

Management Discussion and Analysis  
(Expressed in Canadian Dollars)

## **KANE BIOTECH INC.**

Three and nine months ended September 30, 2021 and 2020

# KANE BIOTECH INC.

## Management Discussion and Analysis

The following management discussion and analysis (“MD&A”) covers information up to November 15, 2021 and should be read in conjunction with the financial statements for the three and nine months ended September 30, 2021 and 2020. Except as otherwise noted, the financial information contained in this MD&A and in the financial statements has been prepared in accordance with IFRS. All amounts are expressed in Canadian Dollars unless otherwise noted. Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company’s website at [www.kanebiotech.com](http://www.kanebiotech.com).

This MD&A has been prepared to help investors understand the financial performance of the Company in the broader context of the Company’s strategic direction, the risks and opportunities as understood by management, and the key success factors that are relevant to the Company’s performance. Management has prepared this document in conjunction with its broader responsibilities for the accuracy and reliability of the financial statements, as well as the development and maintenance of appropriate information systems and internal controls to ensure that the financial information is complete and reliable. The Audit Committee and the Board of Directors have reviewed this document and all other publicly reported financial information for integrity, usefulness, reliability, and consistency.

### COVID-19 PANDEMIC

The outbreak of COVID-19, the disease caused by the novel SARS-CoV-2 strain of coronavirus was declared a global pandemic by the World Health Organization on March 11, 2020 and has resulted in a widespread health crisis that has affected economies and financial markets around the world, resulting in an economic downturn. The effects of this pandemic on the Company may include decreased customer demand, interruptions to supply chains, manufacturing activities and research and development programs, and increased government regulations or interventions. The duration and full impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments, nor the impact of these developments on the financial results and condition of the Company in future periods.

Throughout 2020 and 2021, the Company’s revenues have been impacted by i) limited consumer access to pet retail and veterinary facilities, ii) the permanent store closures of one of the Company’s major US pet retail customers and iii) raw material and packaging supply chain irregularities which resulted in finished good product shortages.

The Company continues to monitor and implement recommendations from local and national health organizations and strictly adhere to COVID-19 related directives from government authorities. The Company has implemented precautionary measures such as working remotely where possible, strict preventive practices for those employees that must work on-site and the freezing of all non-essential travel.

The Company has applied for certain Canadian Government COVID-19 economic relief funding programs. In both 2020 and 2021 to date, the Company received salary subsidization under the Canada Emergency Wage Subsidy (CEWS) program. This program is being discontinued as of October 23, 2021. In 2020 the Company received a \$40,000 loan advance from the Canada Emergency Funding Account (CEBA) program. In 2021 the Company received a further \$20,000 loan advance from this program. The Company is continuing to evaluate Government COVID-19 economic relief measures as these measures continue to evolve and it intends to maximize its use of these programs to the extent it meets the eligibility requirements.

### FORWARD-LOOKING STATEMENTS

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

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

- general business and economic conditions;

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- interest rates and foreign exchange rates;
- the timing of the receipt of regulatory and governmental approvals for the Company's research and development projects;
- the availability of financing for the Company's research and development projects, or the availability of financing on reasonable terms;
- the Company's costs of trials;
- the Company's ability to attract and retain skilled staff;
- market competition;
- tax benefits and tax rates;
- the Company's ongoing relations with its employees and with its business partners.

Management cautions you, the reader, that the foregoing list of important factors and assumptions is not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise.

## BUSINESS OVERVIEW

Kane Biotech Inc. ("Kane Biotech", "Kane" or the "Company") is a biotechnology company engaged in the research, development and commercialization of technologies and products that prevent and remove microbial biofilms. Biofilms are thin, slimy films that develop when bacteria and other microorganisms form a protective matrix that acts as a shield against attack. Biofilms attach to and grow on living and inert surfaces. When protected by a biofilm, bacteria become highly resistant to antibiotics, antimicrobials, biocides and host immune responses. This resiliency contributes to numerous Human and Animal Health-related problems. According to the United States National Institute of Health, biofilms are estimated to be responsible for 80% of all animal and human bacterial infections including tooth decay, wound infections, chronic inflammatory skin disorders and wounds, recurrent urinary tract infections, medical device-associated and hospital acquired infections (HAIs), and foodborne bacterial outbreaks. Biofilms cost society billions of dollars each year. As such, there is significant interest, and therefore significant opportunity, in safe and effective products that can combat the biofilm problem. Kane Biotech's mission is to capitalize on this large, addressable market by licensing its proprietary anti-biofilm technologies to global industry players.

Kane Biotech has a portfolio of biotechnologies, intellectual property (patents, patents pending and trademarks) and products developed by the Company's own biofilm research expertise and acquired from leading research institutions. StrixNB™, DispersinB®, Aledex™, bluestem™, bluestem®, Coactiv+™, Coactiv+®, goldstem™, silkstem™, DermaKB™ and DermaKB Biofilm™ are trademarks of Kane Biotech Inc.

The Company is listed on the TSX Venture Exchange under the symbol "KNE" and on the OTCQB Venture Market under the symbol "KNBIF".

Key Highlights of Kane Biotech include the following:

- A specialized focus on the development and continual improvement of anti-biofilm technologies, targeting large markets for biofilm prevention and dispersion solutions
- Robust patent portfolio of differentiated anti-biofilm technologies with 51 patents issued or pending
- Renewed licensing agreement for DispersinB® with Rutgers University
- First commercial licensing and distribution agreement signed in 2017, establishing a 10-year partnership with Dechra Veterinary Products (the "Dechra Agreement") wherein Kane Biotech receives an ongoing royalty from Dechra on net sales of the Company's Vetrudent™ products in North America
  - Extension of the Dechra Agreement in 2019 to include South America
- Expansion into multiple markets with mutually beneficial contractual agreements with North American and Asian distributors and retailers
- Entered into an agreement with UK-based veterinary products company, Animalcare Group PLC ("Animalcare") under which the parties formed STEM Animal Health Inc. ("STEM"), a company dedicated to treating biofilm-related ailments in animals
  - Animalcare is to invest \$5 million consisting of \$3 million to acquire a one-third equity stake in STEM and \$2 million for the rights to commercialize products in global veterinary markets outside of the Americas
  - Appointment of industry veteran Kevin Cole as President and CEO of STEM
- Continued product development of DispersinB® and Coactiv+ technology platforms for the Human Health market
  - Retained GR Consulting to develop and implement the regulatory and out-licensing strategy for DispersinB® wound care hydrogel and Coactiv+™ antimicrobial hydrogel

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- Awarded \$3.8 million in non-dilutive funding for its DispersinB<sup>®</sup> human wound care product development and commercialization project from Western Economy Diversification Canada (“WD”) in the form of interest-free repayable contributions to be repaid over five years, starting in April 2023
- Received the U.S. Department of Defense’s (“DoD”) Medical Technology Enterprise Consortium Research Project Award (“MTEC Award”) for continued clinical development of the Company’s DispersinB<sup>®</sup> technology to treat biofilm-mediated antimicrobial resistance in non-healing chronic wounds in the amount of \$2.7 million USD
- Launched its first line of human health care products within its OTC Consumer Goods division, including a Shampoo, Scalp Detoxifier and Shampoo Bars available for sale under the DermaKB Biofilm™ brand on our direct-to-consumer webstore dermaKB.com and on amazon.ca and amazon.com
- Completed a \$3.5 million private placement in 2020
- Entered into a one-year credit agreement with Pivot Financial Inc. in 2020 for a non-revolving term loan in the amount of \$1,480,000
  - In 2021, the term of this loan was extended and the credit facility was increased to \$2,500,000
- Shares of the Corporation have been reapproved for and have recommenced trading on the OTCQB Venture Market

## BUSINESS UPDATE AND STRATEGY

Kane Biotech is focused on licensing and co-commercializing its biofilm-related intellectual property with strategic partners that have established large-scale market access. Kane’s two primary markets for its technologies are Animal Health and Human Health. On September 28, 2020, the Company announced the creation of STEM Animal Health Inc. (which is a joint venture with Animalcare Group PLC. STEM Animal Health aims to: (1) generate revenue and profit through the licensing of biofilm technologies in the veterinarian channels, and (2) expand distribution and growth of its premium companion animal products in the pet specialty and e-commerce channels. In Human Health, Kane intends to: (1) finalize product development of its DispersinB<sup>®</sup> hydrogel for the human wound care market, (2) pursue the optimal regulatory and commercialization path for this technology including joint ventures, and (3) continue development of a product line for the human wound market based on our proprietary Coactiv+™ technology platform. As previously announced, the funding from WD and the DoD, has been critical to progressing the company’s Human Health initiatives and we are looking forward to moving the Human Health initiatives into the commercialization phase.

Within the Animal Health division, the newly formed STEM has successfully recruited Kevin Cole as President and CEO. As announced on October 13, 2020, Kevin is an experienced Consumer Packaged Goods and Animal Health business leader that is currently creating the foundation for STEM’s growth in:

1. Royalty revenue: Accelerating royalty revenue by supporting Dechra in North and South America via the sales of Dechra’s premium veterinary oral care product range and supporting Animalcare’s future veterinary oral care product range in Europe. The Company also aims to achieve a key milestone by obtaining the internationally recognized efficacy certification, which would result in \$500,000 USD and \$700,000 CAD in milestone payments pursuant to the Dechra and Animalcare Agreements. As announced on March 10, 2021, preliminary analysis of data from efficacy trials for STEM’s pet oral care water additive have met the primary endpoint.
2. Expanding distribution of the bluestem™ product line in Specialty Pet Trade: The bluestem™ product line, which includes water additives, chews, spray, and dental wipes, is currently in limited distribution. The opportunity and potential for growth as a result of expanded distribution and availability in the Specialty Pet Channel is significant. STEM will focus its efforts on expanding distribution and building awareness of bluestem™ to accelerate sales.

In addition to leveraging its established products and sales strategies, STEM Animal Health will continue to actively explore growth opportunities through new applications for its intellectual property in other key growth areas within the Animal Health category.

In the Wound Care & Surgical division, Kane Biotech is focused on the continued product development of DispersinB<sup>®</sup> for applications in chronic wound care. The Company believes that its DispersinB<sup>®</sup> applications will enhance current wound care treatments by improving the efficacy of antimicrobial and antibiotic wound treatments.

On June 18, 2020, Kane Biotech’s proposal entitled “DispersinB<sup>®</sup> the missing link in wound care – Clinical evaluation of DispersinB<sup>®</sup> to treat biofilm mediated antimicrobial resistance in non-healing chronic wound,” received the U.S. Department of Defense’s (“DoD”) Medical Technology Enterprise Consortium Research Project Award (“MTEC Award”). The MTEC Award will provide approximately \$2.7 million USD in non-dilutive funding for the continued clinical development of the Company’s DispersinB<sup>®</sup> to treat biofilm-mediated antimicrobial resistance in non-healing chronic wounds. This is a significant award for Kane Biotech, because of both its value and validation of the Company’s wound care technology. Kane Biotech believes this award underscores the importance of eliminating biofilms to address non-healing, chronic wounds.

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The Company is collaborating with external consultants to pursue the optimal regulatory path for this technology that will mitigate the risk for future partners and increase the value of a licensing agreement. Although the Company had previously planned to seek regulatory approval for its DispersinB<sup>®</sup> wound care hydrogel as a medical device under the 510(k) pathway, the Company is currently reviewing other strategies including a PMA approach based on market analysis provided by its consultants as well as preliminary feedback received from the FDA. The Company is now evaluating a number of pathways in order to determine an appropriate regulatory route that will ultimately be more beneficial by allowing for expanded claims and indications and a more appropriate price point. Kane is also conducting this review to better leverage the approximately \$4.4 million in remaining WD and DoD non-dilutive funding that is available for this program.

Other products in investigational or development stages include the following:

- Coactiv+<sup>™</sup> Antimicrobial Hydrogel for use in chronic wounds
- Coactiv+<sup>™</sup> Antimicrobial Surgical hydrogel for use in surgical and acute wounds
- DispersinB<sup>®</sup> Gel for Prosthetic Joint Infection

These products are discussed further in the Kane Biotech Technologies section.

In the Human Health Over-The-Counter (OTC) division, Kane's Scalp Detoxifier, Shampoo and Shampoo Bars are now available for purchase under the DermaKB Biofilm<sup>™</sup> brand on amazon.ca and amazon.com, in addition to its current eCommerce site www.dermaKB.com. Similar to our Scalp Detoxifier and Shampoo, our Shampoo Bar has also recently passed the Human Repeat Insult Patch Test (HRIPT) safety test allowing us to add the claims "Dermatologically tested" and "Safe for skin" to our Shampoo Bar packaging. A new DermaKB<sup>™</sup> Starter Kit is now available for sale on all current platforms. It was created to allow customers to cost-effectively try all three DermaKB products to determine the best solution for their symptoms, before purchasing the full-sized bottles. The Kit contains a 90 ml (3 fl oz) bottle of our Scalp Detoxifier and Shampoo, as well as a single 45 g (1.6 oz) Shampoo Bar.

In addition to the DermaKB<sup>™</sup> line of products, other products in the pipeline include a hair conditioner to work in conjunction with the DermaKB<sup>™</sup> products (2022), an acne wash (2023), and a wound gel for minor cuts, scrapes and burns.

Building upon Kane Biotech's success in Animal and Human Health sectors, management will focus some resources towards developing solutions for the Industrial and Agricultural sectors. The Company believes that its patented technologies can be applied with minimal outlay to provide several solutions in these new markets. These new markets will allow Kane Biotech to reach new customers and address multiple unmet needs.

Targeted Kane Biotech milestones and objectives for the remainder of 2021 include the following:

- Build the foundation to accelerate bluestem<sup>™</sup> and royalty revenues
- Continue working toward the achievement of the international standard of canine oral care efficacy
- Identify commercialization partner for the Wound Care & Surgical division
- Identify commercialization partner for the DermaKB<sup>™</sup> brand under the OTC Consumer Goods Division
- As the hair salon channel recuperates from COVID-19 closures, to secure a distribution/licencing partner in this channel while implementing a sales and marketing campaign to achieve 2021 sales targets
- Identify commercialization partner(s) for products under development in the OTC pipeline
- Grow the Kane Biotech team with talented people in Human Health, Animal Health and R&D
- Continue to protect Kane Biotech's intellectual property and expand patent coverage
- Execute with cost-control and continue to optimize operating expenses

The Kane Biotech team is looking forward to fully executing the many exciting initiatives that are underway. The Company will continue to focus on product development, international market expansion and cost-effective execution. The entire team is dedicated to achieving the above-mentioned milestones and to building a foundation for long-term, sustainable growth.

## KANE BIOTECH TECHNOLOGIES

### Coactiv+<sup>™</sup>

Coactiv+<sup>™</sup> is a patented biofilm destabilizing formula with continuous activity.

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The global companion pet oral care market was estimated to be \$2.2 billion USD by 2022 with a 10% CAGR to 2027. This growth is largely driven by increasing pet ownership and premiumization as pet owners continue to be more aware of and willing to spend more on their pets' health. Rising disposable income and westernization in developing nations is further driving the global pet oral care market. According to the American Veterinary Medical Association (AVMA), oral health is one of the top three concerns for companion animal owners. Bacteria in the mouth cavity form plaque and, as the plaque grows, this causes tartar build-up, gum infection (gingivitis) and periodontitis. By the time they are three years old, it is estimated that approximately 80% of dogs and 70% of cats develop some sort of periodontal disease.

In 2015, following Health Canada approval, Kane Biotech introduced companion pet oral care products containing its Coactiv+™ technology in Canada under the StrixNB™ and bluestem™ brands. The company then pursued a strategy to license out its intellectual property on a broader scale which led to the Company's StrixNB™ technology and trademarks being part of the Dechra Agreement. Dechra introduced its Vetradent™ oral care brand into the U.S. and Canadian veterinary channel in 2017. Water additive powder and dental wipe products were added to the Vetradent™ product family in 2018. A dental rawhide chew was introduced in 2019 as well as an expansion of the Vetradent™ toothpaste line throughout the U.S. market. Also in 2019, the Dechra Agreement was extended to South America and sales of Vetradent™ products in South America are expected to commence in 2022. Additional formulations are in development to expand the complete oral health program of pet oral care products for veterinary clinics and dog and cat parents.

In the Specialty Pet Trade, Kane's technology is now being commercialized by STEM as the bluestem™ brand and products transferred from Kane to STEM. The bluestem™ products are sold in approximately 2,000 pet specialty retail stores in the US and Canada as well as on Amazon.com (U.S.), Chewy.com and Amazon.ca (Canada). In addition, STEM will evaluate opportunities for global expansion and continue to focus on accelerating growth of the bluestem™ oral care portfolio according to its market and channel priorities.

In the Wound Care & Surgical division, Kane is in the developmental stage for a product with two applications:

- Coactiv+™ Antimicrobial Hydrogel: A product for chronic wounds that will be designed to maximize reimbursement and be competitive in the wound clinic and home care setting. The product can be applied by the patient or caregiver and sourced through a medical product supplier.
- Coactiv+™ Antimicrobial Surgical Hydrogel: A sterile product for surgical and acute wounds and provided in a single use container for application in the hospital setting. The product can be applied to all types of surgical wounds and can be used prophylactically on post-surgical incisions as well. Although the initial target for this application is the hospital, the outpatient setting is also a potential market.

The key ingredients of Coactiv+™ are Generally Recognized As Safe (GRAS) by the FDA and have been purposefully selected to provide support throughout the entire wound healing cascade.

The major advantages of these Coactiv+™ Antimicrobial hydrogel products are as follows:

- Continuous bactericidal, biofilm destabilizing, and inhibition activity
- Buffering agent to lower and maintain favorable pH conducive for wound healing
- Help reduce metalloprotease and elastase activity in chronic wounds
- Biocompatible and non-toxic
- Patent protected
- Prophylactic treatment for acute wounds at risk for infection, such as surgical incisions, pin sites and burns

In the Human Health OTC Division, Kane has successfully launched its DermaKB line of products direct to consumers on its own webstore dermakb.com as well as on amazon.ca and amazon.com after conducting two successful consumer trials in 2020 to validate the efficacy of the products containing its coactiv+™ technology. The trial results were compelling and a report from the second consumer trial has been published on both the Kane Biotech and DermaKB™ websites. Kane OTC will focus on developing and implementing a sales and marketing campaign for existing commercial products while seeking commercialization/licensing opportunities in both North America and EU.

Kane OTC also has a hair conditioner to work in conjunction with the DermaKB™ shampoo products under development as well as a wound gel for minor cuts, scrapes and burns.

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### DispersinB®

Kane Biotech's trademark for the wound care market is DispersinB® for both animal and human wound care applications. The Company has started to pursue its strategy to license out its wound care intellectual property on a broader scale.

For animal health applications, the development of products using DispersinB® technology is planned for use in canine otic (ear) infections. Additional DispersinB® products are in planning and development.

With respect to human applications, in 2019, the Company renewed its exclusive worldwide license agreement with the University of Medicine and Dentistry of New Jersey, now part of Rutgers University, for all human, animal, and industrial applications of the DispersinB® enzyme. In 2021, efforts will continue to be focused on the development of a human wound care hydrogel containing DispersinB® and on securing a commercialization partner and pursuing the optimal regulatory/reimbursement path that will ultimately lead to the commercialization of this technology.

Kane is currently investigating the opportunity of using DispersinB® Gel for Prosthetic Joint Infection (PJI). PJI's have been identified as one of the most serious complications of joint replacement surgery with bacterial biofilm on the prostheses being identified as one of the key problems in treatment.

PJI's are one of the most serious complications of joint replacement surgery. Conservative estimates are that approximately 1–2% of all hip and knee prostheses will become infected over the life of the implant. It is predicted that there will be approximately 4 million cases per year just in the US. The financial burden of treating these infections is staggering. It was estimated that PJIs cost the US healthcare system \$1.62 billion in 2020. In addition, patients have significant morbidity and mortality as a direct result of our current medical and surgical management to treat these infections.

PJIs are hard to treat because of bacterial biofilms on the prostheses. Unfortunately, conventional antibiotics have limited ability to resolve biofilm infections. This is in part due to the almost dormant metabolic activity of bacteria in biofilms and the architecture of biofilms. The concentrations of conventional antibiotics needed to have activity to bacteria in biofilms can be up to 1000 times higher than the same bacteria in a planktonic state. Therefore, new antimicrobial therapies are needed to treat PJI's that focus on disrupting biofilms.

In the Human Health OTC Division, a technical brief has been completed and is under review for the development of a DispersinB® acne wash upon securing a strategic partner to assist in final product formulation, conducting clinical trials and developing the regulatory strategy.

### INTELLECTUAL PROPERTY

Patent #	Title	Jurisdiction
2,452,032	Synergistic Antimicrobial Compositions and Methods of Inhibiting Biofilm Formation	Canada
7,144,992	Synergistic Antimicrobial Compositions and Methods for Reducing Biofilm Formation	United States
8,906,364	Antimicrobial Compositions for Inhibiting Growth and Proliferation of Microbial Biofilms	United States
CA2511103	Compositions and Methods for Enzymatic Detachment of Bacterial and Fungal Biofilms	Canada
7,294,497	Compositions and Methods for Enzymatic Detachment of Bacterial and Fungal Biofilms	United States
540731	Compositions and Methods for Enzymatic Detachment of Bacterial and Fungal Biofilms	New Zealand
555378	Compositions and Methods for Enzymatic Detachment of Bacterial and Fungal Biofilms	New Zealand
2,003,284,385	Compositions and Methods for Enzymatic Detachment of Bacterial and Fungal Biofilms	Australia
7,833,523	Compositions and Methods for Enzymatic Detachment of Bacterial and Fungal Biofilms	United States
7,989,604	Compositions and Methods for Enzymatic Detachment of Bacterial and Fungal Biofilms	United States
5,073,169	Compositions and Methods for Enzymatic Detachment of Bacterial and Fungal Biofilms	Japan
8,580,551	Dispersin B Polypeptides and uses thereof	United States
8,821,862	Soluble $\beta$ -N-Acetylglucosaminidase Based Antibiofilm Compositions and Uses Thereof	United States
8,617,542	Dispersin B, 5-Fluorouracil, Deoxyribonuclease I and ProteinaseK-Based Antibiofilm Compositions and uses thereof	United States
2,720,301	Dispersin B, 5-Fluorouracil, Deoxyribonuclease I and ProteinaseK-Based Antibiofilm Compositions and uses thereof	Canada
EP2283130	Dispersin B, 5-Fluorouracil, Deoxyribonuclease I and ProteinaseK-Based Antibiofilm Compositions and uses thereof	Europe
EP2283130	Dispersin B, 5-Fluorouracil, Deoxyribonuclease I and ProteinaseK-Based Antibiofilm Compositions and uses thereof	United Kingdom
EP2283130	Dispersin B, 5-Fluorouracil, Deoxyribonuclease I and ProteinaseK-Based Antibiofilm	

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	Compositions and uses thereof	Germany
EP2283130	Dispersin B, 5-Fluorouracil, Deoxyribonuclease I and ProteinaseK-Based Antibiofilm	
	Compositions and uses thereof	France
8,753,692	Biofilm-Removing Antimicrobial Compositions and uses thereof	United States
2,750,340	Biofilm-Removing Antimicrobial Compositions and uses thereof	Canada
5,752,051	Biofilm-Removing Antimicrobial Compositions and uses thereof	Japan
EP2389071	Biofilm-Removing Antimicrobial Compositions and uses thereof	United Kingdom
EP2389071	Biofilm-Removing Antimicrobial Compositions and uses thereof	Germany
EP2389071	Biofilm-Removing Antimicrobial Compositions and uses thereof	France
9,622,481	Biofilm-Removing Antimicrobial Compositions and uses thereof	United States
2012332014	Compositions and Methods for Treatment and Prevention of Oral Diseases	Australia
CN104010653	Compositions and Methods for Treatment and Prevention of Oral Diseases	China
2,773,369	Compositions and Methods for Treatment and Prevention of Oral Diseases	Europe
2,773,369	Compositions and Methods for Treatment and Prevention of Oral Diseases	Ireland
2,773,369	Compositions and Methods for Treatment and Prevention of Oral Diseases	United Kingdom
2,773,369	Compositions and Methods for Treatment and Prevention of Oral Diseases	Germany
2,773,369	Compositions and Methods for Treatment and Prevention of Oral Diseases	France
6,038,167	Compositions and Methods for Treatment and Prevention of Oral Diseases	Japan
624,850	Compositions and Methods for Treatment and Prevention of Oral Diseases	New Zealand
14/355,308	Compositions and Methods for Treatment and Prevention of Oral Diseases	United States
HK120416	Compositions and Methods for Treatment and Prevention of Oral Diseases	Hong Kong
9,980,497	Compositions and Methods for Treatment and Prevention of Wound Infections	United States
2964235	Compositions and Methods for Treatment and Prevention of Wound Infections	Europe
6,401,720	Compositions and Methods for Treatment and Prevention of Wound Infections	Japan
10,357,470	Compositions and Methods for Treatment and Prevention of Wound Infections	United States
11,103,433	Antimicrobial Compositions and Methods of use thereof for personal care	United States
EP3160234A4	Antimicrobial Compositions and Methods of use thereof for personal care	Europe

The Company has 43 issued patents and 8 pending patents. Successful development of products to prevent and remove microbial biofilms may be dependent upon the ability to obtain approval for patents that are currently in pending status as well as successfully file new patents; however, there is no guarantee that new patents will be obtained, and, if obtained, it may not be possible to successfully defend against any subsequent infringements to these patents. Currently, the Company is unaware that it has infringed upon any existing patents issued to third parties. The Company's success may, in part, depend on operating without such infringement.

<b>Trademark</b>	<b>Jurisdiction</b>
DispersinB®	Canada United States Europe
bluestem™	United Kingdom
bluestem®	United States Europe
Coactiv+®	Canada
Coactiv+™	Canada
Coactiv+®	United States
goldstem™	Europe
	Canada
silkstem™	United States
	Canada
DermaKB™	United States
	Canada
DermaKB Biofilm™	United States
	Canada
Aledex™	United States
StrixNB™	United States

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### SUMMARY OF KANE BIOTECH PRESS RELEASES SINCE JANUARY 1, 2021

On September 2, 2021, Kane Biotech announced that it had entered into an amended and restated credit agreement with Pivot Financial Inc. ("Pivot") dated August 31, 2021 (the "Amended Credit Facility"). The Amended Credit Facility amends and restates the existing credit agreement with Pivot dated November 5, 2020, increasing the credit facility to \$2.5 million from \$1.48 million. The Amended Credit Facility shall continue to be used by Kane Biotech for: (i) funding research and development relating to eligible government reimbursable expenditures; (ii) expenses related to STEM Animal Health Inc; and (iii) general working capital purposes.

On August 31, 2021, the Company announced that STEM had shipped its first order of bluestem™ products to PetSmart® Canada, Canada largest specialty pet retailer of services and solutions for the lifetime needs of pets. Bluestem™ oral care products will be distributed to all 150 stores and will be available via PetSmart®'s online store.

On July 29, 2021, the Company announced that it had received two Decisions to Grant from the European Patent Office for patents covering its best-in-class coactiv+™ technology. The allowed claims cover composition of matter for the company's proprietary formulations for use in treating wounds and skin infections and in personal care formulations.

On July 22, 2021, Kane Biotech announced plans to expand its wound care and surgical portfolio with an antimicrobial hydrogel based on its best-in-class coactiv+™ technology.

On July 21, 2021, the Company announced that it has cancelled 8,470,555 stock options of various directors, officers, employees and consultants of the Company. The Company also announced the issuance of 10,739,488 restricted share units of the Company to various directors, officers, employees, and consultants of the Company pursuant to the performance and restricted share unit plan of the Company dated April 21, 2021.

On July 13, 2021, the Company announced that it has successfully prepared its first batch of DispersinB® wound care hydrogel, intended for use in pre-clinical studies which will begin Q3 2021 as well as the formation of a new manufacturing partnership with Dow Development Laboratories, LLC ("DDL") to scale up the process and, ultimately, manufacture materials under Good Manufacturing Practices (GMP) for a first-in-human proof of concept trial.

On June 29, 2021, Kane Biotech announced that it will host investor meetings at the 10th Annual Whistler 2021 Capital Conference hosted by Capital Event Management the weekend of July 9-11, 2021 at The Fairmont Chateau, Whistler.

On June 26, 2021, Kane Biotech announced that it is going live with the first of a 5-part "2021 business update" video series meant to offer investors and other stakeholders bite-sized explainers that discuss and layout the strategies and differentiators for each of Kane's three strategic pillars: OTC or consumer products, animal health, and wound care.

On June 9, 2021, the Company announced that, at the annual and special meeting of shareholders of the Company held on May 26, 2021, by ordinary resolution, a majority of the shareholders approved the adoption of the performance and restricted share unit plan of the Company (the "PRSU Plan") and the amended and restated stock option plan of the Company (the "Amended and Restated SOP"), including a majority of disinterested Shareholder approval with respect to the PRSU Plan.

On April 29, 2021, Kane Biotech announced that it had published strong positive results from a recent consumer trial of its DermaKB™ products. An average of 82% of participants saw an improvement in their symptoms using both the Detoxifier and the Shampoo, with an average 33% reduction in the severity of symptoms after using only a three oz. sample of either product.

On April 13, 2021, Kane Biotech announced that Dr. Allan Mandelzys has been engaged as an advisor to Kane Biotech's Board of Directors and will be nominated for Board directorship at the Company's upcoming Annual and Special Meeting of Shareholders to be held on May 26, 2021.

On March 11, 2021, the Company announced Marc Edwards, CEO would be presenting at the Inaugural Emerging Growth Virtual Conference presented by Maxim Group LLC.

On March 10, 2021 Kane Biotech announced that preliminary analysis of data from efficacy trials for STEM's pet oral care water additive have met the primary endpoint. As previously disclosed, two milestone payments to STEM from STEM's licensing partners are dependent on positive clinical efficacy data and certification from an industry leading body.

# KANE BIOTECH INC.

## Management Discussion and Analysis

On February 24, 2021 the Company announced current Board member Mark Nawacki will take over as Chairman of the Board, and Philip Renaud will assume the role of Vice Chair.

### OUTLOOK

The strategic direction of the Company remains centered on developing and commercializing solutions to biofilm-related problems in the Animal and Human Health markets. To advance these programs and fulfill its strategic objectives, management expects the Company to continue incurring operating losses for the foreseeable future. Given the nature of its business and the developmental phase that Kane Biotech is currently in, research expenditures are expected to be higher in 2021 than in 2020 but partially offset by the increased use of previously announced MTEC and WD government funding programs. General and administrative expenses in 2020 and 2021 to date were tempered by a combination of spending reductions and the Company's use of Canadian Government economic relief measures associated with the COVID-19 pandemic. Dependent upon the ongoing effects of the COVID-19 pandemic in 2021, general and administrative expenses may start to increase in 2021 relative to 2020. Revenues in 2020 and 2021 to date were impacted by the COVID-19 pandemic but are expected to increase in 2022 as the company pursues revenue growth opportunities. The Company is committed to increased commercialization and revenue growth in all three of its divisions and operating with strict cost controls while continuing to develop its new technologies and products.

The Company's funding of future operations is primarily dependent upon its ability to: a) negotiate collaboration or licence royalty agreements with upfront and subsequent milestone and/or equity payments, b) generate product, services and royalty revenue, and c) obtain research and development funding. While the Company is striving to achieve funding through all three of these alternatives, there is no assurance that such sources will be available or obtained on favourable terms. If that is the case, the Company will consider financing alternatives, including those used in the past such as private placements and debt financing, to raise the necessary capital it requires to fund ongoing operations.

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 its financial statements. There is no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.

The Company may decide to accelerate, terminate, or reduce its focus in certain research areas, or commence research in new areas as a result of the Company's research progress and the availability of financial resources. These decisions are made with the goals of tightly managing the Company's cash resources and optimizing the Company's opportunities. Management is not presently aware of any factors that would change its strategy over the next year. See also "Note 2(c) Going concern" to the accompanying financial statements.

### SELECTED QUARTERLY FINANCIAL INFORMATION

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

	Q3-2021	Q2-2021	Q1-2021	Q4-2020	Q3-2020	Q2-2020	Q1-2020	Q4-2019
	\$	\$	\$	\$	\$	\$	\$	\$
License	35,872	35,872	29,268	29,268	16,768	16,768	16,768	16,768
Royalty	35,146	29,258	37,495	31,829	34,062	19,037	47,912	32,645
Sales of goods and services	470,284	213,611	309,276	196,241	309,773	231,688	391,459	514,725
Total Revenue	541,302	278,741	376,039	257,339	360,603	267,493	456,139	564,138
Cost of Sales	409,637	195,157	210,163	154,622	231,447	151,923	276,723	363,905
Gross Profit	131,665	83,584	165,876	102,717	129,156	115,570	179,416	200,233
Operating Expenses	1,721,305	1,090,396	1,149,611	1,168,493	1,247,140	711,448	1,624,152	1,421,945
Net loss	(1,582,959)	(998,889)	(1,010,892)	(945,795)	(1,030,948)	(505,397)	(1,363,836)	(1,156,695)
Net loss attributable to shareholders	(1,522,796)	(904,487)	(908,467)	(816,505)	(1,030,948)	(505,397)	(1,363,836)	(1,156,695)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)
Loss per share attributable to shareholders	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)

# KANE BIOTECH INC.

## Management Discussion and Analysis

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

The Company's ongoing operating expenses relate primarily to the execution of research programs, the commercialization of its intellectual property and general and administrative expenses. The operations of the Company are not subject to any material seasonality or cyclical factors.

License revenue relates to the recognition of revenue associated with the initial payment of \$500,000 USD the Company received upon signing its exclusive license and distribution agreement with Dechra in March 2017 and starting in Q4 2020, the recognition of revenue associated with the initial payment of \$500,000 CAD which was due to STEM one year after the signing of STEM's exclusive license and distribution agreement with Animalcare in September 2020. The initial license payment from Dechra has been recorded in the financial statements as deferred license revenue and is being recognized as license revenue on a straight-line basis over the 10-year life of the Dechra agreement. The initial license payment from Animalcare is being recognized as license revenue over the 10-year life of the Animalcare agreement. In addition, in April 2021, the Company received a \$125,000 USD milestone payment from Dechra related to the successful production of a pilot batch of product manufactured in South America. This milestone payment has been recorded in the financial statements as deferred license revenue and is being recognized as license revenue on a straight-line basis over the duration of the license agreement.

Quarter over quarter royalty revenues were trending higher prior to the COVID-19 pandemic but decreased significantly when the pandemic first took hold in 2020 due to the resulting lower product demand in the veterinary channel. Royalties have since recovered to near pre-pandemic levels. The expansion of Dechra's product line in late 2019, namely rawhide chews in Canada and the United States and its toothpaste line into the United States, bodes well for future royalty growth. Sales of Dechra's existing product line are expected to launch in South America in 2022 and the Company continues to demonstrate the safety and efficacy of the product line.

Sales of goods and services were impacted in 2020 and 2021 to date by a number of COVID-19 related factors including limited consumer access to pet retail and veterinary facilities, the permanent store closures of one of the Company's major US pet retail customers and raw material and packaging supply chain irregularities which resulted in finished good product shortages

While some of the above mentioned COVID-19 related challenges will continue to impact animal health revenues in 2021 and in to 2022, the overarching strategy within STEM is to grow revenues by expanding distribution of bluestem products within the pet specialty trade and by supporting Dechra's current and Animalcare's future premium veterinary oral care product range. In human health, the recent launch of the Company's first line of hair care products within its OTC Consumer Goods division will also contribute to increasing product sales in future quarters.

Overall, aside from provisions recorded for inventory obsolescence, gross profit as a percentage of revenues has increased in recent quarters primarily due to increased license income. The Company is actively pursuing cost reduction opportunities throughout its supply chain although this strategy continues to be hindered by supply chain challenges resulting from the pandemic.

Operating expenses can vary significantly from quarter to quarter primarily due to fluctuations in research expenditures related to the Company's work on its DispersinB<sup>®</sup> human wound care hydrogel project as well as sales and marketing spending incurred within its animal health and OTC products divisions. Q3 2020 includes significant legal expenses pertaining to its agreements with Animalcare. Q3 2021 includes significant non-cash expenditures related to the Company's Restricted Share Unit ("RSU") long-term compensation plan which was implement in the quarter.

## RESULTS OF OPERATIONS

### Revenue

Revenue consists of License and Royalty revenue from its licensing agreements with Dechra and Animalcare, product sales from the Company's bluestem<sup>™</sup> brand and contract manufacturing and quality control services revenue related to the Company's relationship with Dechra.

The Company's revenue by category for the three months ended September 30, 2021 and 2020 is summarized in the table below:

## KANE BIOTECH INC.

### Management Discussion and Analysis

Three Months ended September 30,	2021	2020	Change	% Change
License	\$ 35,872	\$ 16,768	\$ 19,104	113.9%
Royalty	35,146	34,062	1,083	3.2%
Sales of goods	438,016	286,934	151,082	52.7%
Service	32,268	22,839	9,429	41.3%
Total Revenue	\$ 541,302	\$ 360,603	\$ 180,697	50.1%

License revenue consists of: (1) the recognition over 10 years of the upfront payment of \$500,000 USD received from Dechra upon signing the License Agreement in March 2017, (2) the recognition over 10 years of the \$500,000 USD initial payment due in Q4 2021 related to the Licence Agreement with Animalcare, and (3) the recognition over the remaining Dechra licensing agreement term of the \$125,000 USD milestone payment received from Dechra in April 2021 related to the successful production of a pilot batch of a product by a manufacturer in South America. In the three months ended September 30, 2021, license revenue recognized from these sources increased by 114% to \$35,872 compared to \$16,768 in the three months ended September 30, 2020.

Royalty revenue consists of royalties received from Dechra on their sales of Vetradent™ products in the North American veterinary market. The underlying product sales by Dechra in the veterinary channel were impacted by the COVID-19 pandemic in both the current and comparative periods.

Product sales in the three months ended September 30, 2021 were \$438,016, an increase of 53% compared to \$286,934 in the three months ended September 30, 2020. The increase is due mainly to financial reporting reclassifications in the current period amongst revenue, cost of sales and general and administration expenses retroactive to the beginning of 2021 and sales attributable to a new major pet retail customer partially offset by the permanent US store closures in Q4 2020 of one of the Company's major pet retail customers which resulted from the COVID-19 pandemic.

Services revenue consists of contract manufacturing and quality control services related to the Company's relationship with Dechra. In the three months ended September 30, 2021, services revenue was \$32,268, an increase of 41% compared to \$22,839 for the three months ended September 30, 2020. This increase is due mainly to higher demand from Dechra for contract manufacturing services during the current period.

The Company's revenue by category for the nine months ended September 30, 2021 and 2020 is summarized in the table below:

Nine Months ended September 30,	2021	2020	Change	% Change
License	\$ 101,012	\$ 50,305	\$ 50,707	100.8%
Royalty	101,899	101,011	887	0.9%
Sales of goods	889,721	758,898	130,823	17.2%
Service	103,450	174,022	(70,573)	-40.6%
Total Revenue	\$ 1,196,082	\$ 1,084,237	\$ 111,844	10.3%

License revenue consists of: (1) the recognition over 10 years of the upfront payment of \$500,000 USD received from Dechra upon signing the License Agreement in March 2017, (2) the recognition over 10 years of the \$500,000 USD initial payment due in Q4 2021 related to the Licence Agreement with Animalcare, and (3) the recognition over the remaining Dechra licensing agreement term of the \$125,000 USD milestone payment received from Dechra in April 2021 related to the successful production of a pilot batch of a product by a manufacturer in South America. In the nine months ended September 30, 2021, license revenue recognized from these sources increased by 101% to \$101,012 compared to \$50,305 in the nine months ended September 30, 2020.

Royalty revenue consists of royalties received from Dechra on their sales of Vetradent™ products in the North American veterinary market. In the nine months ended September 30, 2021, royalty payments received from Dechra were \$101,899 compared to \$101,011 in the nine months ended September 30, 2020. The underlying product sales by Dechra in the veterinary channel were impacted by the COVID-19 pandemic in both the current and comparative periods.

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## Management Discussion and Analysis

Revenue from product sales in the nine months ended September 30, 2021 was \$889,721, an increase of 17% compared to \$758,898 in the nine months ended September 30, 2020. The increase is due mainly to financial reporting reclassifications in the current period amongst revenue, cost of sales and general and administration expenses retroactive to the beginning of 2021 and overall higher pet retail customer sales in the current period include sales attributable to a new major pet retail customer partially offset by the permanent US store closures in Q4 2020 of one of the Company's major pet retail customers which resulted from the COVID-19 pandemic as well as lower online sales.

Services revenue consists of contract manufacturing and quality control services related to the Company's relationship with Dechra. In the nine months ended September 30, 2021, services revenue was \$103,450, a decrease of 41% compared to \$174,022 for the nine months ended September 30, 2020. This decrease is due mainly to lower demand from Dechra for contract manufacturing services during the current period.

### General and Administration Expenses

General and administration expenses include those costs not directly related to research and development. These include expenses associated with management and administrative staff compensation, commercialization activities and professional fees such as consulting, legal, audit, and investor relations.

The changes in general and administration expenditures by category for the three months ended September 30, 2021 and 2020 are reflected in the following table:

Three Months ended September 30,	2021	2020	Change	% Change
Compensation related costs and consulting fees	\$ 1,062,053	\$ 528,976	\$ 533,076	100.8%
Business development costs	209,037	134,781	74,256	55.1%
Legal costs	19,866	196,846	(176,979)	-89.9%
Other administration costs	114,708	49,467	65,241	131.9%
Government assistance	-	(40,761)	40,761	-100.0%
General and administration expenses	\$ 1,405,664	\$ 869,309	\$ 536,355	61.7%

Higher compensation related costs and consulting fees in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 are primarily due to increases in staff as well as short-term incentive and long-term incentive expense in the current period.

Higher business development costs in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 are primarily due to higher investor relations, TSXV filing fees, consulting and travel costs in the current period.

Lower legal costs in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 are primarily due to legal costs incurred in the comparative period related to the Company's agreements with Animalcare.

Higher other administration costs in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 are due primarily to higher facility, information technology and external auditing costs in the current period.

Government assistance recorded in the comparative period is due to funding received from NRC IRAP in the comparative period related to certain supply chain, quality control and quality assurance expenditures.

The changes in general and administration expenditures by category for the nine months ended September 30, 2021 and 2020 are reflected in the following table:

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## Management Discussion and Analysis

Nine Months ended September 30,	2021	2020	Change	% Change
Compensation related costs and consulting fees	\$ 2,390,441	\$ 1,561,706	\$ 828,735	53.1%
Business development costs	482,827	674,214	(191,387)	-28.4%
Legal costs	45,575	305,588	(260,013)	-85.1%
Other administration costs	301,507	155,129	146,378	94.4%
Government assistance	(96,328)	(177,768)	81,439	-45.8%
General and administration expenses	\$ 3,124,022	\$ 2,518,869	\$ 605,153	24.0%

Higher compensation related costs and consulting fees in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 are primarily due to increases in staff, short-term incentive expense, long-term incentive expense and consulting fees as well as higher financial assistance received for salary costs from the Canadian government's CEWS program which was implemented during the COVID-19 pandemic.

Lower business development costs in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 are primarily due to lower advertising and promotion expenses as well as lower travel and trade show expenses in the current period partially offset by higher investor relation costs in the current period.

Lower legal costs in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 are primarily due to legal costs incurred in the comparative period related to the Company's private placement and its agreements with Animalcare.

Higher other administration costs in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 are due primarily to higher facility, information technology and external auditing costs in the current period.

Lower government assistance recorded in the nine months ended September 30, 2021 is due to lower funding received from NRC IRAP in the current period related to certain supply chain, quality control and quality assurance expenditures.

### Research and Development Expenses

Research and development expenses are associated with the Company's research and development programs. The Company is in the development and commercialization stage and devotes a significant portion of its financial resources to research and market-ready product development activities.

The changes in research and development expenses by category for the three months ended September 30, 2021 and 2020 are reflected in the following table:

Three Months ended September 30,	2021	2020	Change	% Change
Compensation related costs and consulting fees	\$ 347,939	\$ 103,190	\$ 244,749	237.2%
Contract research and scientific consulting	526,457	187,339	339,118	181.0%
Patent related costs and other intangibles expensed	99,226	34,506	64,720	187.6%
Other research costs	68,669	45,487	23,182	51.0%
Government assistance	(726,650)	7,309	(733,958)	10042.3%
Research expenses	\$ 315,641	\$ 377,831	\$ (62,189)	-16.5%

Higher compensation related costs in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 are due primarily to an increase in staff and higher long-term compensation expense in the current period.

Higher contract research and scientific consulting costs in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 are due primarily to increased research expenditures and other costs related to the Company's DispersinB® human wound care program in the current period.

Higher patent related costs and other intangibles expensed in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 are due mainly to higher patent write-off expense in the current period.

## KANE BIOTECH INC.

### Management Discussion and Analysis

Higher other research costs in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 are due primarily to higher laboratory occupancy and research consumables costs in the current period.

Government assistance in the three months ended September 30, 2021 is attributable to government assistance recorded for the DoD MTEC Award.

The changes in research and development expenses by category for the nine months ended September 30, 2021 and 2020 are reflected in the following table:

<b>Nine Months ended September 30,</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>% Change</b>
Compensation related costs and consulting fees	\$ 749,498	\$ 400,182	\$ 349,316	87.3%
Contract research and scientific consulting	864,799	700,092	164,708	23.5%
Patent related costs and other intangibles expensed	160,533	99,648	60,885	61.1%
Other research costs	188,174	171,995	16,179	9.4%
Government assistance	(1,125,713)	(308,046)	(817,667)	265.4%
<b>Research expenses</b>	<b>\$ 837,291</b>	<b>\$ 1,063,871</b>	<b>\$ (226,580)</b>	<b>-21.3%</b>

Higher compensation related costs in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 are due primarily to an increase in staff and higher long-term compensation expense in the current period partially offset by higher financial assistance received in the current period for salary costs from the Canadian government's CEWS program which was implemented during the COVID-19 pandemic.

Higher contract research and scientific consulting costs in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 are due primarily to increases in research expenditures and other costs related to the Company's DispersinB® human wound care program in the current period.

Higher patent related costs and other intangibles expensed in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 are due mainly to higher patent maintenance and patent write-off expenses in the current period.

Higher other research costs in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 are due primarily higher research consumables costs in the current period.

Higher government assistance in the nine months ended September 30, 2021 is due to higher government assistance recorded for the DoD MTEC Award in the current period.

### Other expenses (Income)

The change in other expenses (income) for the three months ended September 30, 2021 and 2020 are reflected in the following table:

<b>Three Months ended September 30,</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>
Finance income	\$ (32,926)	\$ (288)	\$ (32,638)
Finance expense	126,590	13,825	112,764
Fair value adjustment - government loan	(96,765)	(101,328)	4,563
Foreign exchange loss, net	(3,580)	755	(4,335)
<b>Net other income</b>	<b>\$ (6,681)</b>	<b>\$ (87,036)</b>	<b>\$ 80,354</b>

Higher finance income in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 is due primarily to accretion income recorded on the capital contributions receivable from Animalcare and interest recorded on the loan receivable from a company which is owned by the President & CEO of Kane Biotech.

# KANE BIOTECH INC.

## Management Discussion and Analysis

Higher finance expense in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 is due primarily to the recognition of interest expense on the current loan payable liability in the current period as well as higher accretion expense recognized on the WD loan in the current period than in the comparative period.

Lower fair value adjustment – government loan income in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 is due mainly to a lower amount of new WD funding received in the current period than in the comparative period.

The change in other expenses (income) for the nine months ended September 30, 2021 and 2020 are reflected in the following table:

Nine Months ended September 30,	2021	2020	Change
Finance income	\$ (96,603)	\$ (1,414)	\$ (95,189)
Finance expense	283,183	26,868	256,314
Fair value adjustment - government loan	(177,140)	(285,843)	108,703
Foreign exchange loss, net	3,112	1,973	1,140
Net other expenses (income)	\$ 12,552	\$ (258,416)	\$ 270,968

Higher finance income in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 is due primarily to accretion income recorded on the capital contributions receivable from Animalcare and the loan receivable from a company which is owned by the President & CEO of Kane Biotech.

Higher finance expense in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 is due to primarily to the recognition of interest expense on the current loan payable liability in the current period as well as higher accretion expense recognized on the WD loan in the current period than in the comparative period.

Lower fair value adjustment – government loan income in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 is due mainly to a lower amount of new WD funding received in the current period than in the comparative period.

### Loss and Comprehensive Loss

The loss and comprehensive loss for the three and nine months ended September 30, 2021 and 2020 are reflected in the following tables:

Three Months ended September 30,	2021	2020	Change
Loss and comprehensive loss	\$ (1,582,959)	\$ (1,030,948)	\$ (552,011)
Loss and comprehensive loss attributable to shareholders	\$ (1,522,796)	\$ (1,030,948)	\$ (491,848)
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.01)

Nine Months ended September 30,	2021	2020	Change
Loss and comprehensive loss	\$ (3,592,739)	\$ (2,900,181)	\$ (692,558)
Loss and comprehensive loss attributable to shareholders	\$ (3,335,748)	\$ (2,900,181)	\$ (435,568)
Basic and diluted loss per share	\$ (0.03)	\$ (0.03)	\$ (0.00)

### LIQUIDITY AND CAPITAL RESOURCES

Since inception, the Company has primarily financed its operations from revenues, public and private sales of equity, the exercise of warrants, loans and convertible notes, government grants and tax credits. As of September 30, 2021, the Company had cash of \$1,292,623 compared to \$1,007,923 as of December 31, 2020.

# KANE BIOTECH INC.

## Management Discussion and Analysis

### Cash used in operating activities

Cash used in operating activities for the three months ended September 30, 2021 was \$858,198 compared to \$251,004 for the three months ended September 30, 2020. The increase in cash used in operating activities is due primarily to a higher loss and comprehensive loss and an increase in net non-cash working capital in the current period compared to a decrease in net non-cash working capital in the comparative period partially offset by higher share-based compensation expense in the current period.

Cash used in operating activities for the nine months ended September 30, 2021 was \$2,197,386 compared to \$2,117,272 for the nine months ended September 30, 2020. The increase in cash used in operating activities is due primarily to a higher loss and comprehensive loss and a lower decrease in net non-cash working capital in the current period partially offset by higher share-based compensation expense in the current period.

### Cash provided by financing activities

Cash provided by financing activities for the three months ended September 30, 2021 was \$1,745,467 compared to cash provided by financing activities of \$1,299,399 for the three months ended September 30, 2020. The increase in cash provided by financing activities is due mainly to proceeds received from Pivot related to the extend credit facility in the current period partially offset by lower proceeds received from Animalcare for the sale of the 33.34% equity interest in STEM in the current period than what was received in the comparative period.

Cash provided by financing activities for the nine months ended September 30, 2021 was \$2,728,189 compared to cash provided by financing activities of \$2,661,882 for the nine months ended September 30, 2020. The increase in cash provided by financing activities is due mainly to proceeds received from Pivot related to the extended credit facility and from warrant holders for the exercise of warrants in the current period partially offset by proceeds received from the second tranche of the Company's private placement and higher loan proceeds received from WD in the comparative period as well as loan payments made in the current period.

### Cash used in investing activities

Cash used in investing activities during the three months ended September 30, 2021 was \$50,470 compared to \$15,075 in the three months ended September 30, 2020. The increase in cash used in investing activities is due mainly to an increase in capitalized patent expenditures during the current period.

Cash used in investing activities during the nine months ended September 30, 2021 was \$246,103 compared to \$106,433 in the nine months ended September 30, 2020. The increase in cash used in investing activities is due mainly to the purchase of laboratory equipment and furniture during the current period.

The Company continues to seek additional licensing and distribution partners for its various products and technologies currently in development. This in combination with ongoing royalties and potential milestone payments associated with its existing licensing agreements with Dechra and Animalcare will provide increasing liquidity in the future. The Company also intends to seek maximization of its use of government grant programs in order to offset some of its research costs.

However, it is possible that these sources of cash inflows will not be sufficient to entirely fund the Company's planned research activities and administration costs in 2021. If that is the case, the Company will consider financing alternatives including those used in the past such as private placements and debt financing to raise the necessary capital it requires to fund ongoing operations.

The Company manages its operational spending and determines its future financing requirements through a process of budgeting and ongoing cash flow forecasting.

# KANE BIOTECH INC.

## Management Discussion and Analysis

### Shares, options, and warrants

	Nov 15, 2021	September 30, 2021	December 31, 2020
Common shares issued and outstanding	114,813,535	114,813,535	108,613,535
Options outstanding	141,170	141,170	9,399,555
Restricted Share Units	10,739,488	10,739,488	-
Warrants outstanding	40,974,389	40,974,389	47,174,389

A summary of the Company's share capital may be found in Note 14 of the accompanying financial statements.

### CONTRACTUAL OBLIGATIONS

The Company periodically enters into credit and funding agreements, long term contractual agreements for the licensing of technologies, facility and equipment lease agreements and consulting service agreements. The following table presents commitments arising from outstanding agreements in force over the next seven years:

	Payments due by Period					Total
	Within 1 year	2-3 years	4-5 years	6-7 years		
Canadian Dollars :						
Leases	\$ 214,610	\$ 333,870	\$ 333,337	\$ 166,669	\$	1,048,485
Accounts payable and accrued liabilities	1,829,647	-	-	-	-	1,829,647
Due to related party	8,066	-	-	-	-	8,066
Loan payable	2,526,546	-	-	-	-	2,526,546
Long-term government loans	-	105,226	601,807	601,807	-	1,308,840
Consulting Services	30,000	-	-	-	-	30,000
	\$ 4,608,869	\$ 439,096	\$ 935,144	\$ 768,476	\$	6,751,584
US Dollars :						
Licence maintenance fees (USD)	10,000	20,000	20,000	20,000	-	70,000
Consulting Services	12,750	-	-	-	-	12,750
Licence maintenance fees (USD)	\$ 22,750	\$ 20,000	\$ 20,000	\$ 20,000	\$	82,750

### GUARANTEES

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

### OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

The Company does not have any off-Statement of Financial Position arrangements.

# KANE BIOTECH INC.

## Management Discussion and Analysis

### CONTROLS

As a result of the Company's limited administrative staffing levels, internal controls which rely on segregation of duties in many cases are not appropriate or possible. Due to resource constraints and the present stage of the Company's development, the Company does not have sufficient size and scale to warrant the hiring of additional staff to correct this potential weakness at this time. To help mitigate the impact of this potential weakness, the Company is highly reliant on the performance of compensating procedures and senior management's review and approval.

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

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

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

In addition to the going concern assumption described above, management believes that its most critical accounting policies and estimates relate to the following areas, with reference to notes contained in the accompanying financial statements:

#### Revenue recognition

The Company's accounting policy over revenue recognition may be found in Note 3(a) in the Company's financial statements.

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 financial statements. These policies are as follows:

Non-refundable payments received at the time of executing a license agreement are recognized when the Company satisfies a performance obligation by transferring control of a promised good or service to a customer. The Company concluded that license fees that are paid up front represent a material right to use over the duration of the contract term and as such the Company recognises upfront consideration received as a contract liability (i.e. deferred license revenue) in its statement of financial position. License revenue related to these non-refundable payments is recognized on a straight-line basis over the life of the license agreement.

Revenue associated with license agreement milestones is recognized when it is highly probable that the performance obligation is met and the risk of reversal of revenue recognition is remote.

Royalty income earned from a license agreement is recognized when contractually earned.

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 performance obligation on services is met.

#### Research and development costs

The Company's accounting policy over research and development costs may be found in Note 3(f)(i) in the Company's financial statements. Research expenditures are expensed as incurred. Development expenditures are deferred when they meet the criteria for capitalization in accordance with IFRS and the future benefits could be regarded as being reasonably certain. No development expenditures have been capitalized to date and there are no plans to capitalize development expenditures in the foreseeable future. Related Scientific Research & Experimental Development (SR&ED) investment tax credits are accounted for as a reduction to research and development expenditures in the period that they are earned and only to the extent they are refundable. Non-refundable SR&ED investment tax credits are not recorded in the financial statements as there is not assurance at this time there will be sufficient taxable income in the future to utilize those tax credits.

# KANE BIOTECH INC.

## Management Discussion and Analysis

### Patents and trademarks

The Company's accounting policy over patents and trademarks may be found in Notes 3(f)(ii) in the Company's financial statements. Patents and trademarks are reviewed for impairment on an ongoing basis whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, then the asset's recoverable amount is estimated. 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 or 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 regarding 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 as a result of impairment are recognized in research expense in the statement of loss and comprehensive loss.

### Stock-based compensation

The Company's accounting policy over stock-based compensation may be found in Notes 3(h)(ii), 14(c) and 14(d) in the Company's financial statements.

Where the Company issues restricted share units to its employees, directors, officers or consultants, the fair value of these units is derived from the Company's closing share price on the TSX Venture Exchange on the date of issuance.

Where the Company issues stock options to its employees, directors, officers or consultants, the fair value of the options is derived using the Black-Scholes pricing model. The application of this pricing model requires Management to make assumptions regarding several variables, including the expected life of the options and warrants, the price volatility of the Company's stock over a relevant timeframe, the determination of a relevant risk-free interest rate and an assumption regarding the Company's dividend policy in the future.

A summary of all the Company's significant accounting policies and estimates may be found in Note 3 to the financial statements.

## RISKS AND UNCERTAINTY

Kane Biotech operates in a highly competitive environment that involves significant risks and uncertainties, some of which are outside of the Company's control. The Company is subject to risks both inherent and not inherent to the biotechnology industry, including:

### Risks Related to the Company's Financial Condition

- The Company has not derived sufficient revenues to date from the commercial sale of its antibiofilm technology and products to offset its costs. In light of the length of time and expense associated with bringing new products through commercialization, obtaining regulatory approval and bringing products to market, operating losses are expected to continue.
- The Company has relied upon equity financing to support operations and will continue to need significant amounts of additional capital that may not be available to the Company on favourable terms and may be dilutive.
- The Company has relied upon non-dilutive government funding to support some of its research and development programs and other operations. This funding is contingent upon certain deliverables being fulfilled as mandated by the government agencies.
- The Company may fail to obtain additional financing and be unable to fund operations and commercialize its product candidates.

# KANE BIOTECH INC.

## Management Discussion and Analysis

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

### Risks Related to the Company's Financial Management

The Company is subject to ongoing foreign exchange, interest rate, credit and liquidity risks. The management of these risks is described in Note 22 of the Company's audited financial statements for the year ended December 31, 2020.

### Risks Related to the Company's Business and Operations

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

### Risks Relating to the Intellectual Property

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

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

# **KANE BIOTECH INC.**

## **Management Discussion and Analysis**

### **Risks Relating to the Company's Common Shares**

- The Company has not paid and does not intend to pay any cash dividends on its common shares and therefore, its shareholders may not be able to receive a return on their shares unless they sell them.
- The market price and trading volume of the Company's common shares may be volatile. In addition, variations in future earnings estimates by securities analysts and the market prices of the securities of the Company's competitors may also lead to fluctuations in the trading price of the common shares.
- The significant costs that the Company will incur as a result of being a public company in Canada could adversely affect its business.

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