Management Discussion and Analysis
(Expressed in Canadian Dollars)

KANE BIOTECH INC.

Years ended December 31, 2017 and 2016

KANE BIOTECH INC.

Management Discussion and Analysis

The following management discussion and analysis ("MD&A") covers information up to March 21, 2017 and should be read in conjunction with the interim financial statements for the period ended December 31, 2017. 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 and on the Company's website at 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 of the Board of Directors has reviewed this document and all other publicly reported financial information for integrity, usefulness, reliability and consistency.

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;
- 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

OVERVIEW

Kane Biotech Inc. ("Kane Biotech" 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 in 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 Institutes of Health, biofilms are estimated to be responsible for 80% of all animal and human bacterial infections including tooth decay, wound care 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 in safe and effective products that can combat the biofilm problem. Kane Biotech's mission is to be a royalty-based revenue company licensing its anti-biofilm technologies to global industry players.

Key Highlights of Kane Biotech include the following:

- A specialized focus on large markets for biofilm prevention and dispersion solutions
- Strong patent portfolio of anti-biofilm technologies with 75 patents and patents pending
- First commercial licensing and distribution agreement signed (2017)
- Several anti-biofilm applications in development for large market opportunities

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®, AloSera™, coactiv+™ and coactiv+® 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".

COMPANY FOCUS

Over the past year Kane Biotech has focused the majority of its resources on applications of its technology on oral care and skin care in the companion pet market, human skin disorders, and the disinfection of hard surfaces. Kane Biotech's objective is to license the Company's intellectual property to strategic partners with already established large scale market and territory access. Kane Biotech's premium companion pet oral care products, StrixNB™ and bluestem™, are targeted at multiple channels, including veterinary clinics, pet specialty retail, grocery/mass merchants, and e-commerce. DispersinB® is a powerful biofilm dispersion enzyme with initial targeted applications for canines which include otic ear infections and skin "hot spot" infections. A shampoo that fights atopic dermatitis on dogs has been formulated and is ready for test marketing and in-vivo testing. The Company's StrixNB and DispersinB technologies are licensed to Dechra Pharmaceuticals (LON:DPH) for distribution in the North American veterinary channel. Dechra markets the StrixNB™ technology under its Vetradent™ brand name. More information about the Dechra agreement is provided below.

For human health skin disorder conditions, Kane Biotech has several formulations in final development based on its proprietary anti-biofilm technologies that have the potential to treat conditions such as athlete's foot, eczema and seborrheic dermatitis. Athlete's foot afflicts 15% of the world population and its global market is estimated to be almost $1B. Eczema (atopic dermatitis) afflicts 10% of adults and 25% of children globally and by 2022 its global market is estimated to reach $5.6B. Seborrheic dermatitis (including chronic dandruff) is the fastest growing hair care segment and by 2020 its size is projected to reach $6B. In-vitro data as well as testimonials of people using Kane Biotech's formulations for these three conditions have been strong and compelling. The Company plans to gather clinical data in 2018 on the application of its technology to these conditions to help advance discussions with potential market partners.

Kane Biotech's antimicrobial and anti-biofilm hard surface disinfectant technology has applications in hospitals, medical device decontamination, food production and safety, and industrial process control environments where highly resistant bacteria can cause major problems. Further work on formulations and their testing of this technology will continue in 2018.

Targeted company milestones for 2018 include the following:

- Uplist to OTCQB Venture Market (January 2018)
- Retain investor relations counsel (February 2018)
- File lawsuit against Nestlé to defend Kane Biotech's intellectual property (February 2018)
- Existing license expansion for companion animal veterinary market in terms of geography and product applications

- Complete additional trials and achieve International standard of canine oral care efficacy
- Launch DispersinB® based products with Dechra
- Execute new technology license and distribution agreements
- Initiate clinical trials for technologies treating human chronic inflammatory skin disorders

SUMMARY OF KANE BIOTECH PRESS RELEASES FROM JANUARY 2017 TO MARCH 21, 2018

On March 21, 2018, the Company announced its 2017 Year End and Fourth Quarter Financial Results and Business Update with reminder of earnings conference call and business update for March 22, 2018.

On March 20, 2018, the Company announced it would showcase its bluestem™ Pet Oral Care Products and New Skin Care Shampoo at the 14th Annual Global Pet Expo, March 21 to March 23, 2018 in Orlando Florida. Booth number 5874.

On March 16, 2018, the Company announced its scheduled its Fourth Quarter and Full Year 2017 Earnings Conference Call and Business Update on Thursday, March 22, 2018 at 4:30pm E.T. to discuss its financial results for the fourth quarter and full year 2017, in conjunction with the filing of its annual Year End Financial Statements for the fourth quarter and full year ended December 31, 2017.

On February 26, 2018, the Company announced that it filed a lawsuit against Nestec, Ltd., a/k/a Nestec, S.A. ("Nestec"), and Nestlé Purina Petcare Global Resources, Inc. ("Nestlé Purina"), (collectively "Nestlé") for breach of agreements between the parties, and misappropriation of Kane Biotech's trade secrets and intellectual property.

On February 1, 2018, the Company announced that it retained Edison Advisors, a global strategic advisory firm, as the Corporation's investor relations counsel. Edison has been engaged to provide investor relations services to Kane Biotech as it works towards its mission to be a global leader in creating innovative technologies for licensing and product commercialization that breakdown and disperse biofilms.

On January 31, 2018, the Company announced that its shares were approved for and will commence trading on the OTCQB Venture Market, operated by OTC Markets Group under the symbol "KNBIF".

On November 14, 2017, the Company announced its Q3, 2017 Financial Results, the resignation of Dr. Arvind Joshi from the Board of Directors and the granting of options to employees of the Company.

On October 30, 2017, the Company and StockNewsNow.com, The Official MicroCap News Source™, published an SNNLive Video Interview with Mark Ahrens-Townsend, President and CEO of Kane Biotech Inc.

On September 5, 2017, the Company announced the appointment of Ray Dupuis as Chief Financial Officer. Mr. Dupuis has more than 25 years of financial leadership experience across a broad range of industries. In his CFO role, Mr. Dupuis will be working closely with the senior management team and the Board of Directors in providing all aspects of financial and administration leadership in support of driving revenue, profit and shareholder value.

On August 18, 2017, the Company announced that it has completed the second closing of its previously announced private placement offering of units at a price of $0.12 per unit effective August 17, 2017. At the second closing, the Company issued 1,100,000 Units for aggregate gross proceeds of $132,000. Accordingly, the total number of units sold by the Company at the first and second closings of the offering was 34,504,997 for aggregate gross proceeds of $4,140,600. In addition, the Company announced that Sarah Prichard resigned as a director of the Company.

On August 16, 2017, the Company announced its Q2, 2017 Financial Results.

On July 24, 2017, the Company announced it paid out all its outstanding debt. This included its $500,000 convertible note and $400,000 bridge loan. The Company also announced it granted an aggregate of 915,000 stock options at an exercise price of $0.30 per common share to directors, management, and employees of the Company. The options pursuant to the Corporation's

stock option plan were subject to TSX Venture Exchange acceptance and subject to resale restriction for a period of four months from the date of the grant.

On July 17, 2017, the Company announced it closed its previously announced private placement offering of up to 33,333,333 units at a price of $0.12 per unit for aggregate gross proceeds of $4,000,000. At the closing, the Company issued 33,404,997 Units for aggregate gross proceeds of $4,008,600. Due to greater than expected demand for the offering, management of the Company held a second closing of the offering and to increase the total number of units offered pursuant to the offering from 33,333,333 ($4,000,000) to 37,500,000 ($4,500,000).

On June 27, 2017, the Company announced it received a loan in the amount of $400,000 from Individual Investment Corporation, an arm's length third-party lender. The Loan bears interest at 12% per annum and was repaid on July 20, 2017 after the completion of the private placement offering.

On June 14, 2017, the Company announced that Mark Ahrens-Townsend, President and CEO, would be presenting at the MicroCap Conference that occurred on June 27th in Toronto.

On June 7, 2017, at the Company's Annual and Special Meeting of shareholders, the following individuals have been elected to the board of directors; Philip Renaud (Chairman), Dr. Arvind Joshi, Mark Nawacki, Dr. Sarah Prichard, Mark Ahrens-Townsend and Marc Edwards. Each Director is to serve for a term of one year or until their successors are elected or appointed.

On June 1, 2017, the Company announced the intention to undertake a non-brokered private placement offering at a price of $0.12 per unit. Each unit is comprised of one common share of the Company and one share purchase warrant and shall entitle the holder to purchase one share at a price of $0.18 per share for a period of 18 months from the date of issuance of the warrant. The net proceeds of the offering will be used for development and marketing of the Company's technologies and products and for general working capital.

On May 17, 2017, the Company announced its Q1, 2017 Financial Results.

On May 11, 2017, the Company provided an update on its business activities and intellectual property achievements.

On March 27, 2017, the Company issued 80,251 common shares in payment of $12,439 in interest owing on the $500,000 2-year 10% convertible redeemable unsecured note as at March 18, 2017.

On March 10, 2017, the Company announced it had completed the consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every five pre-consolidation common shares resulting in a total of 45,528,288 common shares issued and outstanding following the consolidation.

On March 6, 2017, the Company announced it had entered into an exclusive license and distribution agreement with Dechra Veterinary Products LLC, a wholly-owned subsidiary of Dechra Pharmaceuticals PLC (LSE:DPH). Dechra is an international specialty veterinary pharmaceuticals products company with expertise in the development, manufacture and sales and marketing of high quality products for veterinarians worldwide. Pursuant to the License Agreement, the Company has agreed to exclusively license its StrixNB™ and DispersinB® oral care and dermatology products to Dechra for commercialization in the North American veterinary market. Under the terms of this 10-year Agreement, Kane Biotech received an upfront payment upon signing along with a series of potential payments linked to various commercial milestones to a combined maximum of USD $2.0 million. In addition, Kane Biotech will receive an ongoing royalty on net sales of its Products by Dechra in North America, subject to certain minimum annual royalty payments by Dechra to Kane Biotech.

INTELLECTUAL PROPERTY

Patent #	Title	Jurisdiction
2,452,032	Synergistic Antimicrobial Compositions and Methods of Inhibiting Biofilm Formation	Canada
7,314,857	Synergistic Antimicrobial Compositions and Methods of Inhibiting Biofilm Formation	United States

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
2,006,265,707	Antimicrobial Compositions for Inhibiting Growth and Proliferation of Microbial Biofilms	Australia
2,612,729	Antimicrobial Compositions for Inhibiting Growth and Proliferation of Microbial Biofilms	Canada
ZL 200680024157.1	Antimicrobial Compositions for Inhibiting Growth and Proliferation of Microbial Biofilm	China
EP1906736	Antimicrobial Compositions for Inhibiting Growth and Proliferation of Microbial Biofilms	Europe
286291	Antimicrobial Compositions for Inhibiting Growth and Proliferation of Microbial Biofilms	India
4999842	Antimicrobial Compositions for Inhibiting Growth and Proliferation of Microbial Biofilms	Japan
564904	Antimicrobial Compositions for Inhibiting Growth and Proliferation of Microbial Biofilms	New Zealand
EP1906736	Antimicrobial Compositions for Inhibiting Growth and Proliferation of Microbial Biofilms	Germany
EP1906736	Antimicrobial Compositions for Inhibiting Growth and Proliferation of Microbial Biofilms	France
EP1906736	Antimicrobial Compositions for Inhibiting Growth and Proliferation of Microbial Biofilms	United Kingdom
6,923,962	Signal Peptides, Nucleic Acid Molecules and Methods for Treatment of Caries	United States
7,597,895	Signal Peptides, Nucleic Acid Molecules and Methods for Treatment of Caries	United States
7,294,497	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 β-N-Acetylgucosaminidase 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 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	Europe
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
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

The Company has 42 issued and 33 pending patents. Successful development of products to prevent and remove microbial biofilms may be dependent upon the ability to obtain these patents; however, there is no guarantee they will be obtained, and, if obtained, it may not be possible to successfully defend against any subsequent infringements to these patents. Currently the Company is unaware that it has infringed upon any existing patents issued to third parties and success may, in part, depend on operating without such infringement.

Trademark	**Jurisdiction**
DispersinB®	Canada
	United States
	Europe
	United Kingdom

StrixNBTM	Canada
	Europe
AledexTM	Canada
Aledex®	United States
bluestemTM	Canada
	United States
bluestem®	Europe
AloSeraTM	Canada
	United States
Coactiv+TM	Canada
	United States
Coactiv+®	Europe

KANE BIOTECH TECHNOLOGIES

StrixNB™ and bluestem

The Company's trademarks for the companion pet oral care market are StrixNB™, bluestem® and bluestem™. The companion pet oral care market in the U.S. was estimated to be $775 million in 2015 and is projected to grow to nearly $1 billion by 2020. 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 builds up this causes tartar build-up, gum infection (gingivitis) and periodontitis. By the time they are three years old 80% of dogs and 70% of cats develop some sort of periodontal disease.

The Company introduced its companion pet oral care products in Canada under the StrixNB and bluestem brands and received Health Canada's Low Risk Veterinary Health Products (known as LRVHP) which Health Canada recently replaced with the Veterinary Health Products - Notification Program. Approvals under these programs are in place for an oral care liquid water additive, a water additive powder formulation, an oral spray formulation and a toothpaste. The Company pursued a strategy to license out its intellectual property on a broader scale which led to Kane Biotech's StrixNB technology and trademarks being part of a 10-year exclusive licensing and distribution agreement with Dechra Veterinary Products LLC (Dechra) for the North American veterinary market announced March 6, 2017. Dechra introduced its Vetradent™ oral care brand into the U.S. and Canadian veterinary channel in Q4, 2017. In conjunction with Dechra, additional formulations including a dental wipe, treat and rawhide chew are in development to expand Dechra's complete oral health program of pet oral care products for veterinary clinics and dog and cat parents.

Kane Biotech's bluestem brand of products are sold in approximately 900 pet specialty retail stores in Canada and the U.S. Based on the Company's science, efficacy, safety and value the bluestem products are well received in the market with sales revenue increasing significantly in 2017 versus 2016. In line with the Company's licensing strategy, Kane Biotech intends to license the bluestem brand and technology to a partner with significant market access for the pet specialty, grocery mass and internet e-commerce markets.

DispersinB® and AloSera™

The Company's trademarks for the wound care market are DispersinB® for animal and human wound care applications and AloSera™ shampoo for the treatment of atopic dermatitis in canines. The current global market for human wound care management technology is estimated at $4.5 billion USD per year. The size of the market for atopic dermatitis for dogs is difficult to determine. One product, Apoquel™, a veterinary immune system suppressant medication used in the control of atopic dermatitis and pruritus (itchiness) from allergic dermatitis in dogs, is rumored to have had $250 million USD in sales during 2017. Kane Biotech has topical formulations in development for both the animal health (canines) and the human health markets.

The Company has three products approved. A topical spray for atopic dermatitis-associated infections for veterinary use, which has Health Canada's Interim Notification Program for Low Risk Veterinary Health Products (LRVHP) approval and two dermatological products approved by Health Canada's Natural Health Product Directorate for human use; a skin care cream that treats eczema and a shampoo that treats seborrheic dermatitis and chronic dandruff. Final formulations are being tweaked and the Company plans modest scale clinical trials this year to support positive testimonials of people who have used the products.

The Company has started to pursue its strategy to license out its wound care intellectual property on a broader scale. Kane Biotech's DispersinB technology and trademarks were part of the 10-year exclusive licensing and distribution agreement with Dechra Veterinary Products LLC announced March 6, 2017. Introduction of DispersinB products for canine otic (ear) infections in conjunction with Dechra is targeted for mid-2018. Additional DispersinB and AloSera based products are in development.

Aledex®

The Company's trademark for the medical device coating market is Aledex®. Kane Biotech has both in vitro and in vivo data that demonstrates the product's ability to inhibit the activity of numerous catheter associated pathogens and protect against urinary catheter related infections. Approximately 30 million urethral catheters are sold in North America annually and indwelling urinary catheters are used in approximately 15% to 25% of short term care patients and all patients in intensive care units. Additionally, in the U.S. alone, more than 150 million intravascular catheters are used and over 5 million central venous lines are inserted. This results in about 250,000 catheter related infections each year.
Kane Biotech is working with a leading biofilm engineering centre testing the Company's ALEDEX® coating on a urinary catheter prototype in their biofilm forming system. Preliminary results are encouraging.

KBI Disinfectant Technology

KBI Antibacterial Disinfectant was issued a Drug Identification Number or DIN (02374463) in 2011 by the Therapeutic Products Directorate of Health Canada as a hard surface disinfectant for use in domestic, hospital, and industrial environments. The Company is continuing its efforts in the research and development of these disinfectant technologies in pursuit of further antimicrobial and anti-biofilm claims.

OUTLOOK

The strategic direction of the Company is centered on developing and commercializing solutions to biofilm related problems. To advance these programs, management expects Kane Biotech to continue incurring operating losses in the foreseeable future. Based on current projections, total revenue and net expenses are expected to increase in fiscal 2018 as compared to fiscal 2017.

The Company's funding of future operations is dependent upon its ability to, negotiate collaboration or licence royalty agreements with upfront and subsequent milestone payments, generate product sales, obtain research grant funding, and/or secure additional funds. While the Company is striving to achieve funding through the above-mentioned alternatives, there is no assurance that such sources will be available or obtained on favourable terms. If the Company cannot realize sufficient funding from these sources, it will have to consider additional strategic alternatives which may include, among other strategies, exploring the monetization of certain tangible and intangible assets as well as seeking to license assets or potential asset divestitures.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the successful completion of the actions taken or planned, some of which are described above, which management believes will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing 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 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 ANNUAL FINANCIAL INFORMATION

The following is selected financial information about the Company, for its 2017, 2016, and 2015 fiscal years:

Years ended December 31,	2017	2016	2015
License & Royalty	$ 688,231	$ 135,134	$ 121,570
Sale of goods	347,071	244,756	104,624
Total Revenue	1,035,302	379,890	226,194
Cost of sales-sale of goods	122,403	124,225	45,030
Gross Profit	912,899	255,665	181,164
General and administration expenses	2,757,279	2,116,764	1,389,677
Research expenses	850,578	573,423	403,863
Net finance costs	91,216	114,226	97,621
Loss and comprehensive loss	(2,786,174)	(2,548,748)	(1,709,997)
Basic and diluted loss per share	(0.05)	(0.07)	(0.02)
Cash	1,975,723	739,568	116,310
Total assets	3,397,087	2,131,211	1,173,109
Non-current liabiltiies	-	-	438,649
Total liabilities	659,035	783,716	692,863
Deficit	(20,053,021)	(17,266,847)	(14,718,099)
Total capital stock, warrants, convertible note option and contributed surplus	22,791,073	18,614,342	15,198,345

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:

	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016
License & Royalty	9,672	4,480	3,354	670,725	-	-	64,646	70,488
Sale of goods	73,997	56,247	102,651	114,175	74,619	59,278	73,842	37,017
Total Revenue	83,669	60,727	106,005	784,900	74,619	59,278	138,488	107,505
Cost of Sales	37,544	14,542	33,431	36,885	42,416	31,317	30,804	19,688
Gross Profit	46,124	46,185	72,574	748,015	32,203	27,961	107,684	87,817
Operating Expenses	934,565	910,168	803,989	959,135	508,576	625,486	939,003	617,123
Loss for the Qtr	(888,686)	(869,246)	(790,549)	(237,692)	(500,057)	(616,063)	(851,270)	(581,358)
Loss per share	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)

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.

Dechra licensed the Company's StrixNB products and technology for the North American companion pet veterinary market commencing in early March 2017. Over the course of Q1 and Q2, 2017 the Company's StrixNB product revenues have reduced as Dechra moves to its own brand (Vetradent) sourced from its own contract manufacturer. As Dechra increases its sales of Vetradent in Canada, the United States and Mexico, Kane Biotech will receive increasing royalty payments. The Company retains the ability to sell StrixNB outside of North America and is pursuing options for licensing in Europe, Asia and other geographies.

International sales of StrixNB have been modest since the signing of the licensing agreement with Dechra.

Product revenue related to bluestem increased by 50% in 2017 over 2016.

Loss per share for comparative quarters has been restated to reflect the 5 to 1 common share consolidation which took place during the period ended March 31, 2017.

RESULTS OF OPERATIONS

Revenue

Revenue consists of License and Royalty revenue from licensing agreements and product sales from Kane Biotech's bluestem and StrixNB brands.

Year ended December 31,	2017	2016	Increase	% Increase
License & Royalty	$ 688,231	$ 135,134	$ 553,097	409%
Sale of goods	347,071	244,756	102,315	42%
Total Revenue	$ 1,035,302	$ 379,890	$ 655,412	173%

License and Royalty revenue consists of an upfront payment of USD $500,000 received from Dechra upon signing the License Agreement in Q1, 2017, royalty revenue in Q2, Q3, and Q4, 2017, and License Option milestone revenue received from a global animal health company in Q1, 2016.

Sale of goods revenue consists of product sales from Kane Biotech's bluestem and StrixNB brands of companion pet oral care products.

In 2017, sales of bluestem were $248,996, an increase of 50% compared to $165,607 in 2016 due to new retail customers in Canada and the U.S., increasing unit sell through rates and internet sales on Amazon.

In 2017, sales of StrixNB were $84,957, an increase of 7% compared to $79,149 in 2016. The increase in StrixNB sales occurred despite the licensing of the North American rights to the product in Q1, 2017 limiting the sale of StrixNB to international markets for the remainder of the year.

In 2017, sale of goods revenue also included $13,118 in other revenue compared to nil in 2016. Other revenue consists of sales of packaging components and quality control services related to the StrixNB licensing agreement with Dechra.

Gross profit on sale of goods revenue was 65% in 2017 compared to 49% in 2016. The higher gross profit percentage in 2017 is mostly attributed to improved manufacturing efficiencies and a more profitable customer mix than 2016.

Research and Development Expenses

Research expenses include costs 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 major cost categories associated with research expenses are indicated in the table below:

Year ended December 31,	2017	2016	Increase (decrease)
Compensation related costs	$ 320,309	$ 209,335	$ 110,974
Contract research and scientific consulting	439,880	221,372	218,508
Patents and oher intangibles expensed	163,386	48,984	114,402
Other research costs	162,433	116,186	46,247
Government assistance	(235,430)	(22,454)	(212,976)
Research expenses	$ 850,578	$ 573,423	$ 277,155

Higher compensation related costs in 2017 compared to 2016 are due primarily to the research and development department not being fully staffed in 2016 in combination with an additional position created in 2017 to support increased research activities.

Higher contract research and scientific consulting costs in 2017 compared to 2016 are due primarily to an increase in animal study costs.

Patents and other intangibles expensed in 2017 is higher than 2016 due primarily to higher maintenance fees on existing patents and derecognition of intangible assets recorded in 2017.

Other research costs have increased in 2017 versus 2016 as a higher level of research activities taking place in 2017 versus 2016.

Government assistance was higher in 2017 than 2016 as a result of the Company receiving a National Research Council Canada (NRC) Industrial Research Assistance Program (IRAP) grant in 2017 for research related to its animal and human skin care technologies.

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 legal, audit, and investor relations.

The changes in general and administration expenditures for the periods ended December 31, 2017 and 2016 are reflected in the following table:

Year ended December 31,	2017	2016	Increase (decrease)
Compensation related costs	$ 1,476,604	$ 1,205,085	$ 271,519
Business development costs	716,454	688,997	27,457
Legal costs	269,460	87,600	181,860
Other administration costs	294,761	257,747	37,014
Government assistance	-	(122,665)	122,665
General and adminstration expenses	$ 2,757,279	$ 2,116,764	$ 640,515

Higher compensation related costs in 2017 compared to 2016 are due primarily to an increase in staffing in 2017 as it relates to commercialization activities as well as higher short term and long-term compensation expenses.

Business development costs were moderately higher in 2017 than 2016 and reflect increased spending on bluestem marketing programs partially offset by the elimination of marketing spending on StrixNB once it was licensed to Dechra in Q1,2017.

Higher legal costs in 2017 compared to 2016 are primarily as a result of legal expenses incurred in 2017 related to the Dechra agreement.

Other administration costs were moderately higher in 2017 than 2016 due primarily to higher audit, legal and travel costs.

Government assistance received in 2016 as a result of the Company receiving a NRC-IRAP grant in 2016 for skin technology product research for animals which was expanded in 2017 to include human skin disorder product research.

Finance Costs (Income)

The change in finance costs and income for the periods ended December 31, 2017 and 2016 are reflected in the following table:

Year ended December 31,	2017	2016	Increase (decrease)
Finance income	$ (15,888)	$ (9,387)	$ (6,501)
Finance expense	90,758	120,517	(29,759)
Foreign exchange loss, net	16,346	3,096	13,250
Net finance costs	$ 91,216	$ 114,226	$ (23,010)

Net finance costs were lower in 2017 than 2016 primarily as a result paying off all outstanding loans from the proceeds of the private placement offerings which took place in the third quarter of 2017.

Loss and Comprehensive Loss

The loss and comprehensive loss for the periods ended December 31, 2017 and 2016 is reflected in the following table:

Year ended December 31,	2017	2016	Increase (decrease)
Loss and comprehensive loss	$ (2,786,174)	$ (2,548,748)	$ (237,426)
Basic and diluted loss per share	$ (0.05)	$ (0.07)	$ 0.02

Basic and diluted loss per share for the comparative year ended December 31, 2016 has been restated to reflect the 5 to 1 common share consolidation which took place during the period ended March 31, 2017. The private placement offerings in the third quarter of 2017 in which 34,504,997 new shares were issued had a dilutive effect on basic earnings per share during 2017.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, the Company has primarily financed its operations from revenue, public and private sales of equity, the exercise of warrants, government grants and tax credits. In 2017, aggregate gross proceeds of $4,140,600 from the private placement offerings and total revenue of $1,035,302 contributed significantly toward financing the operations of the Company. As at December 31, 2017, the Company had cash totaling $1,975,723 compared with $739,568 at December 31, 2016.

Cash used in operating activities

Cash used in operating activities was reduced to $2,044,247 for the year ended December 31, 2017, compared to $2,363,319 for 2016 primarily as a result of a reduction in net non-cash working capital partially offset by an increase in loss and comprehensive loss for the period.

Cash from financing activities

For the year ended December 31, 2017, cash provided by financing activities was $3,510,038 compared to $3,252,612 in 2016. The increase is due primarily to higher proceeds in 2017 than 2016 from the issuance of common shares and warrants partially offset by the repayment of the convertible note in 2017.

Cash used in investing activities

Cash used in investing activities was $229,636 for the year ended December 31, 2017 compared to $266,035 in 2016 reflecting lower spending on both new equipment and additions to intangible assets in 2017 than 2016.

The Company continues to seek additional licensing and development 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 agreement with Dechra will provide increasing liquidity in the future. The Company also intends to continue to maximize 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 2018. 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.

Shares, options, and warrants

	March 21, 2018	December 31, 2017	December 31, 2016
Common shares issued and outstanding	80,113,536	80,113,536	45,528,288
Options outstanding	3,808,000	3,808,000	3,255,500
Warrants outstanding	35,304,997	35,304,997	1,050,000

A summary of the Company's share capital may be found in Note 11 of the accompanying financial statements.

CONTRACTUAL OBLIGATIONS

The Company periodically enters into long-term contractual agreements for the licensing of technologies as well as the lease of facilities, equipment and certain purchased services. The following table presents commitments arising from agreements currently in force over the next five years.

	Payments due by Period			
	Within 1 year	2-3 years	4-5 years	Total
Facility lease agreements	$ 34,011	$ -	$ -	$ 34,011
Accounts payable and accrued liabilities	659,035	-	-	659,035
	$ 693,045	$ -	$ -	$ 693,046
Licence maintenance fees (USD)	$ 10,000	$ 20,000	$ 20,000	$ 50,000

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-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

CONTROLS

As a result of the Company's limited administrative staffing levels, internal controls which rely on segregation of duties in many cases are not appropriate or possible. Due to 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 (ICFR), and as such has not completed such an evaluation.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with 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 balance sheet date and reported costs and expenditures during the reporting period. Management believes that the estimates and assumptions upon which the Company relies are reasonable based upon information available at the time these estimates and assumptions are made. Estimates and assumptions may be revised as new information is acquired and are subject to change.

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

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.

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 comprehensive loss.

Stock-based compensation

The Company's accounting policy over stock-based compensation may be found in Notes 3(h)(ii) and 11(c) in the Company's financial statements. Where the Company issues warrants and stock options (to its employees, directors and officers), a fair value is derived using the Black-Scholes pricing model. The application of this pricing model requires Management to make assumptions regarding several variables, including the expected life of the options and warrants, the price volatility of the Company's stock over a relevant timeframe, the determination of a relevant risk-free interest rate and an assumption regarding the Company's dividend policy in the future.

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