268,822	\$ 963,533

#### (b) Key management personnel and director transactions

As of June 30, 2025, directors and key management personnel control 24.4% (December 31, 2024 – 24.2%) of the voting shares of the Company.

As of June 30, 2025, accounts payable and accrued liabilities owing to key management personnel was \$nil (December 31, 2024 - \$6,929).

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and six months ended June 30, 2025 and 2024

### 19. Segmented information:

The Company has two distinct operating segments, one for animal health and one for human health. The human health segment includes operations related to the Company's revyve® and DermaKB™ product lines as well as research and development and corporate expenditures. The animal health segment includes the operations of STEM, which the Company sold on April 12, 2024, as well as operations related to the manufacturing agreement that the Company had in place with Dechra post-sale of STEM.

In the three and six months ended June 30, 2024, the operating segments were presented as STEM and all other segments. In the year ended December 31, 2024, the Company changed its operating segments to animal health and human health to better reflect the Company's transition to and focus on human health related operations post-sale of STEM.

In the three months ended June 30, 2025, \$nil (June 30, 2024 - \$257,586) of license income from all other segments is included in animal health, \$26,424 (June 30, 2024 - \$318,540) of sales of goods and services from all other segments is included in animal health, and \$45,070 (June 30, 2024 - \$239,995) of cost of sales of goods and services from all other segments is included in animal health.

In the six months ended June 30, 2025, \$nil (June 30, 2024 - \$279,642) of license income from all other segments is included in animal health, \$431,627 (June 30, 2024 - \$318,540) of sales of goods and services from all other segments is included in animal health, and \$408,604 (June 30, 2024 - \$239,995) of cost of sales of goods and services from all other segments is included in animal health.

Information regarding the results by Animal health and Human health for the three and six months ended June 30, 2025 and 2024 is as follows:

	Three months ended June 30, 2025	Three months ended June 30, 2025	Three months ended June 30, 2025	Six months ended June 30, 2025	Six months ended June 30, 2025	Six months ended June 30, 2025
Revenue	Animal health	Human health	Total	Animal health	Human health	Total
Sales of goods and services	\$ 26,424	\$ 1,573	\$ 27,997	\$ 431,627	\$ 8,883	\$ 440,510
<b>Total Revenue</b>	<b>26,424</b>	<b>1,573</b>	<b>27,997</b>	<b>431,627</b>	<b>8,883</b>	<b>440,510</b>
<b>Cost of sales-sales of goods and services</b>	<b>45,070</b>	<b>28,453</b>	<b>73,523</b>	<b>408,604</b>	<b>34,985</b>	<b>443,589</b>
<b>Gross Profit (loss)</b>	<b>(18,646)</b>	<b>(26,880)</b>	<b>(45,526)</b>	<b>23,023</b>	<b>(26,102)</b>	<b>(3,079)</b>
<b>Expenses</b>						
General and administration	-	139,703	139,703	-	1,082,189	1,082,189
Research	-	90,227	90,227	-	351,246	351,246
	-	229,930	229,930	-	1,433,435	1,433,435
<b>Income (loss) from operations</b>	<b>(18,646)</b>	<b>(256,810)</b>	<b>(275,456)</b>	<b>23,023</b>	<b>(1,459,537)</b>	<b>(1,436,514)</b>
<b>Other income (expenses):</b>						
Finance income	-	6,113	6,113	-	8,039	8,039
Finance expenses	-	(104,760)	(104,760)	-	(163,420)	(163,420)
Fair value adjustment	-	20,997	20,997	-	20,997	20,997
Foreign exchange gain	-	4,565	4,565	-	3,860	3,860
<b>Net other (expenses)</b>	<b>-</b>	<b>(73,085)</b>	<b>(73,085)</b>	<b>-</b>	<b>(130,524)</b>	<b>(130,524)</b>
<b>Income (loss) and comprehensive income (loss)</b>	<b>\$ (18,646)</b>	<b>\$ (329,895)</b>	<b>\$ (348,541)</b>	<b>\$ 23,023</b>	<b>\$ (1,590,061)</b>	<b>\$ (1,567,038)</b>
<b>Net income (loss) and comprehensive income (loss) attributable to:</b>						
Shareholders	\$ (18,646)	\$ (329,895)	\$ (348,541)	\$ 23,023	\$ (1,590,061)	\$ (1,567,038)
Minority interest	-	-	-	-	-	-
	<b>\$ (18,646)</b>	<b>\$ (329,895)</b>	<b>\$ (348,541)</b>	<b>\$ 23,023</b>	<b>\$ (1,590,061)</b>	<b>\$ (1,567,038)</b>

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and six months ended June 30, 2025 and 2024

### 19. Segmented information (continued):

	Three months ended June 30, 2024	Three months ended June 30, 2024	Three months ended June 30, 2024	Six months ended June 30, 2024	Six months ended June 30, 2024	Six months ended June 30, 2024
Revenue	Animal health	Human health	Total	Animal health	Human health	Total
License	\$ 265,254	\$ -	\$ 265,254	\$ 350,040	\$ -	\$ 350,040
Royalty	34,738	-	34,738	149,026	-	149,026
Sales of goods and services	466,049	44,311	510,360	1,178,806	74,141	1,252,947
<b>Total Revenue</b>	<b>766,041</b>	<b>44,311</b>	<b>810,352</b>	<b>1,677,872</b>	<b>74,141</b>	<b>1,752,013</b>
<b>Cost of sales-sales of goods and services</b>	<b>325,953</b>	<b>19,946</b>	<b>345,899</b>	<b>694,993</b>	<b>31,781</b>	<b>726,774</b>
<b>Gross Profit</b>	<b>440,088</b>	<b>24,365</b>	<b>464,453</b>	<b>982,879</b>	<b>42,360</b>	<b>1,025,239</b>
<b>Expenses</b>						
General and administration	56,410	978,477	1,034,887	446,142	1,765,328	2,211,470
Research	537	484,920	485,457	6,917	926,222	933,139
	56,947	1,463,397	1,520,344	453,059	2,691,550	3,144,609
<b>Income (loss) from operations</b>	<b>383,141</b>	<b>(1,439,032)</b>	<b>(1,055,891)</b>	<b>529,820</b>	<b>(2,649,190)</b>	<b>(2,119,370)</b>
<b>Other income (expenses):</b>						
Finance income	997	-	997	9,104	473	9,577
Finance expenses	(110)	(100,768)	(100,878)	(3,793)	(418,286)	(422,079)
Foreign exchange gain (loss)	10,047	(12,327)	(2,280)	27,961	(966)	26,995
Gain on sales of subsidiary	10,359,882	-	10,359,882	10,359,882	-	10,359,882
<b>Net other income (expenses)</b>	<b>10,370,816</b>	<b>(113,095)</b>	<b>10,257,721</b>	<b>10,393,154</b>	<b>(418,779)</b>	<b>9,974,375</b>
<b>Income (loss) and comprehensive income (loss)</b>	<b>\$ 10,753,957</b>	<b>\$ (1,552,127)</b>	<b>\$ 9,201,830</b>	<b>\$ 10,922,974</b>	<b>\$ (3,067,969)</b>	<b>\$ 7,855,005</b>
<b>Net income (loss) and comprehensive income (loss) attributable to:</b>						
Shareholders	\$ 10,734,638	\$ (1,552,127)	\$ 9,182,511	\$ 10,854,659	\$ (3,067,969)	\$ 7,786,690
Minority interest	19,319	-	19,319	68,315	-	68,315
	<b>\$ 10,753,957</b>	<b>\$ (1,552,127)</b>	<b>\$ 9,201,830</b>	<b>\$ 10,922,974</b>	<b>\$ (3,067,969)</b>	<b>\$ 7,855,005</b>

As of June 30, 2025, \$86,436 (December 31, 2024 - \$237,889) of current assets from all other segments is included in animal health, \$166,387 (December 31, 2024 - \$257,534) of current liabilities from all other segments is included in animal health.



# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and six months ended June 30, 2025 and 2024

## 19. Segmented information (continued):

Information regarding the financial position by operating segment as of June 30, 2025 and December 31, 2024 is as follows:

	June 30, 2025		June 30, 2025		June 30, 2025
	Animal health		Human health		Total
Current assets	\$	86,436	\$	2,300,329	\$ 2,386,765
Non-current assets		-		1,424,463	1,424,463
Current liabilities		(166,387)		(1,817,491)	(1,983,878)
Non-current liabilities		-		(2,062,337)	(2,062,337)
<b>Total net liabilities</b>	<b>\$</b>	<b>(79,951)</b>	<b>\$</b>	<b>(155,036)</b>	<b>\$ (234,987)</b>

	December 31, 2024		December 31, 2024		December 31, 2024
	Animal health		Human health		Total
Current assets	\$	237,889	\$	790,970	\$ 1,028,859
Non-current assets		-		1,465,317	1,465,317
Current liabilities		(257,534)		(2,152,431)	(2,409,965)
Non-current liabilities		-		(1,713,448)	(1,713,448)
<b>Total net liabilities</b>	<b>\$</b>	<b>(19,645)</b>	<b>\$</b>	<b>(1,609,592)</b>	<b>\$ (1,629,237)</b>

In terms of geographic segmentation, a substantial proportion of the Company's revenues come from non-Canadian sources.

In the three months ended June 30, 2025, \$24,586 (June 30, 2024 - \$195,595) from all other segments is included in domestic revenues under animal health and \$1,838 (June 30, 2024 - \$380,531) from all other segments is included in international revenues under animal health.

In the six months ended June 30, 2025, \$216,220 (June 30, 2024 - \$195,595) from other segments is included in domestic revenues under animal health and \$215,407 (June 30, 2024 - \$402,587) from all other segments is included in international revenues under animal health.

The breakdown of Canadian to non-Canadian revenues for the three and six months ended June 30, 2025 and 2024 is as follows:

Three months ended June 30, 2025				Three months ended June 30, 2024			
	Animal health	Human health	Total	Animal health	Human health	Total	
Domestic	\$ 24,586	\$ 1,096	\$ 25,682	\$ 237,568	\$ (2,201)	\$ 235,367	
International	1,838	477	2,315	528,473	46,512	574,985	
	<b>\$ 26,424</b>	<b>\$ 1,573</b>	<b>\$ 27,997</b>	<b>\$ 766,041</b>	<b>\$ 44,311</b>	<b>\$ 810,352</b>	

Six months ended June 30, 2025				Six months ended June 30, 2024			
	Animal health	Human health	Total	Animal health	Human health	Total	
Domestic	\$ 216,220	\$ 6,510	\$ 222,730	\$ 618,294	\$ (1,964)	\$ 616,330	
International	215,407	2,373	217,780	1,059,578	76,105	1,135,683	
	<b>\$ 431,627</b>	<b>\$ 8,883</b>	<b>\$ 440,510</b>	<b>\$ 1,677,872</b>	<b>\$ 74,141</b>	<b>\$ 1,752,013</b>	

One of the Company's largest customers accounted for 88% of the Company's total sales for the three months ended June 30, 2025 (June 30, 2024 – three customers, 85%).

One of the Company's largest customers accounted for 96% of the Company's total sales for the six months ended June 30, 2025 (June 30, 2024 – three customers, 72%).



# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and six months ended June 30, 2025 and 2024

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## 20. Determination of fair values:

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

### (a) Share-based payment transactions:

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

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

### (b) Financial assets and liabilities:

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. The carrying values of current monetary assets and liabilities approximate their fair values due to their relatively short periods to maturity. The carrying value of government loan, which is determined based on the discounted fair value method is \$1,178,299 as of June 30, 2025 (December 31, 2024 - \$1,302,462). The carrying value of the convertible loan, which is determined based on the discounted fair value method is \$601,140 (December 31, 2024 - \$nil).

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

## 21. Subsequent event:

On August 26, 2025, 250,000 of the 1,000,000 stock options that were outstanding as of June 30, 2025 were exercised at their exercise price of \$0.10 per share.