Consolidated Financial Statements
(Expressed in Canadian Dollars)

# KANE BIOTECH INC.

Years ended December 31, 2024 and 2023

# Independent Auditor's Report

To the Shareholders of Kane Biotech Inc.:

## Opinion

We have audited the consolidated financial statements of Kane Biotech Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statement of income (loss) and comprehensive income (loss), changes in deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) in the consolidated financial statements, which indicates that the Company incurred operating losses and negative cash flows from operating activities during the year ended December 31, 2024. As stated in Note 2(c), these events or conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**MNP LLP**
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## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *Intangible assets*

*Key Audit Matter Description*

Impairment of intangible assets

At each reporting period, management assesses intangible assets to determine whether there are any indicators of impairment. If any such indicators exist, an impairment test is performed to estimate the intangible assets recoverable amount. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit ("CGU") exceeds its estimated recoverable amount. Given the changing nature of the industry in which the Company operates, there is a risk that there could be a material impairment to intangible asset balances.

The determination as to whether or not there is impairment relating to the assets of a CGU involves significant judgment about the future cash flows and plans for these assets and CGUs. As a result, the intangible asset impairment analysis was considered a key audit matter. This resulted in an increased extent of audit effort, including the involvement of internal valuation specialists.
Refer to Note 3 and Note 11 in the consolidated financial statements.

*Audit Response*

We responded to this matter by performing procedures over the valuation of intangible assets. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained and reviewed managements impairment assessment being performed for intangible assets;
- We tested the reasonableness of the inputs used in management's analysis and ensured any material assumptions included in the calculation were assessed and audited;
- We involved internal valuations experts who:
  - Evaluated the appropriateness of the fair value less cost to sell method used by management for determining the fair value of the intangible assets; and
  - Reperformed managements fair value less cost to sell calculation based on the audited inputs and ensured the calculation was in line with standard valuation practices.
- We assessed the appropriateness of the disclosures relating to the impairment assessments in the notes to the consolidated financial statements.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Brett Andersen.

Winnipeg, Manitoba

MNP LLP

April 28, 2025

Chartered Professional Accountants

# KANE BIOTECH INC.
## Consolidated Statement of Financial Position

| | Note | December 31, 2024 | December 31, 2023 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | | $ **358,813** | $ 749,248 |
| Trade and other receivables | **8,19** | **88,084** | 103,102 |
| Inventory | **9** | **376,034** | 250,417 |
| Prepaid expenses | | **205,928** | 148,645 |
| Assets held-for-sale | **5** | **-** | 2,471,694 |
| Total current assets | | **1,028,859** | 3,723,106 |
| Non-current assets: | | | |
| Property and equipment | **10** | **929,262** | 1,065,724 |
| Intangible assets | **11** | **536,055** | 733,284 |
| Assets held-for-sale | **5** | **-** | 158,805 |
| Total non-current assets | | **1,465,317** | 1,957,813 |
| **Total assets** | | $ **2,494,176** | $ 5,680,919 |
| **Liabilities and Shareholders' Deficit** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | **12,14(c)** | $ **1,828,239** | $ 1,610,996 |
| Deposits - private placement | **26(a)** | **120,000** | - |
| Contract liabilities | **6** | **-** | 751,384 |
| Due to related party | **13** | **-** | 8,066 |
| Loan payable | **14(a)** | **-** | 6,625,679 |
| Government loans | **14(b)** | **344,224** | 339,763 |
| Lease liability | **15** | **117,502** | 110,676 |
| Deposits received on assets and liabilities held-for-sale | **5** | **-** | 826,703 |
| Liabilities held-for-sale | **5** | **-** | 621,133 |
| Total current liabilities | | **2,409,965** | 10,894,400 |
| Non-current liabilities: | | | |
| Contract liabilities | **6** | **-** | 191,418 |
| Government loans | **14(b)** | **958,238** | 1,302,463 |
| Lease liability | **15** | **755,210** | 872,712 |
| Liabilities held-for- sale | **5** | **-** | 829,318 |
| Total non-current liabilities | | **1,713,448** | 3,195,911 |
| Total liabilities | | **4,123,413** | 14,090,311 |
| **Shareholders' Deficit** | | | |
| Share capital | **17(b)** | **24,402,338** | 23,686,359 |
| Contributed surplus | | **8,317,784** | 7,749,013 |
| Warrants | **17(e)** | **65,767** | 140,600 |
| Minority interest in Stem Animal Health Inc. | **4** | **-** | 2,148,912 |
| Deficit | | **(34,415,126)** | (42,134,276) |
| Total | | **(1,629,237)** | (8,409,392) |
| Going concern | **2(c)** | | |
| Commitments and contingencies | **18** | | |
| Subsequent events | **26** | | |
| **Total liabilities and shareholders' deficit** | | $ **2,494,176** | $ 5,680,919 |

The notes on pages 5 to 38 are an integral part of these consolidated financial statements.

# KANE BIOTECH INC.
## Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

| | Note | | Year ended December 31, 2024 | | Year ended December 31, 2023 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| License | 6 | $ | 279,641 | $ | 109,886 |
| Sales of goods and service | 7 | | 1,801,238 | | 39,094 |
| **Total Revenue** | | | 2,080,879 | | 148,980 |
| **Cost of sales - sales of goods and services** | 7,9 | | 1,208,783 | | 39,510 |
| **Gross Profit** | | | 872,096 | | 109,470 |
| **Expenses** | | | | | |
| General and administration | 19 | | 3,078,109 | | 2,412,956 |
| Research | 11,19 | | 1,716,984 | | 1,053,900 |
| | | | 4,795,093 | | 3,466,856 |
| **Loss from continuing operations** | | | (3,922,997) | | (3,357,386) |
| **Other expenses (income):** | | | | | |
| Finance income | | | (4,943) | | (5,665) |
| Finance expenses | | | 545,480 | | 1,215,015 |
| Fair value adjustment - government loan | | | - | | (3,770) |
| Foreign exchange loss (gain) | | | 7,819 | | (621) |
| **Net other expenses from continuing operations** | | | 548,356 | | 1,204,959 |
| **Loss and comprehensive loss from continuing operations before income tax** | | | (4,471,353) | | (4,562,345) |
| Deferred tax recovery | 16(a) | | 1,310,256 | | - |
| **Net loss and comprehensive loss from continuing operations** | | | (3,161,097) | | (4,562,345) |
| **Income (loss) and comprehensive income (loss) from discontinued operations** | 5 | | 9,327,354 | | (707,708) |
| **Net income (loss) and comprehensive income (loss)** | | $ | 6,166,257 | $ | (5,270,053) |
| **Net income (loss) and comprehensive income (loss) attributable to:** | | | | | |
| Shareholders: | | | | | |
| Continuing operations | | $ | (3,161,097) | $ | (4,562,345) |
| Discontinued operations | 5 | | 9,259,039 | | (471,758) |
| | | | 6,097,942 | | (5,034,103) |
| Minority interest: | | | | | |
| Continuing operations | | | - | | - |
| Discontinued operations | 5 | | 68,315 | | (235,950) |
| | | | 68,315 | | (235,950) |
| **Net income (loss) and comprehensive income (loss)** | | $ | 6,166,257 | $ | (5,270,053) |
| **Net loss per share attributable to shareholders from continuing operations** | | | | | |
| Basic | 17(f) | $ | (0.02) | $ | (0.04) |
| Diluted | 17(f) | $ | (0.02) | $ | (0.04) |
| **Net income (loss) per share attributable to shareholders from discontinued operations** | | | | | |
| Basic | 17(f) | $ | 0.07 | $ | (0.00) |
| Diluted | 17(f) | $ | 0.06 | $ | (0.00) |

The notes on pages 5 to 38 are an integral part of these consolidated financial statements.

# KANE BIOTECH INC.
## Consolidated Statement of Changes in Deficit

| | Note | Share Capital | Contributed Surplus | Warrants | Minority Interest | Deficit | Total |
|---|---|---|---|---|---|---|---|
| Balance as of January 1, 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 | 17(b) | 415,841 | - | - | - | - | 415,841 |
| Share based payments | 17(d) | - | 441,931 | - | - | - | 441,931 |
| Warrants granted | 17(b),(e) | - | - | 140,600 | - | - | 140,600 |
| Restricted share units redeemed | 17(b),(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 | | | | | - | (3,161,097) | (3,161,097) |
| Income and comprehensive income from discontinued operations | 5 | | | | 68,315 | 9,259,039 | 9,327,354 |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Share based payments | 17(d) | - | 710,831 | - | - | - | 710,831 |
| Restricted share units redeemed | 17(b),(d) | 142,060 | (142,060) | - | - | - | - |
| Warrants exercised | 17(b),(e) | 573,919 | - | (74,833) | - | - | 499,086 |
| Total transactions with owners | | 715,979 | 568,771 | (74,833) | - | - | 1,209,917 |
| Changes of ownership interest in subsidiary | 5 | - | - | - | (2,217,227) | 1,621,208 | (596,019) |
| Balance as of December 31, 2024 | | $ 24,402,338 | $ 8,317,784 | $ 65,767 | $ - | $ (34,415,126) | $(1,629,237) |

# KANE BIOTECH INC.

## Consolidated Statement of Cash Flows

| | Note | Year ended December 31, 2024 | Year ended December 31, 2023 |
|---|---|---|---|
| **Cash provided by (used in):** | | | |
| **Operating activities:** | | | |
| Income (loss) and comprehensive income (loss) | | $ 6,166,257 | $ (5,270,053) |
| Adjustments for: | | | |
| Loss (income) and comprehensive loss (income) from discontinued operations | 5 | (9,327,354) | 707,708 |
| Depreciation of property and equipment | 10 | 161,126 | 166,528 |
| Amortization of intangible assets | 11 | 57,344 | 72,062 |
| Derecognition of property and equipment | 10 | 77 | 5,476 |
| Derecognition of intangible assets | 11 | 205,282 | 6,924 |
| Forgiven interest payable to related party | 13 | (8,066) | - |
| Interest on loans and finance lease | 14,15 | 540,330 | 1,128,456 |
| Warrant expense | 17(e) | - | 140,600 |
| Fair value adjustment - government loan | 14(b) | - | (3,770) |
| Share-based compensation | 17(d) | 710,831 | 441,931 |
| Deferred tax recovery | 16(a) | (1,310,256) | - |
| Change in the following: | | | |
| Trade and other receivables | | 15,018 | 5,816 |
| Inventory | | (125,617) | (113,473) |
| Prepaid expenses | | (57,283) | (54,667) |
| Accounts payable and accrued liabilities | 4 | 250,649 | 199,037 |
| Contract liabilities | | (942,802) | 553,275 |
| Cash used in operating activities - continuing operations | | (3,664,464) | (2,014,150) |
| Cash used in operating activities - discontinued operations | 5 | (446,882) | (67,996) |
| Cash used in operating activities | | (4,111,346) | (2,082,146) |
| **Financing activities:** | | | |
| Deposits received from private placement | 26(a) | 120,000 | - |
| Issuance of common shares | 17(b) | - | 415,841 |
| Warrants exercised | 17(b),(e) | 499,086 | - |
| Interest paid on loans and finance lease | 14(a),15 | (961,774) | (257,989) |
| Proceeds from loan payable | 14(a) | - | 2,000,000 |
| Proceeds from long-term government loan | 14(b) | - | 10,000 |
| Repayment of loan payable principal | 14(a) | (6,000,000) | - |
| Repayment of long-term government loans | 14(b) | (544,000) | (378,000) |
| Repayment of lease liability | 15 | (110,676) | (104,246) |
| Cash provided by (used in) financing activities - continuing operations | | (6,997,364) | 1,685,606 |
| Cash provided by (used in) financing activities - discontinued operations | 5 | (689,052) | 469,804 |
| Cash provided by (used in) financing activities | | (7,686,416) | 2,155,410 |
| **Investing activities:** | | | |
| Purchase of property and equipment | 10 | (24,741) | (9,215) |
| Additions to intangible assets | 11 | (65,397) | (40,520) |
| Deposit received on assets and liabilities held-for-sale | 5 | - | 826,703 |
| Proceeds from sale of subsidiary | 5 | 10,852,174 | - |
| Disposal costs | 5 | (490,643) | - |
| Cash provided by investing activities - continuing operations | | 10,271,393 | 776,968 |
| Cash used in investing activities - discontinued operations | 5 | (3,546) | (66,405) |
| Cash provided by investing activities | | 10,267,847 | 710,563 |
| **Increase (decrease) in cash** | | (1,529,915) | 783,827 |
| **Cash, beginning of period - continuing operations** | | 749,248 | 1,104,901 |
| **Cash, beginning of period - discontinued operations** | | 1,139,480 | - |
| | | 1,888,728 | 1,104,901 |
| **Less cash, end of period - discontinued operations** | 5 | - | (1,139,480) |
| **Cash, end of period - continuing operations** | | $ 358,813 | $ 749,248 |

The notes on pages 5 to 38 are an integral part of these consolidated financial statements.

## 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 IFRS® Accounting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2025.

### (b) Basis of measurement

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

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

### (c) Going concern

These consolidated financial statements have been prepared using IFRSs that are applicable to a going concern, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is material uncertainty about the appropriateness of the use of the going concern assumption because the Company has experienced operating losses and net cash outflows from operations since inception and has not yet achieved profitability from the commercialization of its products which casts significant doubt on the Company's ability to continue as a going concern. For the year ended December 31, 2024, the Company had income and comprehensive income of $6,166,257, which includes a gain of $9,122,449 from the sale of the Company's 66.66% interest in STEM, (2023 – ($5,270,053) loss) and negative cash flow from operating activities of $4,111,346 (2023 - $2,082,146), and as of that date had a working capital deficit of $1,381,106 (2023 - $7,171,294) and a deficit of $34,415,126 (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 consolidated statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

### (d) Functional and presentation currency

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

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

### (e) Use of estimates and judgments

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

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

In 2024, the Company reviewed its liability for employee bonuses pertaining to 2023. As a result of this review, a change in accounting estimate of $210,545 was recorded as a reduction in employee compensation expenditures in 2024.

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

- Note 2(c) Going concern. The determination that the Company will continue as a going concern.
- Note 2(f) Basis of consolidation. The determination of control of STEM.
- Note 3(b) Revenue recognition. The determination of the exclusive right to access a license representing the primary performance obligation in the Company's license and distribution agreements as well as when milestone revenue becomes highly probable. The determination of the duration of a contract where renewal terms may exist.
- Note 3(d) Fair value of long-term government loans. The determination of the effective interest rate for measuring the fair value of loan advances when received and the estimated repayment term.
- Note 3(e) Inventory. The determination of net realizable value for the purpose of assessing inventory impairment.
- Note 3(g)(i) Research and development costs. The determination of research and development expenditures that meet the criteria for capitalization.
- Note 3(h)(i) Impairment of financial assets. The calculation of expected credit losses related to trade and other receivables and loan receivable.
- Note 3(h)(ii) Impairment of non-financial assets. The determination that the Company has a single cash generating unit as the Company cannot clearly distinguish cash inflows that are largely independent of other cash flows specific to certain assets or technologies. The determination that the fair value of future net cash flows related to the Company's non-financial assets exceeds their carrying value per the financial statements.
- Note 3(h)(iii) Impairment of assets held-for-sale. The determination of assets held-for-sale recorded at lower of carrying value and fair value, less costs to sell.
- Note 3(i) Employee benefits. The estimated fair value of variable compensation for a key employee of STEM.
- Note 3(i)(ii) and Note 17(c), (d) and (e) Share-based payment transactions. The determination of the risk-free interest rate and expected volatility with respect to the assumptions used in the Black-Scholes option pricing model for the purpose of determining stock options expense for employee share-based compensation. The determination that the fair value of restricted share units is the closing price of the Company's stock on the grant date.
- Note 3(j) Government grants. The determination of eligible expenditures for scientific research and experimental development investment tax credits (SR&ED ITC).
- Note 3(n) Leases. The determination of the incremental borrowing rate where there is no rate implicit in the lease, by way of reference to the Company's incremental borrowing rate for a loan of similar security and term. The determination of the lease term when optional renewal periods exist and the determination of variable lease payments that should be excluded from the calculation of the right of use asset and lease liability.

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

**(f) Basis of consolidation**

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

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

The Company had one subsidiary, STEM, which was 66.66% owned by the Company. The principal place of business of STEM was Winnipeg, Manitoba, Canada, and its functional currency was Canadian dollars. Refer to note 5 for further information regarding 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) Cash and cash equivalents**

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

**(b) Revenue recognition**

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

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

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

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

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

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

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

**(c) Foreign currency transactions**

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

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

**(d) Financial instruments**

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

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

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

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

**(e) Inventory**

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

**(f) Property and equipment**

**(i) Recognition and measurement**

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

**(ii) Depreciation**

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

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

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

**(g) Intangible assets**

**(i) Research and development**

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

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

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

**(ii) Patents and trademarks**

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

**(iii) Subsequent expenditures**

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

**(h) Impairment**

**(i) Financial assets**

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

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

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

**(ii) Non-financial assets**

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

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

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

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

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

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

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

**(i) Employee benefits**

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

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

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

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

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

**(j) Government grants**

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

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

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

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

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

**(k) Finance income and finance expenses**

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

**(l) Income tax**

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

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

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

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

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

**(m) Earnings (loss) per share**

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

**(n) Leases**

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

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

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

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.

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

**Standards and interpretations adopted**

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. Effective January 1, 2024, the Company adopted the Amendment of IAS 1 with no material impact 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. Effective January 1, 2024, the Company adopted the Amendment of IFRS 7 and IAS 7 with no material impact 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. Effective January 1, 2024, the Company adopted the Amendment of IFRS 16 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 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.

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

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

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

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

**4. Minority interest:**

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

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

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.

As of December 31, 2024, the carrying value of capital contributions receivable is $ nil (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 December 31, 2024.

**4. Minority interest (continued):**

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

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

| | | **December 31, 2024** | | December 31, 2023 |
|---|---|---|---|---|
| Current assets | **$** | **-** | $ | 2,471,694 |
| Non-current assets | | **-** | | 158,805 |
| Current liabilities | | **-** | | (654,539) |
| Non-current liabilities | | **-** | | (829,318) |
| **Net assets** | **$** | **-** | $ | 1,146,642 |

| | | **Year ended December 31, 2024** | | Year ended December 31, 2023 |
|---|---|---|---|---|
| Revenue | **$** | **1,079,690** | $ | 2,668,796 |
| Income (loss) and comprehensive income (loss) | **$** | **204,905** | $ | (707,708) |

During the year ended December 31, 2024, STEM paid the Company $33,406, which was eliminated in the consolidated statement of financial position in the year ended December 31, 2023.

**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:

a) Base Purchase Price: $8,000,000 USD.

b) Plus the amount, if any, by which the Final Working Capital exceeds the Target Working Capital

c) Minus the amount, if any, by which the Target Working capital exceeds the Final Working Capital

d) Minus the amount of the Final indebtedness.

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

| | **Note** | | **December 31, 2024** |
|---|---|---|---|
| Base Purchase Price | | $ | 11,082,860 |
| Final Working Capital excess of Target Working Capital (US$435,000) | | | 596,017 |
| **Total consideration** | | | **11,678,877** |
| | | | |
| Derecognition of subsidiary's net assets on closing | | | (755,529) |
| Costs of disposal | | | (490,643) |
| Gain on sale of subsidiary before income tax | | | 10,432,705 |
| Deferred income tax on gain on sale of subsidiary | 16(a) | | (1,310,256) |
| **Gain on sale of subsidiary** | | **$** | **9,122,449** |

## 5. Discontinued operations (continued):

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

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

Financial results relating to the discontinued operations for years ended December 31, 2024 and 2023 are summarized as follows:

| | Note | Year ended December 31, 2024 | Year ended December 31, 2023 |
|---|---|---|---|
| **Revenue** | | | |
| License | 4,6 | $ 70,398 | $ 231,076 |
| Royalty | | 149,026 | 389,902 |
| Sales of goods and services | | 860,266 | 2,047,818 |
| **Total Revenue** | | 1,079,690 | 2,668,796 |
| **Cost of sales - sales of goods and services** | 9 | 454,998 | 1,389,215 |
| **Gross Profit** | | 624,692 | 1,279,581 |
| **Expenses** | | | |
| General and administration | | 446,142 | 1,985,483 |
| Research | | 6,917 | 22,384 |
| | | 453,059 | 2,007,867 |
| **Income (loss) from discontinued operations** | | 171,633 | (728,286) |
| **Other expenses (income):** | | | |
| Finance income | | (9,104) | (55,831) |
| Finance expenses | | 3,793 | 10,811 |
| Foreign exchange loss (gain) | | (27,961) | 24,442 |
| **Net other (income) from discontinued operations** | | (33,272) | (20,578) |
| **Income (loss) and comprehensive income (loss) from discontinued operations** | | 204,905 | (707,708) |
| Gain on sale of subsidiary | 5 | 9,122,449 | - |
| **Net income (loss) from discontinued operations** | | $ 9,327,354 | $ (707,708) |
| **Net income (loss) and comprehensive income (loss) from discontinued operations attributable to:** | | | |
| Shareholders | | $ 9,259,039 | $ (471,758) |
| Minority interest | | 68,315 | (235,950) |
| **Net income (loss) and comprehensive income (loss) from discontinued operations** | | $ 9,327,354 | $ (707,708) |

**5. Discontinued operations (continued):**

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

| | Note | December 31, 2024 | December 31, 2023 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | | $ - | $ 1,139,480 |
| Trade and other receivables | 8 | - | 286,275 |
| Inventory | 9 | - | 551,651 |
| Capital contributions receivable | 4 | - | 475,261 |
| 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 |
| **Total assets** | | $ - | $ 2,630,499 |
| **Liabilities** | | | |
| 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 |
| **Total liabilities** | | $ - | $ 1,450,451 |
| **Net assets held for sale** | | $ - | $ 1,180,048 |

The net cash flows from discontinued operations incurred by STEM presented on the consolidated statement of cash flows for years ended December 31, 2024 and 2023 are summarized as follows:

| | Year ended December 31, 2024 | Year ended December 31, 2023 |
|---|---|---|
| Net cash flows: | | |
| Cash used in operating activities | $ (446,882) | $ (67,996) |
| Cash provided by (used in) financing activities | (689,052) | 469,804 |
| Cash used in investing activities | (3,546) | (66,405) |
| Net increase (decrease) in cash from discontinued operations | $ (1,139,480) | $ 335,403 |

### 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.

## 6. License and distribution agreements (continued):

Summarized milestone payments received and related revenue recognized are as follows:

| | Dechra Initial Payment $500,000 USD | Dechra SA Initial Payment $125,000 USD | Animalcare Initial Payment $500,000 CAD | Dechra Milestone Payment $500,000 USD | Animalcare Milestone Payment $700,000 CAD | ProgenaCare Contract Payment $500,000 USD | Skout's Honor License Fee Payment $50,000 USD | Total |
|---|---|---|---|---|---|---|---|---|
| Balance as of January 1, 2023 | $ 279,465 | $ 110,062 | $ 387,500 | $ 267,918 | $ - | $ - | $ - | $ 1,044,945 |
| Payment received | - | - | - | - | 700,000 | 678,321 | 66,767 | 1,445,088 |
| Revenue recognized in 2022 before payment received | - | - | - | - | (157,788) | - | - | (157,788) |
| Revenue recognized in 2023 | (67,073) | (42,813) | (50,000) | (64,156) | (70,000) | (15,160) | (46,920) | (356,122) |
| Transferred to held-for-sale in 2023 | - | - | (337,500) | (203,762) | (472,212) | - | (19,847) | (1,033,321) |
| Contract liabilities balance in continuing operations as of December 31, 2023 | $ 212,392 | $ 67,249 | $ - | $ - | $ - | $ 663,161 | $ - | $ 942,802 |
| Contract liabilities balance in liabilities held-for-sale as of December 31, 2023 | $ - | $ - | $ 337,500 | $ 203,762 | $ 472,212 | $ - | $ 19,847 | $ 1,033,321 |
| Revenue recognized in 2024 | (212,392) | (67,249) | (14,028) | (17,999) | (19,639) | (579,622) | (18,732) | (929,661) |
| An offset to research expense in 2024 | - | - | - | - | - | (83,539) | - | (83,539) |
| Derecognition due to sale of subsidiary in 2024 | - | - | (323,472) | (185,763) | (452,573) | - | (1,115) | (962,923) |
| **Contract liabilities balance in continuing operations as of December 31, 2024** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |
| **Contract liabilities balance in liabilities held-for-sale as of December 31, 2024** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |
| **Years left on agreements** | - | - | - | - | - | - | - | |

For the year ended December 31, 2024, the Company recognized license revenue of $279,641 (2023 - $109,886) in continuing operations and $70,398 (2023 - $231,076) in discontinued operations, sales of $579,622 (2023 - $15,160) and an offset to R&D expense of $83,539 in continuing operations, associated with initial and milestone payments received in prior periods.

## 7. Manufacturing agreement:

On May 24, 2024, the Company entered into a contract manufacturing agreement with Dechra under which the Company 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 year ended December 31, 2024, the Company recorded manufacturing services revenue of $1,055,018 (2023 - $nil) and cost of sales of $713,344 (2023 - $nil) associated with this contract manufacturing agreement.

## 8. Trade and other receivables:

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| Trade receivables in continuing operations | **$ 13,692** | $ 290,210 |
| Transferred to held-for-sale | **-** | (286,275) |
| | **13,692** | 3,935 |
| Other receivables in continuing operations | **74,392** | 99,167 |
| **Trade and other receivables in continuing operations** | **$ 88,084** | $ 103,102 |
| **Trade receivables in assets held-for-sale** | **$ -** | $ 286,275 |

## 9. Inventory:

| | | December 31, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| Raw materials in continuing operations | $ | **129,272** | $ | 465,772 |
| Transferred to held-for-sale | | **-** | | (368,134) |
| | | **129,272** | | 97,638 |
| Work-in-progress - in continuing operations | | **2,769** | | 7,288 |
| Transferred to held-for-sale | | **-** | | (7,288) |
| | | **2,769** | | - |
| Finished goods in continuing operations | | **447,678** | | 435,324 |
| Transferred to held-for-sale | | **-** | | (282,545) |
| | | **447,678** | | 152,779 |
| Allowance for inventory obsolescence in continuing operations | | **(203,685)** | | (106,316) |
| Transferred to held-for-sale | | **-** | | 106,316 |
| | | **(203,685)** | | - |
| **Inventory in continuing operations** | **$** | **376,034** | $ | 250,417 |
| 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) |
| **Inventory in assets held-for-sale** | **$** | **-** | $ | 551,651 |

The cost of inventories recognized as an expense and included in cost of sales of goods and services for the year ended December 31, 2024 was $949,700 (2023 - $16,603) in continuing operations and $298,623 (2023 - $716,590) in discontinued operations. During the year ended December 31, 2024, the Company has written down $209,775 (2023 - $11,322) in continuing operations and $15,226 (2023 - $112,499) in discontinued operations, related to discontinued and expired products, which is included in cost of sales.

## 10. Property and equipment:

The following is a summary of property and equipment as of December 31, 2024 and 2023:

**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 | 16,534 | 8,207 | - | 24,741 |
| Change due to derecognition - 2024 | - | (4,788) | - | (4,788) |
| **Balance as of December 31, 2024** | **$ 121,817** | **$ 301,011** | **$ 1,225,425** | **$ 1,648,253** |

| 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 | 15,879 | 22,704 | 122,543 | 161,126 |
| Change due to derecognition - 2024 | - | (4,711) | - | (4,711) |
| **Balance as of December 31, 2024** | **$ 63,578** | **$ 206,090** | **$ 449,323** | **$ 718,991** |

| 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 |
| **Balance as of December 31, 2024** | **$ 58,239** | **$ 94,921** | **$ 776,102** | **$ 929,262** |

**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 |
| Change due to derecognition - 2024 | - | (100) | (100) |
| Derecognition on sale of subsidiary | (1,376) | (144,033) | (145,409) |
| **Balance as of December 31, 2024** | **$ -** | **$ -** | **$ -** |

| 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 | 13,922 | 14,486 |
| Change due to derecognition - 2023 | (638) | (10,843) | (11,481) |
| Balance as of December 31, 2023 | $ 206 | $ 38,674 | $ 38,880 |
| Additions - 2024 | - | - | - |
| Change due to derecognition - 2024 | - | (100) | (100) |
| Derecognition on sale of subsidiary | (206) | (38,574) | (38,780) |
| **Balance as of December 31, 2024** | **$ -** | **$ -** | **$ -** |

| Carrying amounts | Computer and Office Equipment | Manufacturing Equipment | Total |
|---|---|---|---|
| Balance as of December 31, 2023 | $ 1,170 | $ 102,316 | $ 103,486 |
| **Balance as of December 31, 2024** | **$ -** | **$ -** | **$ -** |

## 11. Intangible assets:

The following is a summary of intangible assets as of December 31, 2024 and 2023:

**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 | 57,296 | 8,101 | 65,397 |
| Change due to derecognition - 2024 | (337,976) | - | (337,976) |
| **Balance as of December 31, 2024** | **$ 627,890** | **$ 72,629** | **$ 700,519** |

| 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 | 57,344 | - | 57,344 |
| Change due to derecognition - 2024 | (132,694) | - | (132,694) |
| **Balance as of December 31, 2024** | **$ 164,464** | **$ -** | **$ 164,464** |

| Carrying amounts | Patents | Trademarks | Total |
|---|---|---|---|
| Balance as of December 31, 2023 | $ 668,756 | $ 64,528 | $ 733,284 |
| **Balance as of December 31, 2024** | **$ 463,426** | **$ 72,629** | **$ 536,055** |

**Intangible assets in assets held-for-sale**

| Cost | Trademarks |
|---|---|
| Balance as of January 1, 2023 | $ - |
| Transferred in held-for-sale - 2023 | 54,702 |
| Additions - 2023 | 617 |
| Balance as of December 31, 2023 | $ 55,319 |
| Additions - 2024 | - |
| Derecognition on sale of subsidiary | (55,319) |
| **Balance as of December 31, 2024** | **$ -** |

## 11. Intangible assets (continued):

The Company has considered indicators of impairment as of December 31, 2024 and has determined that it was not feasible to pursue certain patents and patents pending and accordingly has derecognized patents of $337,976 with a net book value of $205,282 for the year ended December 31, 2024 (2023 - $149,599 derecognized patents with a net book value of $6,924).

As of December 31, 2024, the Company has recorded aggregate impairment (derecognition) losses of $1,694,117 (2023 - $1,488,835) 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:

| | | **December 31, 2024** | | December 31, 2023 |
|---|---|---|---|---|
| Trade payables in continuing operations | **$** | **1,186,113** | $ | 489,382 |
| Transferred to held-for-sale | | **-** | | (52,374) |
| | | **1,186,113** | | 437,008 |
| Non-trade payables and accrued expenses in continuing operations | | **642,126** | | 1,511,632 |
| Transferred to held-for-sale | | **-** | | (337,644) |
| | | **642,126** | | 1,173,988 |
| **Accounts payable and accrued liabilities in continuing operations** | **$** | **1,828,239** | $ | 1,610,996 |
| Trade payables in liabilities held-for-sale | **$** | **-** | $ | 52,374 |
| Non-trade payables and accrued expenses in liabilities held-for-sale | | **-** | | 337,644 |
| **Accounts payable and accrued liabilities in liabilities held-for-sale** | **$** | **-** | $ | 390,018 |

## 13. Due to related party:

Due to related party is $nil as of December 31, 2024 (2023 - $8,066). This pertains to accumulated interest on prior years' related party cash advances. The accumulated interest was forgiven in the year ended December 31, 2024.

## 14. Loans payable:

### (a) Loan payable

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.

**14. Loans payable (continued):**

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 of $742,409. The balance of the Pivot loan owing as of December 31, 2024 is $nil (2023 - $6,625,679).

**(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 December 31, 2024, the outstanding balance of repayable contributions is $1,609,267 (2023 - $2,113,267). As of December 31, 2024, the fair value of the outstanding repayable contributions included in Government loans balance of the consolidated statement of financial position is $1,302,462 (2023 - $1,602,226). There are no further funding contributions receivable from PrairiesCan.

During the year ended December 31, 2024, the Company did not record fair value adjustments (2023 - $3,770) since there were no repayable contributions (2023 - $10,000) received during the period.

During the year ended December 31, 2024, the Company recorded accretion expense of $204,236 (2023 - $239,251) and repaid to PrairiesCan $504,000 of the contributions (2023 – $378,000).

The repayment schedule of the remaining contributions is as follows:

| | | |
|---|---|---|
| 2025 | $ | 504,000 |
| 2026 | | 504,000 |
| 2027 | | 504,000 |
| 2028 | | 97,267 |
| | $ | 1,609,267 |

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

The following is a summary of Government loan transactions as of December 31, 2024 and 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 | | (504,000) | | (40,000) | | (544,000) |
| Accretion expense - 2024 | | 204,236 | | - | | 204,236 |
| **Balance as of December 31, 2024** | **$** | **1,302,462** | **$** | **-** | **$** | **1,302,462** |
| Government loans - current | | 344,224 | | - | | 344,224 |
| Government loans - long-term | | 958,238 | | - | | 958,238 |
| | **$** | **1,302,462** | **$** | **-** | **$** | **1,302,462** |

## 14. Loans payable (continued):

### (c) Credit facilities

The Company has access to commercial credit card facilities with an aggregate credit limit of $50,000. As of December 31, 2024, the related credit card balances outstanding included in accounts payable and accrued liabilities on the consolidated statement of financial position is $26,414 (2023 – $31,789).

## 15. Lease liability:

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

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

As of December 31, 2024, the carrying amount of lease liability was $872,712 (2023 - $983,388). The breakdown of contractual undiscounted cash flows for lease liability as of December 31, 2024 and 2023 is as follows:

| | | **December 31, 2024** | | December 31, 2023 |
|---|---|---|---|---|
| Less than one year | **$** | **166,669** | $ | 166,669 |
| One to five years | | **666,674** | | 666,674 |
| Over five years | | **216,876** | | 383,544 |
| Discounting | | **(177,507)** | | (233,499) |
| | **$** | **872,712** | $ | 983,388 |
| | | | | |
| Lease liability - current | | **117,502** | | 110,676 |
| Lease liability - long-term | | **755,210** | | 872,712 |
| | **$** | **872,712** | $ | 983,388 |

Transactions related to lease liability 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 | | (166,669) |
| Interest paid - 2024 | | 55,993 |
| **Balance as of December 31, 2024** | **$** | **872,712** |

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

| | | **Year ended December 31, 2024** | | Year ended December 31, 2023 |
|---|---|---|---|---|
| Interest on lease liability - continuing operations | **$** | **55,993** | $ | 62,423 |
| Expenses related to variable lease payments - continuing operations | **$** | **89,412** | $ | 18,923 |
| Expenses related to short-term leases - discontinued operations | **$** | **60,348** | $ | 136,298 |

For the year ended December 31, 2024, the total cash outflow for leases was $256,080 (2023 - $185,592) in continuing operations and $60,348 (2023 - $136,298) in discontinued operations.

## 16. Income tax:

### (a) Income tax provision

The reconciliation of the income tax provision using statutory income tax rates prevailing in Canada with the income tax expense reported in the financial statements is as follows:

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total |
| Canadian federal and provincial income tax rates at 27% (2023 - 27%) | $ (1,207,265) | $ 2,872,154 | $ 1,664,889 | $ (1,231,833) | $ (191,081) | $ (1,422,914) |
| Change in unrecognized deductible temporary differences and unused tax losses | (699,484) | (514,906) | (1,214,390) | 1,157,558 | 204,757 | 1,362,315 |
| Permanent differences and other | 596,493 | (1,046,992) | (450,499) | 74,275 | (13,676) | 60,599 |
| | $ (1,310,256) | $ 1,310,256 | $ - | $ - | $ - | $ - |

### (b) Deferred tax assets:

Deferred tax assets based on temporary differences are as follows:

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total |
| Property and equipment | $ 19,704 | $ - | $ 19,704 | $ 17,061 | $ 5,786 | $ 22,847 |
| Financing costs | 50,222 | - | 50,222 | 76,204 | 1,371 | 77,575 |
| Deferred revenue | - | - | - | 254,556 | 278,997 | 533,553 |
| Interest expense on note payable | - | - | - | - | 2,044 | 2,044 |
| Stock based compensation | - | - | - | 110,629 | - | 110,629 |
| Scientific research and development expenditures | 90,130 | | 90,130 | - | - | - |
| | $ 160,056 | $ - | $ 160,056 | $ 458,450 | $ 288,198 | $ 746,648 |

### (c) Deferred tax liabilities:

Deferred tax liabilities are as follows:

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued Operations | Total |
| Intangible assets | $ 77,219 | $ - | $ 77,219 | $ 122,760 | $ 9,201 | $ 131,961 |
| Accounts payable and accrued liabilities | - | - | - | 197,709 | 278,997 | 476,706 |
| Long-term government loan | 82,837 | - | 82,837 | 137,981 | - | 137,981 |
| | $ 160,056 | $ - | $ 160,056 | $ 458,450 | $ 288,198 | $ 746,648 |

### (d) Unrecognized deductible temporary differences:

Unrecognized deductible temporary differences are as follows:

| 2024 | | | 2023 | | |
|---|---|---|---|---|---|
| Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total |
| $ 34,628,732 | $ - | $ 34,628,732 | $ 37,219,415 | $ 1,907,058 | $ 39,126,473 |

Given the Company's past losses, management does not believe that it is probable that the Company can utilize its deferred tax assets and therefore it had not recognized any amount in the consolidated statement of financial position.

As of December 31, 2024, the Company has income tax loss carry forwards of approximately $31,260,000 (2023 - $32,026,000) from continuing operations to reduce future taxable income which expires between 2027 and 2043 and of $nil (2023 - $1,905,000) from discontinued operations.

As of December 31, 2024, the Company has unused scientific research and development tax credits of approximately $1,525,000 (2023 - $1,800,000) in continuing operations available for carry forward which expires between 2025 and 2044.

## 17. Share capital:

### (a) Authorized

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

### (b) Shares issued and outstanding

Shares issued and outstanding are as follows:

| | Number of Common Voting Shares | | Amount |
|---|---|---|---|
| Balance at January 1, 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 | 942,000 | | 142,060 |
| Warrants exercised | 5,000,000 | | 573,919 |
| Balance as of December 31, 2024 | 137,786,567 | $ | 24,402,338 |

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 $65,767.

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

### (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 December 31, 2024, an aggregate maximum of 1,148,302 (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.

**17. Share capital (continued)**

v) All exceptions must be approved by the Compensation Committee.

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

The Company did not record any stock option compensation expenses in the year ended December 31, 2024 (2023 - $nil)

**(d) Restricted share unit plan**

The Company has an equity-settled Restricted Share Unit Plan ("RSU Plan") in place for employees, directors, officers, and consultants of the Company which is administered by the Board of Directors. At the General and Special Meeting of Shareholders held on 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 December 31, 2024, an aggregate maximum of 25,177,197 (2023 – 23,720,905) restricted share units are reserved for issuance under the Plan with 3,427,687 (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 year ended December 31, 2024, the Company issued 4,213,333 RSU's to various directors, officers and consultants of the Company. The expiry date of these RSUs is July 14, 2034. 3,630,000 of these RSUs will vest on July 14, 2025 and 583,333 of these RSUs will vest on July 14, 2026.

Restricted share units outstanding as of December 31, 2024 and 2023 consist of the following:

| | **December 31, 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 | **(942,000)** | (764,365) |
| Balance, end of period | **21,474,510** | 18,203,177 |
| Restricted share units exercisable, end of period | **15,769,511** | 8,499,368 |

During the year ended December 31, 2024, the Company recorded RSU compensation expense of $710,831 (2023 - $441,931) 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.

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.

### 17. Share capital (continued):

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

During the year ended December 31, 2024, 5,000,000 warrants (2023 – nil) were exercised at an exercise price of $0.1 per share. No warrants expired during the years ended December 31, 2024 and 2023.

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

| | **December 31, 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** | **$ 0.10** | - | $ - | $ - |
| Granted | **-** | **-** | **-** | 8,125,000 | 140,600 | 0.10 |
| Exercised | **(5,000,000)** | **(74,833)** | **0.10** | - | - | - |
| Balance as of December 31, 2024 | **3,125,000** | **$ 65,767** | **$ 0.10** | 8,125,000 | $ 140,600 | $ 0.10 |
| Weighted average remaining contractual life | | **0.19 year** | | | 0.89 year | |

The relative fair value of warrants issued in 2023 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** |

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

#### (f) Per share amounts

The weighted average number of common voting shares outstanding for the years ended December 31, 2024 and 2023 was 133,905,613 and 127,119,957 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.

## 17. Share capital (continued):

The details of the computation of basic and diluted income (loss) per share for the years ended December 31, 2024, and 2023 as follows:

| | | Year ended December 31, 2024 | | Year ended December 31, 2023 |
|---|---|---|---|---|
| Numerator | | | | |
| Net loss and comprehensive loss from continuing operations | $ | (3,161,097) | $ | (4,562,345) |
| Net income (loss) and comprehensive income (loss) from discontinued operations | | 9,259,039 | | (471,758) |
| Net income (loss) and comprehensive income (loss) | $ | 6,097,942 | $ | (5,034,103) |
| Denominator: | | | | |
| Weighted average number of basic shares outstanding | | 133,905,613 | | 127,119,957 |
| Weighted average number of diluted shares outstanding | | 155,380,123 | | 127,119,957 |
| Loss per share from continuing operations: | | | | |
| Basic | $ | (0.02) | $ | (0.04) |
| Diluted | $ | (0.02) | $ | (0.04) |
| Income (loss) per share from discontinued operations: | | | | |
| Basic | $ | 0.07 | $ | (0.00) |
| Diluted | $ | 0.06 | $ | (0.00) |

## 18. Commitments and contingencies:

### (a) Commitments

As of December 31, 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 |
|---|---|---|
| 2025 | $ | 22,440 |
| 2026 | $ | 10,000 |
| 2027 | $ | 10,000 |
| 2028 | $ | 10,000 |
| 2029 and after | $ | 10,000 |
| | **$** | **62,440** |

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

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

## 18. Commitments and contingencies (continued):

### (b) Guarantee

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

## 19. Government and other assistance:

For the year ended December 31, 2024, the Company recorded $285,478 in government assistance (2023 - $232,859).

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

As of December 31, 2024, trade and other receivables included $71,864 (2023 – $82,431) of government assistance receivable.

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

## 20. 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:

| | | **Year ended December 31, 2024** | | Year ended December 31, 2023 |
|---|---|---|---|---|
| Salaries, fees and short-term employee benefits | **$** | **1,162,047** | $ | 453,375 |
| Share-based payments expense | | **507,046** | | 216,757 |
| | **$** | **1,669,093** | $ | 670,132 |

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

As of December 31, 2024, directors and key management personnel control 24.2% (2023 – 26.1%) of the voting shares of the Company.

The balance of due to related party as of December 31, 2024 is $nil (2023 - $8,066).

Accounts payable and accrued liabilities owing to key management personnel was $6,929 (2023 - $nil).

## 21. Expenses by nature:

Expenses incurred for the year ended December 31, 2024 and 2023 respectively in continuing operations and discontinued operations are as follows:

**Expenses by nature - continuing operations:**

| | | Year ended December 31, 2024 | | Year ended December 31, 2023 |
|---|---|---|---|---|
| Personnel expenses | | | | |
| Wages and salaries | $ | **1,416,027** | $ | 1,217,619 |
| Employee benefits and insurance premiums | | **121,990** | | 105,741 |
| Share-based payments | | **710,831** | | 441,931 |
| | | **2,248,848** | | 1,765,291 |
| Depreciation, amortization and write-downs | | **423,829** | | 250,990 |
| Science consumables and contract research | | **789,089** | | 471,565 |
| Occupancy | | **26,013** | | 29,418 |
| License fees | | **14,922** | | 13,607 |
| Investor relations | | **275,123** | | 251,079 |
| Consulting | | **381,549** | | 214,589 |
| Marketing | | **91,654** | | 40,370 |
| Other | | **829,544** | | 662,805 |
| Less: Government assistance | | **(285,478)** | | (232,858) |
| | $ | **4,795,093** | $ | 3,466,856 |

**Expenses by nature - discontinued operations:**

| | | Year ended December 31, 2024 | | Year ended December 31, 2023 |
|---|---|---|---|---|
| Personnel expenses | | | | |
| Wages and salaries | | **273,103** | $ | 1,242,865 |
| Employee benefits and insurance premiums | | **11,486** | | 36,613 |
| | | **284,589** | | 1,279,478 |
| Depreciation, amortization and write-downs | | **-** | | 17,985 |
| Science consumables and contract research | | **-** | | 1,357 |
| Occupancy | | **12,689** | | 48,619 |
| Consulting | | **774** | | 2,055 |
| Marketing | | **132,936** | | 441,949 |
| Other | | **22,071** | | 216,424 |
| | $ | **453,059** | $ | 2,007,867 |

## 22. Segmented information:

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

## 22. Segmented information (continued):

In the year ended December 31, 2023, the operating segments were presented as STEM and all other segments. In the year ended December 31, 2024, the Company changed its operating segments to animal health and human health to better reflect the Company's transition to and focus on human health related operations post-sale-of STEM.

In the year ended December 31, 2024, $279,641 (2023 - $109,886) of license income from all other segments is included in animal health, $1,125,870 (2023 – $nil) of sales of goods and service from all other segments is included in animal health, $749,307 (2023 - $nil) of cost of sales of goods and service from all other segments is included in animal health.

Information regarding the results by Animal health and Human health for the years ended December 31, 2024 and 2023 is as follows:

| | Note | Year ended December 31, 2024 | Year ended December 31, 2024 | Year ended December 31, 2024 |
|---|---|---|---|---|
| **Revenue** | | **Animal health** | **Human health** | **Total** |
| License | | $ 350,039 | $ - | $ 350,039 |
| Royalty | | 149,026 | - | 149,026 |
| Sales of goods and services | | 1,986,136 | 675,368 | 2,661,504 |
| **Total Revenue** | | 2,485,201 | 675,368 | 3,160,569 |
| **Cost of sales-sales of goods and services** | | 1,204,305 | 459,476 | 1,663,781 |
| **Gross Profit** | | 1,280,896 | 215,892 | 1,496,788 |
| **Expenses** | | | | |
| General and administration | | 446,142 | 3,078,109 | 3,524,251 |
| Research | | 6,917 | 1,716,984 | 1,723,901 |
| | | 453,059 | 4,795,093 | 5,248,152 |
| **Income (loss) from operations** | | 827,837 | (4,579,201) | (3,751,364) |
| **Other expenses (income):** | | | | |
| Finance income | | (9,104) | (4,943) | (14,047) |
| Finance expenses | | 3,793 | 545,480 | 549,273 |
| Foreign exchange loss (gain) | | (27,961) | 7,819 | (20,142) |
| Gain on sale of subsidiary before income tax | 5 | (10,432,705) | - | (10,432,705) |
| **Net other expense (income)** | | (10,465,977) | 548,356 | (9,917,621) |
| **Income (loss) and comprehensive income (loss) before income tax** | | $ 11,293,814 | $ (5,127,557) | $ 6,166,257 |
| Deferred tax recovery (expense) | 5 | (1,310,256) | 1,310,256 | - |
| **Net income (loss) and comprehensive income (loss)** | | $ 9,983,558 | $ (3,817,301) | $ 6,166,257 |
| **Net income (loss) and comprehensive income (loss) attributable to:** | | | | |
| Shareholders | | $ 9,915,243 | $ (3,817,301) | $ 6,097,942 |
| Minority interest | | 68,315 | - | 68,315 |
| | | $ 9,983,558 | $ (3,817,301) | $ 6,166,257 |

## 22. Segmented information (Continued):

| | Year ended December 31, 2023 | Year ended December 31, 2023 | Year ended December 31, 2023 |
|---|---|---|---|
| **Revenue** | **Animal health** | **Human health** | **Total** |
| License | $ 340,962 | $ - | $ 340,962 |
| Royalty | 389,902 | - | 389,902 |
| Sales of goods and services | 2,047,818 | 39,094 | 2,086,912 |
| **Total Revenue** | 2,778,682 | 39,094 | 2,817,776 |
| **Cost of sales-sales of goods and services** | 1,389,215 | 39,510 | 1,428,725 |
| **Gross Profit** | 1,389,467 | (416) | 1,389,051 |
| **Expenses** | | | |
| General and administration | 1,985,483 | 2,412,956 | 4,398,439 |
| Research | 22,384 | 1,053,900 | 1,076,284 |
| | 2,007,867 | 3,466,856 | 5,474,723 |
| **Loss from operations** | (618,400) | (3,467,272) | (4,085,672) |
| **Other expenses (income):** | | | |
| Finance income | (55,831) | (5,665) | (61,496) |
| Finance expenses | 10,811 | 1,215,015 | 1,225,826 |
| Fair value adjustment - government loan | - | (3,770) | (3,770) |
| Foreign exchange loss (gain) | 24,442 | (621) | 23,821 |
| **Net other expenses (income)** | (20,578) | 1,204,959 | 1,184,381 |
| **Loss and comprehensive loss** | $ (597,822) | $ (4,672,231) | $ (5,270,053) |
| **Net loss and comprehensive loss attributable to:** | | | |
| Shareholders | $ (361,872) | $ (4,672,231) | $ (5,034,103) |
| Minority interest | (235,950) | - | (235,950) |
| | $ (597,822) | $ (4,672,231) | $ (5,270,053) |

## 22. Segmented information (continued):

In the year ended December 31, 2024, $237,889 (2023 - $nil) of current assets from all other segments is included in animal health, $257,534 (2023 - $88,224) of current liabilities from all other segments is included in animal health, $nil (2023 - $191,417) of non-current liabilities is from all segments is included in animal health.

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

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

| | December 31, 2023 Animal health | December 31, 2023 Human health | 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 | (709,357) | (10,185,043) | (10,894,400) |
| Non-current liabilities | (1,020,735) | (2,175,176) | (3,195,911) |
| **Total net assets (liabilities)** | **$ 900,407** | **$ (9,309,799)** | **$ (8,409,392)** |
| Less net assets and liabilities held-for-sale | (1,180,048) | - | (1,180,048) |
| **Total net liabilties in continuing operations** | **$ (279,641)** | **$ (9,309,799)** | **$ (9,589,440)** |

In terms of geographic segmentation, a substantial proportion of the Company's revenues come from non-Canadian sources. In the year ended December 31, 2024, $583,933 (2023 - $nil) from all other segments is included in domestic revenues under animal health and $821,578 (2023 - $109,886) from all other segments is included in international revenues under animal health.

The breakdown of Canadian to non-Canadian revenues for the years ended December 31, 2024 and 2023 is as follows:

| | **Animal health** | **Human health** | **Total** | Animal health | Human health | Total |
|---|---|---|---|---|---|---|
| Domestic | **$ 1,006,631** | **$ -** | **$ 1,006,631** | $ 1,360,584 | $ 10,303 | $ 1,370,887 |
| International | **1,478,570** | **675,368** | **2,153,938** | 1,418,098 | 28,791 | 1,446,889 |
| | **$ 2,485,201** | **$ 675,368** | **$ 3,160,569** | $ 2,778,682 | $ 39,094 | $ 2,817,776 |

Two of the Company's largest customers accounted for 61% of the Company's total sales for the years ended December 31, 2024 (2023 – three customers, 65%).

## 23. Determination of fair values:

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

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

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

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

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

### (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 $1,302,462 as of December 31, 2024 (2023 - $1,642,226).

Financial assets and liabilities that are recognized on the consolidated statement of financial position at fair value follow a hierarchy that is based on the significance of the inputs used in making the measurements. The government 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).

## 24. Financial risk management:

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate risks), credit risk and liquidity risk. Risk management is the responsibility of the Company, which identifies, evaluates and, where appropriate, mitigates financial risks.

### (a) Foreign exchange risk:

The Company operates in Canada and has relationships with entities in other countries. Foreign exchange risk arises because the cost of transactions denominated in foreign currencies may vary due to changes in exchange rates.

Balances in foreign currencies as of December 31 in continuing operations were approximately**:**

| | **2024** | **2024** | **2024** | **2024** | 2023 |
|---|---|---|---|---|---|
| | **U.S. Dollars** | **d Arab Emirates Dirham** | **Australian Dollars** | **Pound Sterling** | U.S. Dollars |
| Cash and cash equivalents | **$ 27,558** | **$ -** | **$ -** | **$ -** | $ 451,565 |
| Trade and other receivables | **30,316** | **-** | **-** | **-** | 26,452 |
| Accounts payables and accrued liabilities | **(310,366)** | **(1,100)** | **(8,121)** | **(1,090)** | (214,495) |
| | **$ (252,492)** | **$ (1,100)** | **$ (8,121)** | **$ (1,090)** | $ 263,522 |

Fluctuations in the U.S. dollar exchange rates may potentially have a significant impact on the Company's operating results. The Company estimates that a decrease in the Canadian to US dollar exchange rate of 10% would result in net loss of $25,249 (2023 - $26,352, profit) in continuing operations.

Fluctuations in other currencies exchanges rates won’t have a significant impact on the Company’s operating results due to the low balances of those other currencies.

### (b) Interest rate risk:

The Company is exposed to interest rate risk to the extent that short-term deposits are at a floating short-term rate of interest and their market value will vary with the change in short-term market interest rates. The Company's maximum exposure to interest rate risk is based on the effective interest rate and the current carrying value of these assets.

There is a risk that future cash flows from invested cash, cash equivalents and short-term deposits will vary as the market interest rates fluctuate because these investments earn interest at market rates. Based on the December 31, 2024 investment, balance of approximately $170,000 (2023 - $50,000), a variation of 100 basis points in the market interest rate would not affect loss and comprehensive loss by a material amount. For the year ended December 31, 2024, the Company recorded interest income of $4,054 (2023 - $5,009) in relation to these assets.

There is a risk that the interest rate on the loan payable will vary as market interest rates fluctuate if further amendments to the Credit Agreement are required. There is no interest rate risk on government loans as they do not bear interest and are expected to be repaid by maturity.

## 24. Financial risk management(continued):

### (c) Credit risk:

The Company limits its exposure to credit risk by investing only in banks that have a strong credit rating. Trade and other receivables are subject to normal credit risk. As of December 31, 2024, the maximum exposure to credit risk is equal to the carrying value of the trade receivables which is $13,692 (2023 - $290,210). The Company regularly assesses the trade and other receivables and takes action to collect the amounts or provide adequate reserves against doubtful accounts. The Company currently has no reserve for doubtful accounts as there have been no bad debts to date except the related party loan receivable with the related interest was written off in 2022 with a total of $178,203. As of December 31, 2024, the Company has accounts receivable that are past due but not impaired of $9,171 (2023 - $2,063) in continuing operations and $nil (2023 - $125,562) in discontinued operations, which were all collected subsequent to December 31, 2024.

### (d) Liquidity risk:

Liquidity risk is the risk that the current financial obligations exceed the cash available to satisfy those obligations at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash in order to meet its liquidity requirements. The Company achieves this by primarily relying on private placement offerings of common shares and warrants.

The following table summarizes the Company’s financial liabilities with corresponding maturity in continuing operations.

| | < 1 Year | 1-3 years | 3-5 years | Total |
|---|---|---|---|---|
| Government loans | $ 504,000 | $ 1,008,000 | $ 97,267 | $ 1,609,267 |
| Accounts payable and accrued liabilities | 1,828,239 | - | - | 1,828,239 |
| | $ 2,332,239 | $ 1,008,000 | $ 97,267 | $ 3,437,506 |

### (e) Capital management:

The Company's primary objective when managing capital, defined as shares, warrants, loan payable and long-term government loans, is to ensure that it has sufficient cash resources to fund its development and commercialization activities and to maintain its ongoing operations.

As of December 31, 2024, the Company’s capital was $25,770,566 (2023 - $32,094,864).

To fund its activities, the Company relies on a combination of common share issuances, borrowing, government grants, payments related to licensing and distribution agreements and gross margin from the sales of its goods and services. The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital management strategy during the year ended December 31, 2024.

## 25. Changes in liabilities from financing activities

Changes in liabilities from financing activities during the years ended December 31, 2024 and 2023 are as follows in continuing operations:

| | January 1, 2023 | Cash - Principal | Cash - Interest | Interest Accrued | Non-Cash | December 31, 2023 |
|---|---|---|---|---|---|---|
| Long-term borrowings | $ 1,769,206 | $ (189,128) | $ (178,872) | $ 244,790 | $ (3,770) | $ 1,642,226 |
| Short-term borrowings | 4,008,066 | 2,000,000 | (195,566) | 821,245 | - | 6,633,745 |
| | $ 5,777,272 | $ 1,810,872 | $ (374,438) | $ 1,066,035 | $ (3,770) | $ 8,275,971 |

| | January 1, 2024 | Cash - Principal | Cash - Interest | Interest Accrued | Non-Cash | December 31, 2024 |
|---|---|---|---|---|---|---|
| Long-term borrowings | $ 1,642,226 | $ (544,000) | $ - | $ 204,236 | $ - | $ 1,302,462 |
| Short-term borrowings | 6,633,745 | (6,000,000) | (905,782) | 280,103 | (8,066) | - |
| | $ 8,275,971 | $ (6,544,000) | $ (905,782) | $ 484,339 | $ (8,066) | $ 1,302,462 |

## 26. Subsequent events:

### (a) Private placements:

On January 17, 2025, the Company completed the first closing of its previously announced non-brokered private placement offering. At the first closing, Kane issued 12,750,000 common shares at a price of $0.10 per share for aggregate gross proceeds of $1,275,000. In connection with the Offering, the Company paid compensation to eligible finders consisting of a cash commission of $32,100 and 321,000 common share broker warrants. Each full broker warrant entitles the holder thereof to purchase one share of the Company for a period of 18 months at an exercise price of $0.15 per share. The Company also announced that the TSXV has granted an extension to the deadline for the completion of the Offering to February 17, 2025.

On February 18, 2025, the Company completed the second and final closing of its previously announced non-brokered private placement offering. At the second closing, Kane issued 4,235,000 common shares at a price of $0.10 per share for aggregate gross proceeds of $423,500. In connection with the Offering, the Company paid compensation to eligible finders consisting of a cash commission of $24,510 and 245,100 common share broker warrants. Each full broker warrant entitles the holder thereof to purchase one share of the Company for a period of 18 months at an exercise price of $0.15 per share.

### (b) Financing:

On April 28, 2025, two insiders of Kane Biotech agreed to subscribe for 12 million common shares of the Company at $0.10 per share for net proceeds of $1.2 million by way of a private placement. No brokers or intermediaries were involved. In addition, an insider of Kane Biotech has agreed to provide an unsecured loan in the amount of $1,000,000 to Kane, which shall be repayable on demand. These transactions are subject to the approval of the TSX Venture Exchange and are anticipated to close on or about April 30, 2025.

### (c) Marketing services agreement

On April 11, 2025, the Company entered into service agreement with OTB Capital to provide marketing services to communicate information about Kane to the financial community. These marketing services include digital marketing through various social media channels to broaden media distribution awareness about the Company.

As part of this agreement, OTB Capital will be paid $100,000 in cash, which shall be payable in quarterly installments over 12 months, and receive an option pursuant to the Company's stock option plan to purchase 1,000,000 shares at an exercise price of $0.10 per share until April 11, 2026.

### (d) Tariff Actions:

Subsequent to year end, the United States government has made a series of announcements regarding new tariffs and adjustments to tariffs on imported goods. The Canadian government has also announced retaliatory tariffs and other measures. A significant portion of the Company's sales are to the United States. Although these tariff actions are expected to have a material impact on the Company's operations, an estimate of the financial impact cannot be made at this time.