

Consolidated Financial Statement  
(Expressed in Canadian Dollars)

## **KANE BIOTECH INC.**

Three and nine months ended September 30, 2024 and 2023  
(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 nine months ended September 30, 2024 and 2023

# KANE BIOTECH INC.

## Consolidated Statements of Financial Position

	Note	September 30, 2024	December 31, 2023
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 544,377	\$ 749,248
Trade and other receivables	8,18	786,862	103,102
Inventory	9	688,372	250,417
Other current assets		192,823	148,645
Assets held-for-sale		-	2,471,694
Total current assets		2,212,434	3,723,106
Non-current assets:			
Property and equipment	10	965,850	1,065,724
Intangible assets	11	727,088	733,284
Assets held-for-sale		-	158,805
Total non-current assets		1,692,938	1,957,813
<b>Total assets</b>		<b>\$ 3,905,372</b>	<b>\$ 5,680,919</b>
<b>Liabilities and Shareholders' Deficit</b>			
Current liabilities:			
Accounts payable and accrued liabilities	12	\$ 2,303,613	\$ 1,610,996
Contract liabilities	6	-	751,384
Due to related party	13	8,066	8,066
Loan payable	14(a)	-	6,625,679
Government loans	14(b)	332,526	339,763
Lease liability	15	115,757	110,676
Deposits received on assets and liabilities held-for-sale		-	826,703
Liabilities held-for-sale		-	621,133
Total current liabilities		2,759,962	10,894,400
Non-current liabilities:			
Contract liabilities	6	-	191,418
Government loans	14(b)	1,048,808	1,302,463
Lease liability	15	785,248	872,712
Liabilities held-for-sale		-	829,318
Total non-current liabilities		1,834,056	3,195,911
<b>Shareholders' Deficit</b>			
Share capital	16(b)	24,379,952	23,686,359
Contributed surplus		8,197,828	7,749,013
Warrants	16(e)	65,767	140,600
Minority interest in Stem Animal Health Inc.		-	2,148,912
Deficit		(33,332,193)	(42,134,276)
Total		(688,646)	(8,409,392)
Going concern	2(c)		
Commitments and contingencies	17		
Subsequent event	22		
<b>Total liabilities and shareholders' deficit</b>		<b>\$ 3,905,372</b>	<b>\$ 5,680,919</b>

The notes on pages 5 to 35 are an integral part of these consolidated financial statements.

# KANE BIOTECH INC.

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

	Note	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
<b>Revenue</b>					
License	4,6	\$ -	\$ 23,372	\$ 279,642	\$ 70,115
Sales of goods and service		1,282,698	3,631	1,675,379	21,077
<b>Total Revenue</b>		<b>1,282,698</b>	<b>27,003</b>	<b>1,955,021</b>	<b>91,192</b>
<b>Cost of sales - sales of goods and services</b>	9	<b>723,944</b>	<b>3,512</b>	<b>995,720</b>	<b>16,023</b>
<b>Gross Profit</b>		<b>558,754</b>	<b>23,491</b>	<b>959,301</b>	<b>75,169</b>
<b>Expenses</b>					
General and administration		986,824	716,839	2,752,152	1,540,057
Research	18	183,240	277,962	1,109,463	634,164
		1,170,064	994,801	3,861,615	2,174,221
<b>Loss from continuing operations</b>		<b>(611,310)</b>	<b>(971,310)</b>	<b>(2,902,314)</b>	<b>(2,099,052)</b>
<b>Other expenses (income):</b>					
Finance income		(3,250)	(1,348)	(3,724)	(2,260)
Finance expenses		64,773	274,515	483,059	940,105
Fair value adjustment - government loan		-	-	-	(3,770)
Foreign exchange loss (gain)		5,803	(378)	6,769	6,796
<b>Net other expenses from continuing operations</b>		<b>67,326</b>	<b>272,789</b>	<b>486,104</b>	<b>940,871</b>
<b>Loss and comprehensive loss from continuing operations</b>		<b>(678,636)</b>	<b>(1,244,099)</b>	<b>(3,388,418)</b>	<b>(3,039,923)</b>
<b>Income (loss) and comprehensive income (loss) from discontinued operations</b>	5	<b>72,823</b>	<b>(201,471)</b>	<b>10,637,610</b>	<b>(618,237)</b>
<b>Net income (loss) and comprehensive income (loss)</b>		<b>(605,813)</b>	<b>(1,445,570)</b>	<b>\$ 7,249,192</b>	<b>\$ (3,658,160)</b>
<b>Net income (loss) and comprehensive income (loss) attributable to:</b>					
Shareholders:					
Continuing operations		\$ (678,636)	\$ (1,244,099)	\$ (3,388,418)	\$ (3,039,923)
Discontinued operations	5	72,823	(134,302)	10,569,295	(412,117)
		(605,813)	(1,378,401)	7,180,877	(3,452,040)
Minority interest:					
Continuing operations		-	-	-	-
Discontinued operations	5	-	(67,169)	68,315	(206,120)
		-	(67,169)	68,315	(206,120)
<b>Net income (loss) and comprehensive income (loss )</b>		<b>\$ (605,813)</b>	<b>\$ (1,445,570)</b>	<b>\$ 7,249,192</b>	<b>\$ (3,658,160)</b>
<b>Net loss per share attributable to shareholders from continuing operations</b>					
Basic	16(f)	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)
Diluted	(16(f))	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)
<b>Net income (loss) per share attributable to shareholders from discontinued operations</b>					
Basic	16(f)	\$ 0.00	\$ (0.00)	\$ 0.08	\$ (0.01)
Diluted	16(f)	\$ 0.00	\$ (0.00)	\$ 0.08	\$ (0.01)

The notes on pages 5 to 35 are an integral part of these consolidated financial statements.

# KANE BIOTECH INC.

## Consolidated Statements of Changes in Deficit

	Note	Share Capital	Contributed Surplus	Warrants	Minority Interest	Deficit	Total
Balance as of January 1, 2023		\$ 23,132,932	\$ 7,444,668	\$ -	\$ 2,384,862	\$ (37,100,173)	\$(4,137,711)
Loss and comprehensive loss from continuing operations					-	(4,562,345)	(4,562,345)
Loss and comprehensive loss from discontinued operations					(235,950)	(471,758)	(707,708)
Transactions with owners, recorded directly in equity							
Issuance of common shares	16(b)	415,841	-	-	-	-	415,841
Share based payments	16(d)	-	441,931	-	-	-	441,931
Warrants granted	16(e)	-	-	140,600	-	-	140,600
Restricted share units redeemed	16(d)	137,586	(137,586)	-	-	-	-
Total transactions with owners		553,427	304,345	140,600	-	-	998,372
Balance as of December 31, 2023		\$ 23,686,359	\$ 7,749,013	\$ 140,600	\$ 2,148,912	\$ (42,134,276)	\$(8,409,392)
Loss and comprehensive loss from continuing operations					-	(3,388,418)	(3,388,418)
Income and comprehensive income from discontinued operations	5				68,315	10,569,295	10,637,610
Transactions with owners, recorded directly in equity							
Share based payments	16(d)	-	568,875	-	-	-	568,875
Restricted share units redeemed	16(d)	120,060	(120,060)	-	-	-	-
Warrants exercised	16(e)	573,533	-	(74,833)	-	-	498,700
Total transactions with owners		693,593	448,815	(74,833)	-	-	1,067,575
Changes of ownership interest in subsidiary		-	-	-	(2,217,227)	1,621,206	(596,021)
Balance as of September 30, 2024		\$ 24,379,952	\$ 8,197,828	\$ 65,767	\$ -	\$ (33,332,193)	\$(688,646)

The notes on pages 5 to 35 are an integral part of these consolidated financial statements.

# KANE BIOTECH INC.

## Consolidated Statements of Cash Flows

		Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
	Note				
<b>Cash provided by (used in):</b>					
<b>Operating activities:</b>					
Income (loss) and comprehensive income (loss)		\$ (605,813)	\$ (1,445,570)	\$ 7,249,192	\$ (3,658,160)
Adjustments for:					
Loss (income) and comprehensive loss (income) from discontinued operations	5	(72,823)	201,471	(10,637,610)	618,237
Depreciation of property and equipment	10	40,405	41,549	120,048	124,397
Amortization of intangible assets	11	5,996	18,299	34,854	55,770
Derecognition of property and equipment	10	-	2,814	77	4,025
Interest on loans and finance lease	14,15	63,601	298,428	479,826	784,452
Warrant expense	16(e)	-	32,550	-	138,702
Fair value adjustment - government loan	14(b)	-	-	-	(3,770)
Share-based compensation	16(d)	140,168	230,017	568,875	228,648
Change in the following:					
Trade and other receivables		(25,605)	50,676	(360,937)	33,260
Inventory		39,280	1,339	(437,955)	(34,435)
Other current assets		(25,880)	(101,159)	(44,178)	(172,766)
Accounts payable and accrued liabilities		497,241	10,875	726,023	(56,617)
Contract liabilities		(594,695)	(23,372)	(942,802)	608,205
Cash used in operating activities - continuing operations		(538,125)	(682,083)	(3,244,587)	(1,330,052)
Cash provided by (used in) operating activities - discontinued operations	5	-	(33,185)	(446,882)	37,797
Cash used in operating activities		(538,125)	(715,268)	(3,691,469)	(1,292,255)
<b>Financing activities:</b>					
Issuance of common shares	16(b)	-	415,267	-	415,267
Warrants exercised	16(e)	248,700	-	248,700	-
Interest paid on loans and finance lease	4(a),15	(13,794)	(15,413)	(948,400)	(158,561)
Proceeds from loan payable	14(a)	-	1,000,000	-	2,000,000
Proceeds from long-term government loan	14(b)	-	-	-	10,000
Repayment of loan payable	14(a)	-	-	(6,000,000)	-
Repayment of long-term government loan	14(b)	(126,000)	(126,000)	(418,000)	(252,000)
Repayment of lease liability	15	(27,873)	(26,254)	(82,383)	(77,597)
Cash provided by (used in) financing activities - continuing operations		81,033	1,247,600	(7,200,083)	1,937,109
Cash used in financing activities - discontinued operations	5	-	(22,500)	(689,052)	(22,640)
Cash provided by (used in) financing activities		81,033	1,225,100	(7,889,135)	1,914,469
<b>Investing activities:</b>					
Purchase of property and equipment	10	(4,993)	(2,814)	(20,251)	(2,814)
Additions to intangible assets	11	(3,466)	(23,321)	(28,658)	(39,089)
Proceeds from sale of subsidiary	5	-	-	10,779,351	-
Disposal costs		-	-	(490,643)	-
Cash provided by (used in) investing activities - continuing operations		(8,459)	(26,135)	10,239,799	(41,903)
Cash used in investing activities - discontinued operations	5	-	(6,658)	(3,546)	(62,035)
Cash provided by (used in) investing activities		(8,459)	(32,793)	10,236,253	(103,938)
<b>Increase (decrease) in cash</b>		<b>(465,551)</b>	<b>477,039</b>	<b>(1,344,351)</b>	<b>518,276</b>
<b>Cash, beginning of period - continuing operations</b>		<b>1,009,928</b>	<b>1,146,138</b>	<b>749,248</b>	<b>1,104,901</b>
<b>Cash, beginning of period - discontinued operations</b>		<b>-</b>	<b>-</b>	<b>1,139,480</b>	<b>-</b>
<b>Less cash, end of period - discontinued operations</b>	<b>5</b>	<b>-</b>	<b>(757,198)</b>	<b>-</b>	<b>(757,198)</b>
<b>Cash, end of period - continuing operations</b>		<b>\$ 544,377</b>	<b>\$ 865,979</b>	<b>\$ 544,377</b>	<b>\$ 865,979</b>

The notes on pages 5 to 35 are an integral part of these consolidated financial statements.

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and nine months ended September 30, 2024 and 2023

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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 290-100 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 International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorized for issue by the Board of Directors on November 27, 2024.

### (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 nine months ended September 30, 2024, the Company had an income and comprehensive income of \$7,249,192 (September 30, 2023 - (\$3,658,160) loss) and negative cash flow from operating activities of \$ 3,691,469 (September 30, 2023 - \$1,292,255), and as of that date had a working capital deficit of \$547,528 (December 31, 2023 - \$7,171,294) and a deficit of \$33,332,193 (December 31, 2023 - \$42,134,276).

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 statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and nine months ended September 30, 2024 and 2023

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

### (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.

### (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 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 3(a) 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(c) Fair value of long-term government loans. The determination of the effective interest rate for measuring the fair value of loan advances when received and the estimated repayment term.
- Note (3d) Inventory. The determination of net realizable value for the purpose of assessing inventory impairment.
- Note 3(f)(i) Research and development costs. The determination of research and development expenditures that meet the criteria for capitalization.
- Note 3(g)(i) Impairment of financial assets. The calculation of expected credit losses related to trade and other receivables and loan receivable.
- Note 3(g)(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) Employee benefits. The estimated fair value of variable compensation for a key employee of STEM.
- Note 3(h)(ii) and Note 16(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 or Barrier 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(m) 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.
- Note 2(f) Basis of consolidation. The determination of control of STEM.
- Note 3(g)(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.

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
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## 2. Basis of preparation of consolidated financial statements (continued):

- Note 3(i) Government grants. The determination of eligible expenditures for scientific research and experimental development investment tax credits (SR&ED ITC).

### (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 was Winnipeg, Manitoba, Canada, and its functional currency was Canadian dollars. Refer to note 5 for further information regarding the discontinued operations and sale of STEM.

## 3. Material accounting policies:

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

### (a) 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, transfer of knowhow, 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. 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.

### (b) Foreign currency transactions

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



# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
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## 3. Material accounting policies (continued):

### (c) 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.

Cash and cash equivalents, 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.

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

### (d) 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.

### (e) Property and equipment

#### (i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The costs of the day-to-day servicing of property and equipment are recognized in the consolidated statements 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 nine months ended September 30, 2024 and 2023

## 3. Material accounting policies (continued):

### (f) 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 statements 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 statements of income (loss) and comprehensive income (loss) as incurred.

### (g) Impairment

#### (i) Financial assets

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

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

#### (ii) Non-financial assets

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

An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell 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 nine months ended September 30, 2024 and 2023

## 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, plant 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 September 30, 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 September 30, 2024.

### (h) 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.

#### (i) Government grants

Grants are recognized in the consolidated statements 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 statements 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 statements 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 R&D funding and assistance are claimed SR&ED ITC.

#### (j) Finance income and finance expenses

Finance income comprises interest income on funds invested which is recognized as it accrues in profit or 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 nine months ended September 30, 2024 and 2023

## 3. Material accounting policies (continued):

### (k) 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.

### (l) Earnings (loss) per share

Basic EPS is calculated by dividing the profit or loss attributable to common voting shareholders of the Company by the weighted average number of common voting shares outstanding during the period, adjusted for own shares held. 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.

### (m) 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 nine months ended September 30, 2024 and 2023

## 3. Material accounting policies (continued):

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

#### Standards and interpretations adopted

IAS 1 Presentation of Financial Statements has been amended for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted. The update sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. Effective January 1, 2023, the Company adopted the Amendment of IAS 1 with no material impact on its consolidated financial statements.

IAS 1 and IFRS Practice Statement 2 has been amended for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted. The update sets out the requirements for disclosure of accounting policies, including an entity should disclose its material accounting policies instead of its significant accounting policies, and how an entity can identify a material accounting policy. Effective January 1, 2023, the Company adopted the Amendment of IAS 1 and IFRS Practice Statement 2 with no material impact on its consolidated financial statements.

Amendments to IAS 8, issued in February 2021, introduce a new definition of “accounting estimates” and clarify the distinction between changes in accounting estimates, changes in accounting policies, and the correction of errors. The amendments are effective for annual periods beginning on or after January 1, 2023. Effective January 1, 2023, the Company adopted the Amendments of IAS 8 with no material impact on its consolidated financial statements.

Amendments to IAS 12, issued in May 2021, narrow the scope of the recognition exemption so that entities would be required to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, such as leases and decommission liabilities. The amendments are effective for annual periods beginning on or after January 1, 2023. Effective January 1, 2023, the Company adopted the Amendments to IAS 12 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 IAS 1, issued in October 2022, added new disclosure requirements for situations where a liability is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months after the reporting date. The disclosure should enable users of financial statements to understand the risk that the liability classified as non-current could become repayable within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after January 1, 2024. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

Amendments to IFRS 7 and IAS 7, issued in May 2023, require entities to disclose information to enable users of financial statements to assess how arrangements that have characteristics of supplier finance arrangements (SFAS) affect an entity's liabilities and cash flows, and to understand the effect of SFAs on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it. SFAs may also be referred to as supply chain finance or reverse factoring arrangements. SFAs are characterized by one or more financing provider offering to pay amounts an entity owes to its suppliers and the entity agreeing to pay the financing providers at the same date as, or a later date than, its suppliers are paid. The amendments are effective for annual periods beginning on or after January 1, 2024. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

Amendments to IFRS 16, issued in September 2022, address the measurement requirements for sale and leaseback transactions. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for transactions for annual reporting periods beginning on or after January 1, 2024. The Company is currently assessing the impact of these amendment on its consolidated financial statements.

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and nine months ended September 30, 2024 and 2023

### 3. Material accounting policies (continued):

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. The amendments are effective for annual periods beginning on or after January 1, 2025. 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.

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.

On April 12, 2024, the Company completed the sale of its interest in STEM to Dechra. As of September 30, 2024, the carrying value of capital contributions receivable is \$ nil (December 31, 2023 - \$475,261 in assets held-for-sale).

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, are 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 September 30, 2024.

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

Summarized financial information, before inter-company eliminations, for STEM is as follows:



# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and nine months ended September 30, 2024 and 2023

## 4. Minority interest (continued):

	September 30, 2024		December 31, 2023	
Current assets	\$	-	\$	2,471,694
Non-current assets		-		158,805
Current liabilities		-		(654,539)
Non-current liabilities		-		(829,318)
<b>Net assets</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>1,146,642</b>

	Three months ended September 30, 2024		Three months ended September 30, 2023		Nine months ended September 30, 2024		Nine months ended September 30, 2023	
Revenue	\$	-	\$	690,849	\$	1,079,690	\$	1,961,587
Income (loss) and comprehensive income (loss)	\$	-	\$	(201,471)	\$	204,905	\$	(618,237)

## 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.

The final closing purchase price was \$11,678,877 and the gain on the sale of STEM was \$10,432,705 calculated as follows:

Base Purchase Price	\$	11,082,860
Final Working Capital excess of Target Working Capital		596,017
<b>Total consideration</b>		<b>11,678,877</b>
Carrying amount of investment in STEM		(86,792)
Derecognition of subsidiary's net assets on closing		(668,737)
Costs of disposal		(490,643)
<b>Gain on sale of subsidiary</b>	<b>\$</b>	<b>10,432,705</b>

Financial results relating to the discontinued operations for the three and nine months ended September 30, 2024 and 2023 are summarized as follows:

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and nine months ended September 30, 2024 and 2023

### 5. Discontinued operations (continued):

	Note	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
<b>Revenue</b>					
License	4,6	\$ -	\$ 62,651	\$ 70,398	\$ 168,346
Royalty		-	83,044	149,026	241,662
Sales of goods and services		-	545,154	860,266	1,551,579
<b>Total Revenue</b>		-	690,849	1,079,690	1,961,587
<b>Cost of sales-sales of goods and services</b>	9	-	399,075	454,998	1,045,939
<b>Gross Profit</b>		-	291,774	624,692	915,648
<b>Expenses</b>					
General and administration		-	518,907	446,142	1,554,432
Research		-	(554)	6,917	11,523
		-	518,353	453,059	1,565,955
<b>Income (loss) from discontinued operations</b>		-	(226,579)	171,633	(650,307)
<b>Other expenses (income):</b>					
Finance income		-	(16,224)	(9,104)	(47,860)
Finance expenses		-	2,717	3,793	8,566
Foreign exchange loss (gain)		-	(11,601)	(27,961)	7,224
<b>Net other income from discontinued operations</b>		-	(25,108)	(33,272)	(32,070)
<b>Income (loss) and comprehensive income (loss) from discontinued operations</b>		-	(201,471)	204,905	(618,237)
<b>Gain on sale of subsidiary</b>	5	72,823	-	10,432,705	-
<b>Net income (loss) from discontinued operations</b>		\$ 72,823	(201,471)	\$ 10,637,610	(618,237)
<b>Net income (loss) and comprehensive income (loss) from discontinued operations attributable to:</b>					
Shareholders		72,823	(134,302)	10,569,295	(412,117)
Minority interest		-	(67,169)	68,315	(206,120)
<b>Net income (loss) and comprehensive income (loss) from discontinued operations</b>		\$ 72,823	\$ (201,471)	\$ 10,637,610	\$ (618,237)

The following table illustrate the carrying value of the net assets of STEM as of September 30, 2024 and December 31, 2023:



# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and nine months ended September 30, 2024 and 2023

## 5. Discontinued operations (continued):

	Note	September 30, 2024	December 31, 2023
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ -	\$ 1,139,480
Trade and other receivables	8	-	286,275
Inventory	9	-	551,651
Other current assets		-	19,027
Total current assets		-	2,471,694
Non-current assets:			
Property and equipment	10	-	103,486
Intangible assets	11	-	55,319
Total non-current assets		-	158,805
<b>Total assets</b>		<b>\$ -</b>	<b>\$ 2,630,499</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	12	\$ -	\$ 390,018
Contract liabilities	6	-	204,003
Note payable		-	27,112
Total current liabilities		-	621,133
Non-current liabilities:			
Contract liabilities	6	-	829,318
<b>Total liabilities</b>		<b>\$ -</b>	<b>\$ 1,450,451</b>
<b>Net assets held for sale</b>		<b>\$ -</b>	<b>\$ 1,180,048</b>

The net cash flows from discontinued operations incurred by STEM presented on the consolidated statements of cash flows for three and nine months ended September 30, 2024 and 2023 are summarized as follows:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Net cash flows:				
Provided by (used in) operating activities	\$ -	\$ (33,185)	\$ (446,882)	\$ 37,797
Used in financing activities	-	(22,500)	(689,052)	(22,640)
Used in investing activities	-	(6,658)	(3,546)	(62,035)
Net decrease in cash from discontinued operations	\$ -	\$ (62,343)	\$ (1,139,480)	\$ (46,878)

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and nine months ended September 30, 2024 and 2023

### 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 will have exclusive distribution rights in the United States wound care market for the Company's coactiv+™ Antimicrobial Wound Gel.

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.

As of September 30, 2024, the contract liabilities balance is \$nil (December 31, 2023 - \$942,802 in continuing operations and \$1,033,321 in liabilities held-for-sale).

For the three months ended September 30, 2024, the Company recognized license revenue of \$nil (September 30, 2024 - \$23,372) in continuing operations and \$nil (September 30, 2023 - \$62,651) in discontinued operations, sales of \$511,157 (September 30, 2023 - \$nil) and research expense recovery of \$83,538 (September 30, 2023 - \$nil) in continuing operations, associated with initial and milestone payments received in prior periods.

For the nine months ended September 30, 2024, the Company recognized license revenue of \$279,642 (September 30, 2023 - \$70,115) in continuing operations and \$70,398 (September 30, 2023 - \$168,346) in discontinued operations, sales of \$579,622 (September 30, 2023 - \$nil) and research expense recovery of \$83,538 (September 30, 2023 - \$nil) in continuing operations, associated with initial and milestone payments received in prior periods.

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and nine months ended September 30, 2024 and 2023

### 7. Manufacturing agreement:

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

During the three months ended September 30, 2024, the Company recorded manufacturing services revenue of \$669,099 (September 30, 2023 - \$nil) associated with this contract manufacturing agreement.

During the nine months ended September 30, 2024, the Company recorded manufacturing services revenue of \$946,601 (September 30, 2023 - \$nil) associated with this contract manufacturing agreement.

### 8. Trade and other receivables:

	September 30, 2024		December 31, 2023	
Trade receivables in continuing operations	\$	343,520	\$	290,210
Transferred to held-for-sale		-		(286,275)
		343,520		3,935
Other receivables in continuing operations		443,342		99,167
<b>Trade and other receivables in continuing operations</b>	<b>\$</b>	<b>786,862</b>	<b>\$</b>	<b>103,102</b>
 Trade receivables in assets held-for-sale	 \$	 -	 \$	 286,275

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and nine months ended September 30, 2024 and 2023

## 9. Inventory:

	September 30, 2024		December 31, 2023	
Raw materials in continuing operations	\$	381,214	\$	465,772
Transferred to held-for-sale		-		(368,134)
		<b>381,214</b>		<b>97,638</b>
Work-in-progress - in continuing operations		<b>554</b>		7,288
Transferred to held-for-sale		-		(7,288)
		<b>554</b>		<b>-</b>
Finished goods in continuing operations		<b>355,299</b>		435,324
Transferred to held-for-sale		-		(282,545)
		<b>355,299</b>		<b>152,779</b>
Allowance for inventory obsolescence in continuing operations		<b>(48,695)</b>		(106,316)
Transferred to held-for-sale				106,316
		<b>(48,695)</b>		<b>-</b>
<b>Inventory in continuing operations</b>	<b>\$</b>	<b>688,372</b>	<b>\$</b>	<b>250,417</b>
Raw materials in assets held-for-sale	\$	-	\$	368,134
Work-in-progress in assets held-for-sale		-		7,288
Finished goods in assets held-for-sale		-		282,545
Allowance for inventory obsolescence in assets held-for-sale		-		(106,316)
<b>Inventory in assets held-for-sale</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>551,651</b>

The cost of inventories recognized as an expense and included in cost of sales for the three months ended September 30, 2024 was \$713,047 (September 30, 2023 - \$1,309) in continuing operations and \$nil (September 30, 2023 - \$189,253) in discontinued operations. In the three months ended September 30, 2024, the Company wrote down \$800 (September 30, 2023 - \$nil) in continuing operations and \$nil (September 30, 2023 - \$67,857) in discontinued operations, related to discontinued and expired products, which is included in cost of sales.

The cost of inventories recognized as an expense and included in cost of sales for the nine months ended September 30, 2024 was \$948,154 (September 30, 2023 - \$6,925) in continuing operations and \$298,623 (September 30, 2023 - \$559,477) in discontinued operations. In the nine months ended September 30, 2024, the Company wrote down \$4,681 (September 30, 2023 - \$nil) in continuing operations and recorded a recovery of \$15,226 (September 30, 2023 - \$89,282, expense) 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 nine months ended September 30, 2024 and 2023

## 10. Property and equipment:

The following is a summary of property and equipment as of September 30, 2024:

### Property and equipment in continuing operations:

Cost	Computer and Office Equipment	Scientific and Manufacturing Equipment	Right-of-use Assets	Total
Balance as of January 1, 2023	\$ 117,235	\$ 391,514	\$ 1,225,425	\$ 1,734,174
Transferred to held-for-sale - 2023	(1,869)	(57,962)	-	(59,831)
Additions - 2023	9,215	-	-	9,215
Change due to derecognition - 2023	(19,298)	(35,960)	-	(55,258)
Balance as of December 31, 2023	\$ 105,283	\$ 297,592	\$ 1,225,425	\$ 1,628,300
Additions - 2024	12,044	8,207	-	20,251
Change due to derecognition - 2024	-	(4,788)	-	(4,788)
<b>Balance as of September 30, 2024</b>	<b>\$ 117,327</b>	<b>\$ 301,011</b>	<b>\$ 1,225,425</b>	<b>\$ 1,643,763</b>

Depreciation	Computer and Office Equipment	Scientific and Manufacturing Equipment	Right-of-use Assets	Total
Balance as of January 1, 2023	\$ 48,373	\$ 229,095	\$ 204,237	\$ 481,705
Transferred to held-for-sale - 2023	(280)	(35,595)	-	(35,875)
Additions - 2023	16,290	27,695	122,543	166,528
Change due to derecognition - 2023	(16,684)	(33,098)	-	(49,782)
Balance as of December 31, 2023	\$ 47,699	\$ 188,097	\$ 326,780	\$ 562,576
Additions - 2024	11,159	16,982	91,907	120,048
Change due to derecognition - 2024	-	(4,711)	-	(4,711)
<b>Balance as of September 30, 2024</b>	<b>\$ 58,858</b>	<b>\$ 200,368</b>	<b>\$ 418,687</b>	<b>\$ 677,913</b>

Carrying amounts	Computer and Office Equipment	Scientific and Manufacturing Equipment	Right-of-use Assets	Total
Balance as of December 31, 2023	\$ 57,584	\$ 109,495	\$ 898,645	\$ 1,065,724
<b>Balance as of September 30, 2024</b>	<b>\$ 58,469</b>	<b>\$ 100,643</b>	<b>\$ 806,738</b>	<b>\$ 965,850</b>

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and nine months ended September 30, 2024 and 2023

## 10. Property and equipment (continued):

### Property and equipment in assets held-for-sale

Cost	Computer and Office Equipment	Manufacturing Equipment	Total
Balance as of January 1, 2023	-	-	-
Transferred in held-for-sale - 2023	1,869	57,962	59,831
Additions - 2023	1,376	96,139	97,515
Change due to derecognition - 2023	(1,869)	(13,111)	(14,980)
Balance as of December 31, 2023	\$ 1,376	\$ 140,990	\$ 142,366
Additions - 2024	-	3,143	3,143
Derecognition on sale of subsidiary	(1,376)	(144,133)	(145,509)
<b>Balance as of September 30, 2024</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Depreciation	Computer and Office Equipment	Manufacturing Equipment	Total
Balance as of January 1, 2023	-	-	-
Transferred in held-for-sale - 2023	280	35,595	35,875
Additions - 2023	564	13,822	14,386
Change due to derecognition - 2023	(638)	(10,843)	(11,481)
Balance as of December 31, 2023	\$ 206	\$ 38,574	\$ 38,780
Additions - 2024	-	-	-
Derecognition on sale of subsidiary	(206)	(38,574)	(38,780)
<b>Balance as of September 30, 2024</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Carrying amounts	Computer and Office Equipment	Manufacturing Equipment	Total
Balance as of December 31, 2023	\$ 1,170	\$ 102,316	\$ 103,486
<b>Balance as of September 30, 2024</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and nine months ended September 30, 2024 and 2023

## 11. Intangible assets:

The following is a summary of intangible assets as of September 30, 2024:

### Intangible assets in continuing operations:

Cost	Patents	Trademarks	Total
Balance as of January 1, 2023	\$ 1,018,132	\$ 118,747	\$ 1,136,879
Transferred to held-for-sale - 2023	-	(54,702)	(54,702)
Additions - 2023	40,037	483	40,520
Change due to derecognition - 2023	(149,599)	-	(149,599)
Balance as of December 31, 2023	\$ 908,570	\$ 64,528	\$ 973,098
Additions - 2024	27,415	1,243	28,658
Change due to derecognition - 2024	(8,291)	-	(8,291)
<b>Balance as of September 30, 2024</b>	<b>\$ 927,694</b>	<b>\$ 65,771</b>	<b>\$ 993,465</b>

Accumulated amortization	Patents	Trademarks	Total
Balance as of January 1, 2023	\$ 310,427	\$ -	\$ 310,427
Amortization - 2023	72,062	-	72,062
Change due to derecognition - 2023	(142,675)	-	(142,675)
Balance as of December 31, 2023	\$ 239,814	\$ -	\$ 239,814
Amortization - 2024	34,854	-	34,854
Change due to derecognition - 2024	(8,291)	-	(8,291)
<b>Balance as of September 30, 2024</b>	<b>\$ 266,377</b>	<b>\$ -</b>	<b>\$ 266,377</b>

Carrying amounts	Patents	Trademarks	Total
Balance as of December 31, 2023	\$ 668,756	\$ 64,528	\$ 733,284
<b>Balance as of September 30, 2024</b>	<b>\$ 661,317</b>	<b>\$ 65,771</b>	<b>\$ 727,088</b>

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and nine months ended September 30, 2024 and 2023

## 11. Intangible assets (continued):

### Intangible assets in assets held-for-sale

Cost	Trademarks
Balance as of December 31, 2023	\$ 55,319
Additions - 2024	-
Derecognition on sale of subsidiary	(55,319)
<b>Balance as of September 30, 2024</b>	<b>\$ -</b>

The Company has considered indicators of impairment as of September 30, 2024 and has determined that it was not feasible to pursue certain patents and patents pending and accordingly has derecognized patents of \$8,291 for the three months ended September 30, 2024 (September 30, 2023 - \$nil) and \$8,291 for the nine months ended September 30, 2024 (September 30, 2023 - \$nil).

As of September 30, 2024, the Company has recorded aggregate impairment (derecognition) losses of \$1,497,126 (September 30, 2023 - \$1,481,911) primarily resulting from patents and patent applications that were abandoned. Amortization and derecognition expenses are recognized in research expense.

## 12. Accounts payable and accrued liabilities:

	September 30, 2024	December 31, 2023
Trade payables in continuing operations	\$ 699,545	\$ 489,382
Transferred to held-for-sale	-	(52,374)
	<b>699,545</b>	<b>437,008</b>
Non-trade payables and accrued expenses in continuing operations	<b>1,604,068</b>	1,511,632
Transferred to held-for-sale	-	(337,644)
	<b>1,604,068</b>	<b>1,173,988</b>
<b>Accounts payable and accrued liabilities in continuing operations</b>	<b>\$ 2,303,613</b>	<b>\$ 1,610,996</b>
Trade payables in liabilities held-for-sale	\$ -	\$ 52,374
Non-trade payables and accrued expenses in liabilities held-for-sale	-	337,644
<b>Accounts payable and accrued liabilities in liabilities held-for-sale</b>	<b>\$ -</b>	<b>\$ 390,018</b>

## 13. Due to related party:

The due to related party balance of \$8,066 as of September 30, 2024 (December 31, 2023 - \$8,066) is accumulated interest pertaining to prior years' related party cash advances which bore interest at 8% per annum as of January 1, 2019 and were repayable upon demand by the lender.

## 14. Loans payable:

### (a) Loan payable



# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and nine months ended September 30, 2024 and 2023

### 14. Loans payable (continued):

The Company had a non-revolving term loan credit agreement (the "Credit Agreement") with Pivot Financial Inc. ("Pivot"). In connection with the Credit Agreement, Kane 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.

During the year ended December 31, 2023, the Company entered into a further amended and restated credit agreement with Pivot, increasing the aggregate amount of the non-revolving loan to \$5,000,000 and extending the maturity date of the loan until August 31, 2023. This amended and restated credit facility bore an interest rate of 15% per annum. Interest was calculated, compounded and added to the principal amount owing in arrears on the last business day of each calendar month with all obligations under the latest amended and restated credit facility payable on the August 31, 2023 maturity date.

During the year ended December 31, 2023, the Company entered into a further amended and restated credit agreement with Pivot, increasing the aggregate amount of the non-revolving loan to \$6,000,000 and extending the maturity date of the loan until November 30, 2023. This amended and restated credit facility bore an interest rate of 15% per annum. Interest was calculated, compounded and added to the principal amount owing in arrears on the last business day of each calendar month with all obligations under the latest amended and restated credit facility payable on the November 30, 2023 maturity date.

During the year December 31, 2023, the Company entered into a further amended and restated credit agreement with Pivot, extending the maturity date to March 31, 2024. The amended and restated credit facility bore an interest rate of 15% with interest calculated and payable monthly by the last business day of each calendar month.

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 \$742,409. The balance of the Pivot loan owing as of September 30, 2024 is \$nil (December 31, 2023 - \$6,625,679). The terms of the latest amended and restated agreement included a loan covenant requiring the Company to maintain a minimum cash balance of \$250,000. The Company was in compliance with this debt covenant before the loan was paid off.

The Company also has access to commercial credit card facilities with an aggregate credit limit of \$50,000. As of September 30, 2024, the related credit card balances outstanding included in accounts payable and accrued liabilities on the consolidated statement of financial position is \$23,441 (December 31, 2023 - \$31,789).

### (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. As of September 30, 2024, the outstanding balance of repayable contributions is \$1,735,267 (December 31, 2023 - \$2,113,267). As of September 30, 2024, the fair value of the outstanding repayable contributions included in Government loans balance of the Consolidated Statement of Financial Position is \$1,381,334 (December 31, 2023 - \$1,602,226). There are no further funding contributions receivable from PrairiesCan.

During the three months ended September 30, 2024 and 2023, the Company did not record fair value adjustments since there was no repayable contributions received during these periods. During the three months ended September 30, 2024, accretion expense of \$49,810 (September 30, 2023 - \$59,650) has been recorded. During the three months ended September 30, 2024, the Company repaid \$126,000 of the contributions (September 30, 2023 - \$126,000).

During the nine months ended September 30, 2024, the Company did not record a fair value adjustment (September 30, 2023 - \$3,770) since there was no repayable contributions received during the current period (September 30, 2023 - \$10,000). During the nine months ended September 30, 2024, accretion expense of \$157,108 (September 30, 2023 - \$181,933) has been recorded. During the nine months ended September 30, 2024, the Company repaid \$378,000 of the contributions (September 30, 2023 - \$252,000).

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and nine months ended September 30, 2024 and 2023

## 14. Loans payable (continued):

The repayment schedule of the remaining contributions is as follows:

2024	\$	126,000
2025		504,000
2026		504,000
2027		504,000
2028		97,267
	\$	1,735,267

In 2020 and 2021, the Company also received \$60,000 in loan advances from the Canada Emergency Business Account (CEBA) program. These loan advances are interest-free up to the amended term date ending December 31, 2023 and \$20,000 is forgivable if \$40,000 is 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.

The following is a summary of Government loan transactions as of September 30, 2024 and December 31, 2023:

	PrairieCan Loan	CEBA Loan	Total
Balance as of January 1, 2023	\$ 1,734,745	\$ 34,461	\$ 1,769,206
Proceeds - 2023	10,000	-	10,000
Fair value adjustment on loans - 2023	(3,770)	-	(3,770)
Repayment - 2023	(378,000)	-	(378,000)
Accretion expense - 2023	239,251	5,539	244,790
Balance as of December 31, 2023	\$ 1,602,226	\$ 40,000	\$ 1,642,226
Repayment - 2024	(378,000)	(40,000)	(418,000)
Accretion expense - 2024	157,108	-	157,108
<b>Balance as of September 30, 2024</b>	<b>\$ 1,381,334</b>	<b>\$ -</b>	<b>\$ 1,381,334</b>
Government loans - current	332,526	-	332,526
Government loans - long-term	1,048,808	-	1,048,808
	<b>\$ 1,381,334</b>	<b>\$ -</b>	<b>\$ 1,381,334</b>

## 15. Lease liabilities:

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.

As of September 30, 2024, the carrying amount of lease liabilities was \$901,005 (December 31, 2023 - \$983,388). The breakdown of contractual undiscounted cash flows for lease liabilities as of September 30, 2024 and December 31, 2023 is as follows:

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and nine months ended September 30, 2024 and 2023

## 15. Lease liabilities (continued):

	September 30, 2024	December 31, 2023
Less than one year	\$ 166,669	\$ 166,669
One to five years	666,674	666,674
Over five years	258,543	383,544
Discounting	(190,881)	(233,499)
	<b>\$ 901,005</b>	<b>\$ 983,388</b>

Transactions related to lease liabilities are summarized as follows:

	Facility Lease
Balance as of January 1, 2023	\$ 1,087,634
Payments - 2023	(166,669)
Interest paid - 2023	62,423
Balance as of December 31, 2023	\$ 983,388
Payments - 2024	(125,001)
Interest paid - 2024	42,618
<b>Balance as of September 30, 2024</b>	<b>\$ 901,005</b>

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

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Interest on lease liabilities - continuing operations	\$ 13,794	\$ 15,413	\$ 42,619	\$ 47,404
Expenses related to variable lease payments - continuing operations	\$ 30,964	3,508	\$ 57,886	\$ 15,183
Expenses related to short-term leases - discontinued operations	\$ -	25,636	\$ 60,348	\$ 103,217

For the three months ended September 30, 2024, the total cash outflow for leases was \$72,631 (September 30, 2023 - \$15,921) in continuing operations and \$nil (September 30, 2023 - \$54,890) in discontinued operations.

For the nine months ended September 30, 2024, the total cash outflow for leases was \$182,888 (September 30, 2023 - \$110,930) in continuing operations and \$60,348 (September 30, 2023 - \$132,471) in discontinued operations.

## 16. 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:

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and nine months ended September 30, 2024 and 2023

## 16. Share capital (continued):

	Number of Common Voting Shares		Amount
Balance at January 1, 2023	124,830,202	\$	23,132,932
Restricted share units redeemed	764,365		137,586
Issuance of common shares	6,250,000		415,841
Balance as of December 31, 2023	131,844,567	\$	23,686,359
Restricted share units redeemed	667,000		120,060
Warrants exercised	5,000,000		573,533
Balance as of September 30, 2024	137,511,567	\$	24,379,952

During the year ended December 31, 2023, the Company completed a private placement of 6,250,000 units at a price of \$0.08 per unit for aggregate gross proceeds of \$500,000. Each unit is comprised of one common share and one-half of one share purchase warrant. Issuance costs associated with the common shares were \$16,772. The value of these warrants was determined to be \$67,387.

### (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 May 25, 2022, the Company received shareholder approval to set the number of common shares reserved for the issuance of stock options under the Plan at 1% of the issued and outstanding shares of the Company as of May 25, 2022. As of September 30, 2024, an aggregate maximum of 1,148,302 (December 31, 2023 – 1,148,302) common share options are reserved for issuance and available under the Plan.

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

Effective on all stock options issued after 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.

There are no stock options outstanding as of September 30, 2024 or December 31, 2023.

The Company did not record any stock option compensation expenses in the three or nine months ended September 30, 2024 or September 30, 2023.

### (d) Restricted share unit plan

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and nine months ended September 30, 2024 and 2023

### 16. Share capital (continued):

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 May 24, 2024, the Company received shareholder approval to set the number of common shares reserved for the issuance of RSUs under the RSU Plan at 19% of the issued and outstanding shares of the Company as of May 24, 2024. As of September 30, 2024, an aggregate maximum of 25,177,197 (December 31, 2023 – 23,720,905) restricted share units are reserved for issuance under the Plan with 3,427,687 (December 31, 2023 – 4,753,363) of those common share options remaining available.

During the year ended December 31, 2023, the Company issued 9,978,809 RSU's to various directors, officers, employees, and consultants of the Company. Each exchanged RSU is exercisable into one common share of the Company. Expiry dates and vesting periods of the RSUs vary depending on upon the participant.

During the three months ended September 30, 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 September 30, 2024 and December 31, 2023 consist of the following:

	September 30, 2024	December 31, 2023
Balance, beginning of period	18,203,177	10,722,821
Additions	4,213,333	9,978,809
Expired	-	(1,042,422)
Forfeited	-	(691,666)
Redeemed	(667,000)	(764,365)
Balance, end of period	21,749,510	18,203,177
Restricted share units exercisable, end of period	15,769,511	8,499,368

During the three months ended September 30, 2024, the Company recorded RSU compensation expense of \$140,168 (September 30, 2023 - \$230,017) with a corresponding credit to contributed surplus.

During the nine months ended September 30, 2024, the Company recorded RSU compensation expense of \$568,875 (September 30, 2023 – \$228,648) with a corresponding credit to contributed surplus.

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.

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.

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and nine months ended September 30, 2024 and 2023

### 16. 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.

Issuance costs associated with warrants that were issued in 2023 were \$9,834.

During the nine months ended September 30, 2024, 5,000,000 warrants (September 30, 2023 – nil) were exercised at an exercise price of \$0.1 per share. No warrants expired during the nine months ended September 30, 2024 and September 30, 2023.

Warrants outstanding as of September 30, 2024 and December 31, 2023 are as follows:

	September 30, 2024			December 31, 2023		
	Warrants	Amount	Weighted average exercise price	Warrants	Amount	Weighted average exercise price
Balance, beginning of period	8,125,000	\$ 140,600	\$ -	-	\$ -	\$ -
Granted	-	\$ -	0.10	8,125,000	\$ 140,600	0.10
Exercised	(5,000,000)	\$ (74,833)	0.10	-	\$ -	-
Balance as of September 30, 2024	3,125,000	\$ 65,767	0.10	8,125,000	\$ 140,600	0.10
Weighted average remaining contractual life	0.44 year			0.89 year		

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

Expected option life	1.19 year
Risk free interest rate	3.94%
Expected volatility	68.89%
Grant-date share price	0.08
Warrant exercise price	0.10

### (f) Per share amounts

The weighted average number of common voting shares outstanding for the three months ended September 30, 2024 and 2023 was 133,788,741 and 126,798,371 respectively.

The weighted average number of common voting shares outstanding for the nine months ended September 30, 2024 and 2023 was 132,667,757 and 125,527,781 respectively.

The Company presents basic and diluted earnings per share for its ordinary shares, being Common shares. Basic earning 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 earning 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.

The details of the computation of basic and diluted loss per share for the three and nine months ended September 30, 2024, and 2023 as follows:

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and nine months ended September 30, 2024 and 2023

### 16. Share capital (continued):

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Numerator				
Net loss and comprehensive loss from continuing operations	\$ (678,636)	\$ (1,244,099)	\$ (3,388,418)	\$ (3,039,923)
Net income (loss) and comprehensive income (loss) from discontinued operations	72,823	(134,302)	10,569,295	(412,117)
Net income (loss) and comprehensive income (loss)	\$ (605,813)	\$ (1,378,401)	\$ 7,180,877	\$ (3,452,040)
Denominator:				
Weighted average number of basic shares outstanding	133,788,741	126,798,371	132,667,757	125,527,781
Weighted average number of diluted shares outstanding	158,663,251	126,798,371	157,542,267	125,527,781
Loss per share from continuing operations:				
Basic	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)
Diluted	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)
Income (loss) per share from discontinued operations:				
Basic	\$ 0.00	\$ (0.00)	\$ 0.08	\$ (0.01)
Diluted	\$ 0.00	\$ (0.00)	\$ 0.08	\$ (0.01)

### 17. Commitments and contingencies:

#### (a) Commitments

As of September 30, 2024 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	CND
2025	\$ 22,440	\$ -
2026	\$ 10,000	\$ -
2027	\$ 10,000	\$ -
2028	\$ 10,000	\$ -
2029 and after	\$ 10,000	\$ -
	<b>\$ 62,440</b>	<b>\$ -</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 2024 and cannot predict when such royalties will become payable, if at all.

Also, 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.

#### (b) Guarantee



# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and nine months ended September 30, 2024 and 2023

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

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.

### 18. Government and other assistance:

For the three months ended September 30, 2024, the Company recorded \$99,298 in government assistance (September 30, 2023 - \$46,797).

For the nine months ended September 30, 2024, the Company recorded \$203,500 in government assistance (September 30, 2023 - \$178,525).

Government assistance was recorded as reductions from research expenditures on the consolidated statements of income (loss) and comprehensive income (loss).

As of September 30, 2024, other receivables included \$119,732 (December 31, 2023 – \$82,431) of government assistance receivable.

### 19. 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. Executive Chair, President & 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 September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Salaries, fees and short-term employee benefits	\$ 235,099	\$ 108,442	\$ 951,650	\$ 334,693
Share-based payments expense	92,672	108,244	339,653	102,702
	<b>\$ 327,771</b>	<b>\$ 216,686</b>	<b>\$ 1,291,303</b>	<b>\$ 437,395</b>

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

As of September 30, 2024, directors and key management personnel control 23.9% (December 31, 2023 – 24.7%) of the voting shares of the Company.

The balance of due to related party as of September 30, 2024 is accumulated interest on related party advances of \$8,066 (December 31, 2023 - \$8,066). These advances bore interest at 8% per annum as of January 1, 2019 and were repayable upon demand by the lender. During the year ended December 31, 2019, the Company repaid all principal owing on these advances.

Accounts payable and accrued liabilities owing to key management personnel was \$3,082 (December 31, 2023 - \$nil).



# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and nine months ended September 30, 2024 and 2023

### 20. Segmented information:

Until April 11, 2024, the Company had a separate operating segment for its former Stem subsidiary, which operated its animal health business. There are no other distinct operating segments within the remaining operations of the Company.

Information regarding the results by operating segment for the three and nine months ended September 30, 2024 and 2023 is as follows:

	Three months ended September 30, 2024	Three months ended September 30, 2024	Three months ended September 30, 2024	Nine months ended September 30, 2024	Nine months ended September 30, 2024	Nine months ended September 30, 2024
	STEM	All Other Segments	Total	STEM	All Other Segments	Total
<b>Revenue</b>						
License	\$ -	\$ -	\$ -	\$ 70,398	\$ 279,642	\$ 350,040
Royalty	-	-	-	149,026	-	149,026
Sales of goods and services	-	1,282,698	1,282,698	860,266	1,675,379	2,535,645
<b>Total Revenue</b>	-	1,282,698	1,282,698	1,079,690	1,955,021	3,034,711
<b>Cost of sales-sales of goods and services</b>	-	723,944	723,944	454,998	995,720	1,450,718
<b>Gross Profit</b>	-	558,754	558,754	624,692	959,301	1,583,993
<b>Expenses</b>						
General and administration	-	986,824	986,824	446,142	2,752,152	3,198,294
Research	-	183,240	183,240	6,917	1,109,463	1,116,380
	-	1,170,064	1,170,064	453,059	3,861,615	4,314,674
<b>Income (loss) from operations</b>	-	(611,310)	(611,310)	171,633	(2,902,314)	(2,730,681)
<b>Other expenses (income):</b>						
Finance income	-	(3,250)	(3,250)	(9,104)	(3,724)	(12,828)
Finance expenses	-	64,773	64,773	3,793	483,059	486,852
Foreign exchange loss (gain)	-	5,803	5,803	(27,961)	6,769	(21,192)
<b>Net other expense (income)</b>	-	67,326	67,326	(33,272)	486,104	452,832
<b>Loss and comprehensive loss from continuing operations</b>	-	(678,636)	(678,636)	-	(3,388,418)	(3,388,418)
<b>Income from discontinued operations</b>	-	-	-	204,905	-	204,905
<b>Gain on sale of subsidiary</b>	-	72,823	72,823	-	10,432,705	10,432,705
<b>Net income and comprehensive income from discontinued operations</b>	-	72,823	72,823	204,905	10,432,705	10,637,610
<b>Net income (loss) and comprehensive income (loss)</b>	\$ -	\$ (605,813)	\$ (605,813)	\$ 204,905	\$ 7,044,287	\$ 7,249,192
<b>Net income (loss) and comprehensive income (loss) attributable to:</b>						
Shareholders:						
Continuing operations	\$ -	\$ (678,636)	\$ (678,636)	\$ -	\$ (3,388,418)	\$ (3,388,418)
Discontinuing operations	-	72,823	72,823	136,590	10,432,705	10,569,295
	-	(605,813)	(605,813)	136,590	7,044,287	7,180,877
Minority interest:						
Continuing operations	-	-	-	-	-	-
Discontinued operations	-	-	-	68,315	-	68,315
	\$ -	\$ -	\$ -	\$ 68,315	\$ -	\$ 68,315

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and nine months ended September 30, 2024 and 2023

### 20. Segmented information (Continued):

	Three months ended September 30, 2023		Three months ended September 30, 2023		Three months ended September 30, 2023		Nine months ended September 30, 2023		Nine months ended September 30, 2023		Nine months ended September 30, 2023	
Revenue	STEM		All Other Segments		Total		STEM		All Other Segments		Total	
License	\$	62,651	\$	23,372	\$	86,023	\$	168,346	\$	70,115	\$	238,461
Royalty		83,044		-		83,044		241,662		-		241,662
Sales of goods and services		545,154		3,631		548,785		1,551,579		21,077		1,572,656
<b>Total Revenue</b>		690,849		27,003		717,852		1,961,587		91,192		2,052,779
<b>Cost of sales-sales of goods and services</b>		399,075		3,512		402,587		1,045,939		16,023		1,061,962
<b>Gross Profit</b>		291,774		23,491		315,265		915,648		75,169		990,817
<b>Expenses</b>												
General and administration		518,907		716,839		1,235,746		1,554,432		1,540,057		3,094,489
Research		(554)		277,962		277,408		11,523		634,164		645,687
		518,353		994,801		1,513,154		1,565,955		2,174,221		3,740,176
<b>Loss from operations</b>		(226,579)		(971,310)		(1,197,889)		(650,307)		(2,099,052)		(2,749,359)
<b>Other expenses (income):</b>												
Finance income		(16,224)		(1,348)		(17,572)		(47,860)		(2,260)		(50,120)
Finance costs		2,717		274,515		277,232		8,566		940,105		948,671
Fair value adjustment - government loan		-		-		-		-		(3,770)		(3,770)
Foreign exchange loss (gain)		(11,601)		(378)		(11,979)		7,224		6,796		14,020
<b>Net other expenses (income)</b>		(25,108)		272,789		247,681		(32,070)		940,871		908,801
<b>Loss and comprehensive loss for the period</b>	\$	(201,471)	\$	(1,244,099)	\$	(1,445,570)	\$	(618,237)	\$	(3,039,923)	\$	(3,658,160)
<b>Loss and comprehensive loss attributable to:</b>												
Shareholders		(134,302)		(1,244,099)		(1,378,401)		(412,117)		(3,039,923)		(3,452,040)
Minority interest		(67,169)		-		(67,169)		(206,120)		-		(206,120)
<b>Loss and comprehensive loss for the period</b>	\$	(201,471)	\$	(1,244,099)	\$	(1,445,570)	\$	(618,237)	\$	(3,039,923)	\$	(3,658,160)

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Three and nine months ended September 30, 2024 and 2023

### 20. Segmented information (continued):

Information regarding the financial position by operating segment as of September 30, 2024 and December 31, 2023 is as follows:

	September 30, 2024 Stem	September 30, 2024 All Other Segments	September 30, 2024 Total
Current assets	\$ -	\$ 2,212,434	\$ 2,212,434
Non-current assets	-	1,692,938	1,692,938
Current liabilities	-	(2,759,962)	(2,759,962)
Non-current liabilities	-	(1,834,056)	(1,834,056)
<b>Total net liabilities in continuing operations</b>	<b>\$ -</b>	<b>\$ (688,646)</b>	<b>\$ (688,646)</b>

  

	December 31, 2023 Stem	December 31, 2023 All Other Segments	December 31, 2023 Total
Current assets	\$ 2,471,694	\$ 1,251,412	\$ 3,723,106
Non-current assets	158,805	1,799,008	1,957,813
Current liabilities	(621,133)	(10,273,267)	(10,894,400)
Non-current liabilities	(829,318)	(2,366,593)	(3,195,911)
Less net assets and liabilities held-for-sale	(1,180,048)	-	(1,180,048)
<b>Total net assets (liabilities)</b>	<b>\$ -</b>	<b>\$ (9,589,440)</b>	<b>\$ (9,589,440)</b>

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

The breakdown of Canadian to non-Canadian revenues for the three and nine months ended September 30, 2024 and 2023 is as follows:

Three months ended September 30, 2024				Three months ended September 30, 2023			
	Continuing operations	Discontinued operations	Total		Continuing operations	Discontinued operations	Total
Domestic	\$ 375,657	\$ -	\$ 375,657	\$ 1,788	\$ 375,091	\$ -	\$ 376,879
International	907,041	-	907,041	25,215	315,758	-	340,973
	<b>\$ 1,282,698</b>	<b>\$ -</b>	<b>\$ 1,282,698</b>	<b>\$ 27,003</b>	<b>\$ 690,849</b>	<b>\$ -</b>	<b>\$ 717,852</b>

  

Nine months ended September 30, 2024				Nine months ended June 30, 2023			
	Continuing operations	Discontinued operations	Total		Continuing operations	Discontinued operations	Total
Domestic	\$ 569,288	\$ 422,699	\$ 991,987	\$ 9,449	\$ 1,033,708	\$ -	\$ 1,043,157
International	1,385,733	656,991	2,042,724	81,743	927,879	-	1,009,622
	<b>\$ 1,955,021</b>	<b>\$ 1,079,690</b>	<b>\$ 3,034,711</b>	<b>\$ 91,192</b>	<b>\$ 1,961,587</b>	<b>\$ -</b>	<b>\$ 2,052,779</b>

Two of the Company's largest customers accounted for 99% of the Company's total sales for the three months ended September 30, 2024 (September 30, 2023 – three customers, 64%).

Three of the Company's largest customers accounted for 81% of the Company's total sales for the nine months ended September 30, 2024 (September 30, 2023 – three customers, 64%).

### 21. 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.

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Three and nine months ended September 30, 2024 and 2023

## 21. Determination of fair values (continued):

### (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 loans, which is determined based on the discounted fair value method is \$1,381,334 as of September 30, 2024 (December 31, 2023 - \$1,642,226).

Financial assets and liabilities that are recognized on the consolidated statements 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 loans 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).

## 22. Subsequent event:

On November 12, 2024, the Company entered into a binding term sheet (the "Term Sheet") setting out the key terms and conditions relating to the acquisition of all of the issued and outstanding shares (the "Purchased Shares") of FB Dermatology S.R.L. ("FB Dermatology"), incorporated under the laws of Italy.

Subject to adjustments set out in the Term Sheet, the aggregate purchase price expected to be paid by the Company for the Purchased Shares shall consist of the following: (i) approximately \$200,000 in cash on the closing date of the Acquisition, defined below (the "Closing Date"); (ii) 6,000,000 common shares of Kane Biotech (each a "Kane Share"), which shall be held in escrow and released pursuant to an escrow agreement on the date that is 36 months from the Closing Date; (iii) 6,000,000 warrants to purchase Kane Shares at a price of \$0.25 per Kane Share for a period of 36 months; (iv) on the date that is 18 months from the Closing Date, approximately \$920,000 in cash which, at the option of Kane Biotech, may be satisfied by issuing the equivalent number of Kane Shares; and (v) on the date that is 36 months from the Closing Date, approximately \$1,380,000 in cash which, at the option of Kane Biotech, may be satisfied by issuing the equivalent number of Kane Shares. The potential payments in shares referenced in subparagraph (iv) and (v) above, if satisfied by the issuance of Kane Shares, are subject to the approval of the TSX Venture Exchange based on the 5 Day volume weighted average price on the day that is 18 and 36 months from the Closing Date, respectively.

The Term Sheet contains a number of standard terms and conditions, including, without limitation, that the closing of the acquisition of the Purchased Shares (the "Acquisition") is conditional upon FB Dermatology and its shareholders satisfying certain required conditions, including, the parties entering into a framework agreement, regulatory and third party approvals or consents with respect to the Acquisition, the completion of a pre-closing reorganization in accordance with the laws of Italy, FB Dermatology adopting new by-laws, Kane Biotech making certain capital contributions to FB Dermatology and, if required by Italian law, a consultation with the employees of FB Dermatology.

The closing of this arm's length transaction is expected to occur on or about January 31, 2025.