Management Discussion and Analysis
(Expressed in Canadian Dollars)

KANE BIOTECH INC.

Three and nine months ended September 30, 2019 and 2018

KANE BIOTECH INC.

Management Discussion and Analysis

The following management discussion and analysis ("MD&A") covers information up to November 14, 2019 and should be read in conjunction with the financial statements for the nine months ended September 30, 2019 and 2018. 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 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 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, 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.

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
- Recently awarded $3.8M in non-dilutive funding from Western Economy Diversification Canada ("WD") in the form of interest-free repayable contributions to be repaid over five years starting in April 2023
- Recently awarded a non-repayable contribution of up to CAD $340,680 from the National Research Council of Canada Industrial Research Assistance program (NRC IRAP)
- Robust patent portfolio of differentiated anti-biofilm technologies with 56 patents and patents pending
- Unique and expanding product line in the Animal Health market with significant year-over-year sales growth
- Continued development of technology platforms for medical devices in the Human Health market
    - First Human Health product, DispersinB hydrogel, in late stages of development for targeted commercialization by 2021
    - Retained GR Consulting to develop and implement the out-licensing strategy for DispersinB wound care hydrogel
- First commercial licensing and distribution agreement signed in 2017 establishing a 10-year partnership with Dechra Veterinary Products wherein Kane receives an ongoing royalty from Dechra on net sales of its Vetradent products in North America
    - Recently extended its agreement with Dechra to include South America
- Expansion into multiple markets with mutually beneficial contractual agreements with North American and Asian distributors and retailers
- Successfully shipped first order to Mondou, a leader in the distribution of products, services, and accessories for the health and well-being of pets in Quebec
- Exclusive representation by SLA Brands for the bluestem line of products to distributors and retailers in the US market
- Significant year-over-year growth in online sales of its bluestem™ brand of oral care products on Amazon

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 OTC Pink Open Market under the symbol "KNBIF".

COMPANY FOCUS

Kane Biotech has undergone a company-wide transformation over the past year. Marc Edwards, appointed CEO in September 2018, has implemented several initiatives with a sharp focus on execution and delivering results to the Company's shareholders. Marc's main objective remains unchanged: to license the Company's biofilm related intellectual property to strategic partners with established large-scale market and territory access.

Throughout 2019, Kane Biotech has focused on two lucrative markets for its technologies: Animal Health and Human Health. In the near-term, the Company aims to: (1) generate revenue growth through sales of its premium companion animal products in the veterinary, pet specialty and e-commerce channels, and (2) Receive 510k regulatory approval from the FDA on a medical device in the wound care space. The recently announced funding from WD is transformative for Kane's Human Health initiatives and has already provided the company with the necessary resources to expand its team and focus on long-term growth in this sector.

Within the Animal Health market, Kane Biotech is focusing its efforts on growing product sales in the pet specialty and online sales channels through increased marketing efforts and continued expansion of the bluestem product line. With recent bluestem product introductions such as water additive powder, chews, and dental wipes, Kane Biotech now has the most comprehensive lineup of pet oral care products in the market. Kane has reached out to several major retailers regarding this product line, and the response has been very positive.

In addition to growing product sales and bluestem product expansion, Kane Biotech will also be focused on growing royalty revenue generated by the sale of Dechra's premium veterinary oral care line. The company aims to achieve a key milestone in the near-term namely Veterinary Oral Health Council (VOHC) certification. This milestone carries a $500,000 (USD) payment as part of the agreement signed with Dechra in 2017. Kane Biotech is working with Key Opinion Leaders in both oral health to help achieve this milestone.

Finally, in addition to established products and sales strategy, the Company is also actively exploring growth options through new applications for its intellectual property in other key growth areas within Animal Health.

In the Human Health market, Kane Biotech is focused on the continued development of DispersinB as a predicate medical device for a variety of products. The first product the company plans to commercialize is a DispersinB hydrogel for use in wound care. With the support of the Scientific Advisory Board, Kane Biotech has made the decision to take this product through the FDA's 510k regulatory pathway. Completing this regulatory work will significantly reduce the risk for future partners and increase the value of a licensing agreement. Kane Biotech is collaborating with external consultants in order to prepare for a pre-submission meeting with the FDA. If approved, the device will enhance current wound care treatment by improving the efficacy of antimicrobials and antibiotics in wounds.

In addition to the Animal and Human Health markets, Kane Biotech plans to focus a portion of its resources towards the Industrials and Agriculture sectors. The company believes its patented technologies can be applied to several solutions in these areas and can successfully address multiple unmet needs.

Targeted company milestones for the remainder of 2019 include the following:

- Grow the Kane Biotech team with talented people in Human Health, Animal Health, and R&D
- Continue to expand its Animal Health product line
- Continue to grow sales of the bluestem product line in North America and expand sales into international markets
- Increase royalties from Dechra through increased sales and the launch of new products in the veterinary channel
- Continue to protect Kane Biotech's intellectual property
- Rationalize Kane's patents with a focus on its most promising technologies
- Work toward the achievement of the international standard of canine oral care efficacy
- Make significant progress toward FDA 510k certification for a wound care product
- Continue to search for a strategic partner to commercialize its Human Health product
- Raise capital via a dilutive financing
- Execute with cost-control and continue to optimize operating expenses

The Kane team is very pleased with the revenue growth experienced throughout 2019 and the 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 throughout 2019 and to building a foundation for long-term, sustainable growth.

SUMMARY OF SELECTED KANE BIOTECH PRESS RELEASES FROM JANUARY 2019 TO NOVEMBER 14, 2019

On November 14, 2019, the Company announced its Third Quarter 2019 Financial Results.

On November 6, 2019, the Company announced that it would be releasing its third quarter fiscal 2019 earnings on Thursday, November 14, 2019 after market close.

On October 31, 2019, the Company announced that it had retained GR Consulting to develop and implement the out-licensing strategy for its DispersinB® wound care Hydrogel for both the United States and European markets.

On October 16, 2019, the Company announced the expansion of its 10-year license and distribution agreement with Dechra to include South America.

On October 8, 2019, the Company it had been awarded a non-repayable contribution of up to CAD $340,680 from the National Research Council of Canada Industrial Research Assistance program (NRC IRAP).

On September 10, 2019, the Company announced that it had released its first-ever business update video.

On August 21, 2019, the Company announced its Second Quarter 2019 Financial Results.

On August 14, 2019, the Company announced that it would be releasing its second quarter fiscal 2019 earnings on Wednesday, August 21st after market close and that it would be hosting its first-ever business update video featuring presentations from several members of the Company to go live on September 10th at 4:30pm EST.

On August 13, 2019, the Company announced the purchase of 175,000 shares of Kane Biotech stock by Marc Edwards, President & CEO, the exercise of 3.5 million share purchase warrants by a related party, the reimbursement of $1.05 million of insider cash advances and the six-month extension of its $500,000 loan from Individual Investment Corporation.

On August 12, 2019, the Company announced that it was growing its team of professionals in order to accelerate sales in Animal Health as well as to continue development of its wound care hydrogel. The following new additions were announced: Lori Christofalos, Director of Quality and Compliance; Shabnam Bashiri, Manager of Quality Control; and Michel Stebenne, Vice President of Animal Health.

On August 6, 2019, the Company announced that it had been awarded funding from Western Economic Diversification Canada in the amount of $3,792,984 in the form of interest-free repayable contributions. The funding will be provided to the Company over three years on an expense-incurred bases retroactive to April 1, 2019. Repayment of these contributions will take place over five years starting in April 2023. The funding will be used to expand from the Animal Health sector into the Human Health sector utilizing DispersinB technology.

On August 1, 2019, the Company announced that it had been approved for $50,000 in funding from the Government of Canada's CanExport SMEs program. The Company will use this funding to accelerate the growth of its bluestem line in Brazil, China and the UK markets.

On July 18, 2019, the Company announced that it had signed an exclusive distribution agreement with Eetoys Pet Products Ltd. Eetoys will be distributing the Company's oral care products (bluestem™ and StrixNB™) to over 2,000 retailers across major markets in China.

On July 16, 2019, the Company announced that it had signed an agreement with FreeMind Group in order to secure non-dilutive funding from various public and private sources, which will further the progress of Company with R&D in the Animal and Human Health sectors and other potential uses.

On June 25, 2019, the Company announced that it had secured a large order from leading Quebec retailer, Mondou. The order included the entire bluestem line and will be supported by an extensive marketing campaign.

On May 29, 2019, the Company announced that it would be attending the 2019 BIO International Convention to host its exhibit booth and to participate in meetings with potential clinical and commercial partners, investors, and other parties.

On May 22, 2019, the Company announced its First Quarter 2019 Financial Results, extension of its short-term loan and insider funding.

On May 16, 2019, the Company announced it had scheduled its First Quarter Conference Call and Business Update on Thursday, May 23, 2019 at 4:30pm E.T. to discuss its financial results for the first quarter, in conjunction with the filing of its Financial Statements for the first quarter ended March 31, 2019.

On April 30, 2019, the Company provided an update on its exclusive license and distribution agreement with Dechra indicating that royalty revenues from Dechra have steadily increased in early 2019 and that it expects the growth to continue as the Vetradent line recently received broader approval when it was added to the formulary of major American veterinary groups.

On April 24, 2019, the Company announced a strategic partnership with Schiaffino, Lasky, & Associates Inc. (SLA Brands). SLA Brands will exclusively represent Kane Biotech's bluestem line of products to distributors and retailers in the United States market.

On March 25, 2019, the Company announced its Fourth Quarter 2018 Financial Results.

On March 20, 2019, the Company announced it had scheduled its Fourth Quarter Conference Call and Business Update on Tuesday, March 26, 2019 at 4:00pm E.T. to discuss its financial results for the fourth quarter, in conjunction with the filing of its Financial Statements for the fourth quarter ended December 31, 2018.

On February 19, 2019, the Company announced that it had signed a non-exclusive Distribution Agreement with a major Chinese distributor and secured its first order valued at $25K USD. The order included Kane's StrixNB™ Water Additive for the Chinese Veterinary market as well as its bluestem™ Water Additive and Oral Spray for the Chinese pet specialty market.

On January 30, 2019, the Company announced that it had secured an additional purchase order for bluestem™ products from the North America pet retail chain that recently purchased the largest order in Kane Biotech's history.

On January 25, 2019, the Company announced that it would be hosting a conference call and webcast on Wednesday, January 30, 2019 at 4:00pm Eastern Time to provide an update on the Company's business strategy including product developments, licensing and business development and other initiatives in progress.

On January 24, 2019, the Company announced that it closed and delivered its single largest purchase order in the history of the company for $440,000 of bluestem products to one of the largest pet retail operations in North America.

On January 17, 2019, the Company announced its new human health strategy. Efforts are to be focused on development of a wound care hydrogel containing Kane's patented enzyme DispersinB®. The Company also announced that it had 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. The Company has also submitted a funding proposal under the Military Infectious Diseases Research Program (MIDRP) with Medical Technology Enterprise Consortium (MTEC). MTEC has already given first stage approval to this project.

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
EP1906736	Antimicrobial Compositions for Inhibiting Growth and Proliferation of Microbial Biofilms	Europe
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	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
10733164.7	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
CN104010653	Compositions and Methods for Treatment and Prevention of Oral Diseases	China
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
9,980,497	Compositions and Methods for Treatment and Prevention of Wound Infections	United States
6,401,720	Compositions and Methods for Treatment and Prevention of Wound Infections	Japan
2,014,225,252	Compositions and Methods for Treatment and Prevention of Wound Infections	Australia
2662764	Compositions and Methods for Treatment and Prevention of Wound Infections	Russia
10,357,470	Compositions and Methods for Treatment and Prevention of Wound Infections	United States

The Company has 41 issued and 15 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 and success may, in part, depend on operating without such infringement.

Trademark	Jurisdiction
DispersinB®	Canada
	United States
	Europe
	United Kingdom
StrixNB™	Canada
	Europe
Aledex™	Canada
Aledex®	United States
bluestem™	Canada
	United States
bluestem®	Europe
AloSera™	Canada
	United States
Coactiv+™	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 grows 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 replaced in 2017 with the Veterinary Health Products (VHP) - Notification Program. Approvals under these programs are in place for oral care liquid water additives, 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 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. The Dechra agreement was recently extended to South America and sales of Vetradent products in South America are expected to commence in 2020. In conjunction with Dechra, additional formulations are in development to expand Dechra's complete oral health program of pet oral care products for veterinary clinics and dog and cat parents. Water additive powder and dental wipe products were added to the Vetradent product family in Q2 and Q4, 2018 respectively. A dental rawhide chew is in development for market release later in 2019.

Kane Biotech's bluestem brand of products are sold in approximately 1,600 pet specialty retail stores in Canada and the U.S., as well as Amazon.com (U.S.) and Amazon.ca (Canada). Based on the Company's science, efficacy, safety and value the bluestem products are well received in the market. Kane will continue to grow sales of bluestem products in order to increase the value of a potential licensing agreement.

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 applications, the use of Kane Biotech's DispersinB technology and trademarks are part of the 10-year exclusive licensing and distribution agreement with Dechra Veterinary Products LLC announced on March 6, 2017. The introduction of DispersinB products for canine otic (ear) infections is planned. Additional DispersinB products are in development.

In terms of human applications, in 2018, 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 2019 and early 2020, efforts will continue to be focused on the development of a human wound care hydrogel containing DispersinB with the goal of filing a 510k application with the Food and Drug Administration (FDA) in 2020.

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.

Kane has not been actively focused on this technology over the past few years due to its concentration of financial and human resources on StrixNB and DispersinB commercialization. However, based on the sizeable market opportunity related to KBI, management believes KBI represents significant future opportunity and value for the Company and has full intent to continue its pursuit of the commercialization of this technology in the future.

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 establish the company as a key player, management expects Kane Biotech to continue incurring operating losses for the foreseeable future. Given the nature of this business and the developmental phase that Kane Biotech is currently in, research expenditures are expected to be higher in 2019 than in 2018. General and administrative expenses in 2019 are expected to be on par with or slightly higher than 2018 with more of a focus on strategic business development spending in its Animal Health business unit and adding additional staff to support ongoing business expansion and a lesser need to incur legal costs. However, based on current projections, total revenue is expected to increase significantly in fiscal 2019 as compared to fiscal 2018. The company is committed to creating revenue growth and operating with strict cost controls while developing their new technologies and devices.

The Company's funding of future operations is dependent upon its ability to: a) negotiate collaboration or licence royalty agreements with upfront and subsequent milestone payments, b) generate product sales, and c) obtain research grant funding and/or secure additional funds. While the Company is striving to achieve funding through all three of 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 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:

	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018	Q2-2018	Q1-2018	Q4-2017
	$	$	$	$	$	$	$	$
License	16,768	16,768	16,769	16,769	16,768	16,768	16,768	16,768
Royalty	34,709	28,109	33,993	12,355	9,590	9,590	13,097	9,671
Sales of goods and services	235,361	176,413	570,495	128,034	100,201	100,201	80,113	73,998
Total Revenue	286,838	221,290	621,257	157,158	126,559	126,559	109,978	100,437
Cost of Sales	170,516	138,782	410,408	86,390	95,579	28,142	115,344	129,160
Gross Profit	116,322	82,508	210,849	70,768	30,980	98,417	(5,366)	(28,723)
Operating Expenses	912,058	1,035,983	830,122	783,550	941,442	1,008,879	866,930	842,949
Profit (loss) for the Qtr	(821,554)	1,675,462	(657,391)	(428,132)	(979,920)	(979,920)	(873,027)	(871,918)
Income (loss) per share	(0.01)	0.02	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

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. In accordance with the retrospective adoption of IFRS 15 *Revenue from Contracts with Customers* which went into effect January 1, 2018, this initial 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 10-year life of the agreement.

Royalty revenue, which relates to the Dechra agreement, has increased significantly in 2019 as the Vetradent product line recently received broader approval when it was added to the formulary of major American veterinary groups.

Sales of goods and services were significantly higher in Q1 2019 than other quarters as a result of the Company delivering in that quarter its single largest purchase order for bluestem products in the history of the company to one of the largest pet retail operations in North America.

Gross profit as a percentage of sales has improved in recent quarters. As of November 5, 2018, all product manufacturing is being outsourced resulting in the elimination of internal fixed manufacturing costs as well as the capacity to significantly scale-up product manufacturing volumes to accommodate revenue growth. During the fourth quarter of 2018, retroactive to Q1 2017, the Company reclassified certain expenses to Costs of Sales that were previously classified as General and Administrative expenses.

Operating expenses can vary significantly from quarter to quarter due to fluctuations in research expenditures and bluestem sales and marketing costs. The four quarters in 2018 and first two quarters in 2019 include significant legal expenses pertaining to a lawsuit which were not incurred in earlier quarters. Q3 2018 includes separation costs relating to the departure of the Company's former President and CEO.

RESULTS OF OPERATIONS

Revenue

Revenue consists of License and Royalty revenue from its licensing agreement with Dechra, product sales from the Company's bluestem 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, 2019 and 2018 is summarized in the table below:

Three Months ended September 30,	2019	2018	Change	% Change
License	$ 16,768	$ 16,768	$ -	0.0%
Royalty	34,709	9,590	25,119	261.9%
Sales of goods and services	235,361	100,201	135,160	134.9%
Total Revenue	$ 286,838	$ 126,559	$ 160,279	126.6%

License revenue consists of the recognition over 10 years of an upfront payment of $500,000 USD received from Dechra upon signing the License Agreement in March 2017. As per Note 4 of the Company's 2018 Financial Statements, the $500,000 USD initial payment received upon signing the Dechra agreement, which was initially recognized as license revenue in its entirety in Q1 2017, has been restated as deferred revenue on the Statement of Financial Position retroactive to March 2017 and is being recognized over the 10-year life of the agreement.

Royalty revenue consists of royalties received from Dechra on their sales of Vetradent products in the North American veterinary market. In the three months ended September 30, 2019, royalty payments received from Dechra increased by 262% to $34,709 compared to $9,590 in the three months ended September 30, 2018 as Dechra continues to roll out the Vetradent product line to its North American veterinarian customer base.

Revenue from product sales in the three months ended September 30, 2019 was $194,483, an increase of 134% compared to $83,145 in the three months ended September 30, 2018. The Company's expanded product line has resulted in a greater demand for its products and the Company continues to aggressively grow its online sales channel.

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, 2019, services revenue was $40,878 an increase of 140% compared to $17,056 in the three months ended September 30, 2018. As the demand for the Dechra's Vetradent line has grown, this has resulted in higher demand for the Company's contract manufacturing and quality control services.

The Company's revenue by category for the nine months ended September 30, 2019 and 2018 is summarized in the table below:

Nine Months ended September 30,	2019	2018	Change	% Change
License	$ 50,305	$ 33,537	$ 16,768	50.0%
Royalty	96,811	31,904	64,907	203.4%
Sales of goods and services	982,269	266,590	715,679	268.5%
Total Revenue	$ 1,129,385	$ 332,031	$ 797,354	240.1%

License revenue consists of the recognition over 10 years of an upfront payment of $500,000 USD received from Dechra upon signing the License Agreement in March 2017. As per Note 4 of the Company's 2018 Financial Statements, the $500,000 USD

initial payment received upon signing the Dechra agreement, which was initially recognized as license revenue in its entirety in Q1 2017, has been restated as deferred revenue on the Statement of Financial Position retroactive to March 2017 and is being recognized over the 10-year life of the agreement.

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, 2019, royalty payments received from Dechra increased by 203% to $96,811 compared to $31,904 in the nine months ended September 30, 2018 as Dechra continues to roll out the Vetradent product line to its North American veterinarian customer base.

Revenue from product sales in the nine months ended September 30, 2019 was $831,328, an increase of 298% compared to $208,747 in the nine months ended September 30, 2018. In Q1 2019 the Company delivered on the single largest purchase order for bluestem products in its history from one of the largest pet retail operations in North America.

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, 2019, services revenue was $150,941, an increase of 161% compared to $57,843 in the nine months ended September 30, 2018. As the demand for the Dechra's Vetradent line has grown, this has resulted in higher demand for the Company's contract manufacturing and quality control services.

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 by category for the three months ended September 30, 2019 and 2018 are reflected in the following table:

Three Months ended September 30,	2019	2018	Change	% Change
Compensation related costs	$ 395,539	$ 557,670	$ (162,131)	-29.1%
Business development costs	173,613	109,816	63,797	58.1%
Legal costs	66,007	50,200	15,806	31.5%
Other administration costs	37,081	37,787	(706)	-1.9%
General and adminstration expenses	$ 672,239	$ 755,473	$ (83,234)	-11.0%

Lower compensation related costs in the three months ended September 30, 2019 compared to the three months ended September 30, 2018 are primarily due to separation costs recorded in the comparative period due to the departure of the Company's former President and CEO partially offset by higher staffing levels, short-term compensation expense and consulting expense in the current period.

Higher business development costs in the three months ended September 30, 2019 compared to the three months ended September 30, 2018 are primarily due to higher marketing, promotion and travel expenses associated with increased bluestem sales volumes and expanding the bluestem product line.

Higher legal costs in the three months ended September 30, 2019 compared to the three months ended September 30, 2018 are primarily due to higher legal costs related to a lawsuit that was settled earlier in the year.

The changes in general and administration expenditures by category for the nine months ended September 30, 2019 and 2018 are reflected in the following table:

Nine Months ended September 30,	2019	2018	Change	% Change
Compensation related costs	$ 930,164	$ 1,157,526	$ (227,362)	-19.6%
Business development costs	585,473	399,182	186,291	46.7%
Legal costs	318,169	291,111	27,058	9.3%
Other administration costs	109,895	120,014	(10,119)	-8.4%
General and adminstration expenses	$ 1,943,701	$ 1,967,833	$ (24,132)	-1.2%

Lower compensation related costs in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 are primarily due to separation costs recorded in the comparative period due to the departure of the Company's former President and CEO as well as lower long-term compensation expense in the current period partially offset by higher short-term compensation and consulting expenses in the current period.

Higher business development costs in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 are primarily due to increased spending on bluestem marketing programs related to a sales agreement with a major North American distributor as well as overall higher marketing, promotion and travel expenses associated with increased bluestem sales volumes and expanding the bluestem product line. This is partially offset by lower investor relations costs during the current period.

Higher legal costs in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 are primarily due to higher general legal services costs in the current period partially offset by lower legal costs related to a lawsuit.

Lower other administration costs in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 are primarily due to lower general office expenditures in the current period related to less general and administration staff.

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 nine months ended September 30, 2019 and 2018 are reflected in the following table:

Three Months ended September 30,	2019	2018	Change	% Change
Compensation related costs	$ 116,917	$ 92,273	$ 24,644	26.7%
Contract research and scientific consulting	52,850	20,279	32,571	160.6%
Patent related costs and other intangibles expensed	16,247	38,539	(22,292)	-57.8%
Other research costs	60,807	41,878	18,929	45.2%
Government assistance	(7,002)	(7,000)	(2)	0.0%
Research expenses	$ 239,819	$ 185,969	$ 53,850	29.0%

Higher compensation related costs in the three months ended September 30, 2019 compared to the three months ended September 30, 2018 are due primarily to increased staffing in the current period in support of increased research activities as well as an increase in short-term compensation expense.

Higher contract research and scientific consulting costs in the three months ended September 30, 2019 compared to the three months ended September 30, 2018 are due primarily to consulting costs incurred in the current period for the purpose of securing non-dilutive funding as well as increased spending on human health initiatives.

Lower patent costs and other intangibles expensed in the three months ended September 30, 2019 compared to the three months ended September 30, 2018 are due primarily to lower patent maintenance spending and lower patent amortization costs in the

current period.

Higher other research costs in the three months ended September 30, 2019 compared to the three months ended September 30, 2018 are due primarily to an extension fee incurred in the current period related to the Company's renewal of its exclusive worldwide license agreement with Rutgers University for applications of the DispersinB® enzyme.

The changes in research and development expenses by category for the nine months ended September 30, 2019 and 2018 are reflected in the following table:

Nine Months ended September 30,	2019	2018	Change	% Change
Compensation related costs	$ 363,233	$ 278,736	$ 84,497	30.3%
Contract research and scientific consulting	182,469	138,391	44,078	31.9%
Patent related costs and other intangibles expensed	158,987	137,105	21,882	16.0%
Other research costs	151,635	126,787	24,848	19.6%
Government assistance	(21,862)	(138,098)	116,236	-84.2%
Research expenses	$ 834,462	$ 542,921	$ 291,541	53.7%

Higher compensation related costs in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 are due primarily to increased staffing in the current period in support of increased research activities as well as an increase in short-term compensation expense.

Higher contract research and scientific consulting costs in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 are due primarily to consulting costs incurred in the current period for the purpose of securing non-dilutive funding as well as increased spending on human health initiatives partially offset by decreased spending on animal health initiatives during the current period.

Higher patent related costs and other intangibles expensed in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 are mainly due to an increase in the write-off of abandoned patents during the current period partially offset by lower patent maintenance spending and lower patent amortization costs in the current period.

Higher other research costs in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 are due primarily to an extension fee incurred in the current period related to the Company's renewal of its exclusive worldwide license agreement with Rutgers University for applications of the DispersinB® enzyme.

Lower government assistance recorded in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 is the result of the Company receiving no National Research Council Canada (NRC) Industrial Research Assistance Program (IRAP) grant funding in the current period whereas the Company did receive IRAP funding in the comparable period.

Finance Costs (Income)

The change in finance costs (income) for the three months ended September 30, 2019 and 2018 are reflected in the following table:

Three Months ended September 30,	2019	2018	Change
Finance income	$ (10)	$ (138)	$ 128
Finance expense	24,429	68,063	(43,634)
Foreign exchange loss, net	1,399	1,533	(134)
Net finance costs	$ 25,818	$ 69,458	$ (43,640)

Lower finance expense in the three months ended September 30, 2019 compared to the three months ended September 30, 2018 is due primarily to warrant expense recognized in the comparative period associated with the issuance of the short-term loan partially offset by higher interest expense incurred in the current period on the outstanding short-term loan and related party

advances.

The change in finance costs (income) for the nine months ended September 30, 2019 and 2018 are reflected in the following table:

Nine Months ended September 30,	2019	2018	Change
Finance income	$ (44)	$ (277)	$ 233
Finance expense	111,885	68,991	42,894
Foreign exchange loss, net	(8,242)	3,130	(11,372)
Net finance costs	$ 103,599	$ 71,844	$ 31,755

Higher finance expense in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 is due primarily to higher interest expense on the short-term loan and related party advances in the current period partially offset by warrant expense recognized in the comparative period associated with the issuance of the short-term loan.

Loss and Comprehensive Income (Loss)

The loss and comprehensive loss for the three months ended September 30, 2019 and 2018 are reflected in the following tables:

Three Months ended September 30,	2019	2018	Change
Loss and comprehensive loss	$ (821,554)	$ (979,920)	$ 158,366
Basic and diluted loss per share	$ (0.01)	$ (0.01)	$ 0.00

The income (loss) and comprehensive income (loss) for the nine months ended September 30, 2019 and 2018 are reflected in the following tables:

Nine Months ended September 30,	2019	2018	Change
Income (loss) and comprehensive income (loss)	$ 196,516	$ (2,554,661)	$ 2,751,177
Basic and diluted income (loss) per share	$ 0.00	$ (0.03)	$ 0.03

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 at September 30, 2019, the Company had cash of $341,330 compared with $121,529 at September 30, 2018.

Cash provided by (used in) operating activities

Cash used in operating activities for the three months ended September 30, 2019 was $(935,598) compared to cash used in operating activities of $(666,825) for the three months ended September 30, 2018. The increase in cash used in operating activities during the current three-month period is due mainly to increases in non-cash working capital.

Cash provided by operating activities for the nine months ended September 30, 2019 was $96,291 compared to cash used in operating activities of $(2,250,152) for the nine months ended September 30, 2018. The period over period increase in cash provided by operating activities is due mainly to proceeds received from a lawsuit settlement in the second quarter.

Cash provided by (used in) financing activities

Cash used in financing activities for the thee months ended September 30, 2019 was $(24,759) compared to cash provided in financing activities of $500,000 in the three months ended September 30, 2018. The current period reflects proceeds received

from the exercise of warrants and repayable contributions received from Western Economic Diversification Canada less repayments of cash advances from a related party. In the comparative period, the Company received the proceeds from its short-term loan.

Cash provided by financing activities for the nine months ended September 30, 2019 was $225,241 compared to cash provided in financing activities of $500,000 in the three months ended September 30, 2018. The current period reflects proceeds received from the exercise of warrants, advances received from a related party and repayable contributions received from Western Economic Diversification Canada less repayments of cash advances to a related party. In the comparative period, the Company received the proceeds from its short-term loan.

Cash used in investing activities

Cash used in investing activities during the three months ended September 30, 2019 was $27,583 compared to $53,802 in the three months ended September 30, 2018 reflecting lower spending on new patents in the current period.

Cash used in investing activities during the nine months ended September 30, 2019 was $55,626 compared to $104,042 in the nine months ended September 30, 2018 reflecting lower spending on new patents partially offset by higher spending on capital equipment in 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, potential milestone payments associated with its existing licensing agreement with Dechra and growing animal health sales 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 enough to entirely fund the Company's planned research activities and administration costs in 2019. 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

	November 14, 2019	September 30, 2019	December 31, 2018
Common shares issued and outstanding	83,613,536	83,613,536	80,113,536
Options outstanding	4,099,000	4,099,000	6,197,333
Warrants outstanding	34,504,997	34,504,997	38,004,997

A summary of the Company's share capital may be found in Note 12 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	$ 26,704	$ 35,605	$ -	$ 62,309
Accounts payable and accrued liabilities	1,017,392	-	-	1,017,392
Due to related party	432,899	-	-	432,899
Short-Term Loan	500,000	-	-	500,000
	$ 1,976,994	$ 35,605	$ -	$ 2,012,599
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-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

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

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 12(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.