Management Discussion and Analysis
(Expressed in Canadian Dollars)

KANE BIOTECH INC.

Years ended December 31, 2019 and 2018

KANE BIOTECH INC.

Management Discussion and Analysis

The following management discussion and analysis ("MD&A") covers information up to April 2, 2020 and should be read in conjunction with the financial statements for the years ended December 31, 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 and the Board of Directors have reviewed this document and all other publicly reported financial information for integrity, usefulness, reliability and consistency.

COVID-19 PANDEMIC

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. The effects of this pandemic on the Company may include decreased customer demand, interruptions to supply chains, manufacturing activities and research and development programs and increased government regulations or interventions. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments nor the impact of these developments on the financial results and condition of the Company in future periods.

The Government of Canada has announced that they have formulated a COVID-19 economic response plan designed to support Canadian businesses during this crisis. There are many programs included in this plan including loans, grants, wage subsidies and tax deferrals. The details of these programs are in the process of being fully communicated to businesses. The Company is actively reviewing these programs as information becomes readily available and it plans to fully optimize its use of these programs in a timely manner.

The Company has implemented a number of temporary cost control measures during this period of uncertainly. These measures are being continually evaluated and will evolve as the extent and length of the economic downtown and the effects of this downturn on the Company become more certain.

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.

BUSINESS 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.

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".

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
- Renewed licensing agreement for DispersinB® with Rutgers University
- Recently awarded $3.8 million 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 conditional research award of up to $3.4 million from an unnamed government agency
- Recently awarded a non-repayable contribution of up to $340,680 from the National Research Council of Canada Industrial Research Assistance Program ("NRC IRAP")
- Robust patent portfolio of differentiated anti-biofilm technologies with 57 patents issued or pending
- Unique and expanding product line in the Animal Health market, with significant year-over-year sales growth
- Continued product development of DispersinB® technology platforms for the Human Health market for which government funding has been awarded
    - Retained GR Consulting to develop and implement the regulatory and 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 (the "Dechra Agreement") wherein Kane Biotech receives an ongoing royalty from Dechra on net sales of the Company's Vetradent products in North America
    - Recently extended the Dechra Agreement to include South America
- Expansion into multiple markets with mutually beneficial contractual agreements with North American and Asian distributors and retailers
- Successfully shipped its first order to Mondou, a leader in the distribution of products, services, and accessories for the health and well-being of pets in Quebec
- Successfully shipped its first major order of its bluestem™ line of products to its exclusive Chinese distribution partner, Eetoys Pet Products Limited.
- Exclusive representation by SLA Brands for the bluestem™ line of products to distributors and retailers in the U.S. market

- Recently completed a $3.5 million private placement

BUSINESS UPDATE AND STRATEGY

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. Mr. Edwards' 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 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) Finalize product development of its DispersinB® hydrogel for the human wound care market and pursue the optimal regulatory and commercialization path for this technology, The recently announced funding from WD and another unnamed government agency 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 portfolio of pet oral care products in the market. Kane Biotech 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. The achievement of this milestone would result in Kane Biotech receiving a $500,000 USD payment pursuant to the Dechra Agreement. Kane Biotech is working with key opinion leaders in both veterinary and oral health to help achieve this milestone.

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

In the Human Health sector, Kane Biotech is focused on the continued product development of DispersinB® for applications in chronic wound care. The Company believes that its DispersinB® applications will enhance current wound care treatments by improving the efficacy of antimicrobial and antibiotics in wounds

The Company is collaborating with external consultants in order to pursue the optimal regulatory path for this technology that will mitigate the risk for future partners and increase the value of a licensing agreement. Although the Company had previously planned to seek regulatory approval for its DispersinB® human wound care hydrogel as a medical device under the 510(k) pathway, the company is currently reviewing other strategies based on market analysis provided by its consultants as well as preliminary feedback recently received from the FDA. The company is now evaluating a number of pathways in order to determine which pathway will ultimately be more lucrative by allowing for claims and a higher price point. Kane is also conducting this review to better leverage the approximately $7 million in non-dilutive funding the Company has been awarded or selected to be awarded that is available for this program.

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

Targeted Kane Biotech milestones and objectives for 2020 include the following:

- Grow the Kane Biotech team with talented people in Human Health, Animal Health and R&D
- Continue to expand 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
- Launch of two new pet care lines – skin care and supplements with potential licensing for the veterinary market
- Consumer trial and then launch of Kane Biotech's antibiofilm human shampoo
- Continue to protect Kane Biotech's intellectual property
- Rationalize Kane Biotech's patents, with a focus on its most promising technologies

- Work toward the achievement of the international standard of canine oral care efficacy
- Finalize the regulatory approval path for a human wound care product
- Find a strategic commercialization partner in the Human Health sector
- Raise additional capital while minimizing shareholder dilution as much as possible
- Secure additional non-dilutive financing for agricultural and industrial anti-biofilm initiatives
- Exercise of warrants from July 2017 private placement resulting in a further cash injection of up to $6 million
- Close second and final tranche of $3.5 million private placement fully subscribed
- Animal Health business cash flow positive
- Execute with cost-control and continue to optimize operating expenses

The Kane Biotech team is 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 2020 and to building a foundation for long-term, sustainable growth.

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, it is estimated that approximately 80% of dogs and 70% of cats develop some sort of periodontal disease.

Following Health Canada approval, the Company introduced its companion pet oral care products in Canada in 2015 under the StrixNB™ and bluestem™ brands. Health Canada approvals are in place for oral care liquid water additives, a water additive powder formulation, an oral spray formulation and a toothpaste. Kane Biotech pursued a strategy to license out its Intellectual property on a broader scale which led to the Company's StrixNB™ technology and trademarks being part of the Dechra Agreement. Dechra introduced its Vetradent™ oral care brand into the U.S. and Canadian veterinary channel in 2017. 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 2018. A dental rawhide chew was introduced in 2019.

Kane Biotech's bluestem™ brand of products are sold in approximately 2,000 pet specialty retail stores in Canada and the U.S., as well as Amazon.com (U.S.) and Amazon.ca (Canada). Based on efficacy, safety and value, the bluestem™ products have been 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 Dechra Agreement. The introduction of DispersinB® products for canine otic (ear) infections is planned. Additional DispersinB® products are in development.

With respect to 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 2020, efforts will continue to be focused on the development of a human wound care hydrogel containing DispersinB® and on pursuing the optimal regulatory path that will ultimately lead to the commercialization of this technology.

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.

Kane Biotech has not been actively focused on this technology over the past few years due to the Company's focus 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, as a result, Kane Biotech fully intends to continue its pursuit of the commercialization of this technology in the future.

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	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
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
1,0357,470	Compositions and Methods for Treatment and Prevention of Wound Infections	United States

The Company has 41 issued patents and 16 pending patents. Successful development of products to prevent and remove microbial biofilms may be dependent upon the ability to obtain approval for patents that are currently in pending status as well as successfully file new patents; however, there is no guarantee that new patents will be obtained, and, if obtained, it may not be possible to successfully defend against any subsequent infringements to these patents. Currently, the Company is unaware that it has infringed upon any existing patents issued to third parties. The Company's success may, in part, depend on operating without such infringement.

Trademark	Jurisdiction
DispersinB®	Canada
	United States
	Europe
	United Kingdom
bluestem™	Canada
	United States
bluestem®	Europe
Coactiv+™	Canada
	United States
Coactiv+®	Europe
Goldstem™	Canada
	United States
Silkstem™	Canada
	United States

SUMMARY OF KANE BIOTECH PRESS RELEASES FROM JANUARY 2019 TO APRIL 2, 2020

On March 2, 2020, the Company announced that it granted an aggregate of 3,650,000 stock options to certain directors, officers, employees and consultants of the Company in accordance with the Company's stock option plan.

On February 26, 2020, Kane Biotech announced the launch of its silkstem™ anti-itch shampoo at the Global Pet Expo in Orlando, Florida.

On February 24, 2020, the Company announced that it closed the second and final tranche of its offering announced previously on December 4, 2019 and issued 7,081,862 units of the Company at a price of $0.14 per unit to raise gross proceeds of $991,461. Each whole warrant entitles the holder thereof to purchase one additional common share at an exercise price of $0.18 per common share until February 24, 2022. The Company issued a total of 24,999,999 units for aggregate gross proceeds of $3,500,000 pursuant to the offering.

On February 20, 2020, Kane Biotech announced that it had appointed Jean Gauvin, DVM, as its Chief Veterinary Officer.

On January 27, 2020, the Company announced that it has retained Independent Trading Group, Inc. to provide market-making services.

On December 19, 2019, the Company announced that it closed the first tranche of its offering announced previously on December 4, 2019 and issued 17,918,137 units of the Company at a price of $0.14 per unit to raise gross proceeds of $2,508,539. Each whole warrant entitles the holder thereof to purchase one additional common share at an exercise price of $0.18 per common share until December 19, 2021.

On December 17, 2019, Kane Biotech announced that it fulfilled its first major animal oral care product order from China.

On December 16, 2019, the Company announced that it launched a consumer product test for an innovative shampoo containing its patented anti-biofilm technology.

On December 4, 2019, the Company announced its intention to undertake an offering of up to 25,000,000 units at a price of $0.14 per unit for gross proceeds of up to $3,500,000. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant.

On December 3, 2019, Kane Biotech announced that it has been selected to receive a potential award of up to approximately $3.4 million from an unnamed government agency related to the continuing clinical development of the Company's DispersinB® to treat biofilm mediated antimicrobial resistance in non-healing chronic wounds.

On December 2, 2019, Kane Biotech announced that management would present an update on the Company's business at the first annual BioTuesdays Pre-JPM Virtual Conference on Tuesday, December 10, 2019 and the resulting webcast archive would be made available on its website for public access.

On November 26, 2019, the Company announced that that it engaged Kilmer Lucas Inc. to provide the Company with select U.S. and Canadian investor relations and strategic advisory services.

On October 31, 2019, Kane Biotech announced that it retained GR Consulting to develop and implement the out-licensing strategy for its DispersinB® wound care Hydrogel for both the U.S. and European markets.

On October 16, 2019, the Company announced the expansion of the Dechra Agreement to include South America.

On October 8, 2019, Kane Biotech announced it had been awarded a non-repayable contribution of up to $340,680 from the NRC IRAP.

On August 13, 2019, the Company announced the purchase of 175,000 shares of Kane Biotech stock by its President & CEO, Marc Edwards, 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 management 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 WD in the amount of $3,792,984 in the form of interest-free repayable contributions. The funding is being 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, Kane Biotech 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., pursuant to which Eetoys is 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 to progress R&D in the Animal and Human Health sectors and for 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 is being 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 April 30, 2019, Kane Biotech provided an update on the Dechra Agreement, indicating that royalty revenues from Dechra had steadily increased in early 2019 and that it expected the growth to continue due to the Vetradent line receiving 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"), under which SLA Brands would exclusively represent Kane Biotech's bluestem™ line of products to distributors and retailers in the United States market.

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 $25,000 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 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 Animal Health strategy, with 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.

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 its business and the developmental phase that Kane Biotech is currently in, research expenditures are expected to be higher in 2020 than in 2019. General and administrative expenses in 2020 are expected to be on par with or slightly higher than 2019 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 2020 as compared to 2019. 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 primarily 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 that is the case, the Company will consider financing alternatives including those used in the past such as private placements and debt financing to raise the necessary capital it requires to fund ongoing operations.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the successful completion of the actions taken or planned, some of which are described above, which management believes will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing its financial statements. There is no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.

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

SELECTED ANNUAL FINANCIAL INFORMATION

The following is selected financial information about the Company, for its 2019, 2018, and 2017 fiscal years:

Years ended December 31,	2019	2018	2017
License & Royalty	$ 196,529	$ 111,333	$ 73,400
Sale of goods	1,496,995	394,940	347,071
Total Revenue	1,693,524	506,273	420,471
Cost of sales-sales of goods and services	1,083,612	390,802	483,750
Gross Profit	609,912	115,471	(63,279)
General and administration expenses	2,658,727	2,371,777	2,395,933
Research expenses	1,541,381	922,526	850,578
Net finance costs	38,582	82,167	91,216
Loss and comprehensive loss	(960,178)	(3,260,999)	(3,401,006)
Basic and diluted loss per share	(0.01)	(0.04)	(0.06)
Cash and cash equivalents	834,128	75,425	1,975,723
Total assets	2,755,692	1,555,936	3,397,087
Non-current liabiltiies	577,232	480,685	547,758
Total current liabilities	1,341,653	2,060,091	726,108
Deficit	(24,889,029)	(23,928,851)	(20,667,852)
Total capital stock, warrants, convertible note option and contributed surplus	25,725,836	22,944,011	22,791,073

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:

	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018	Q2-2018	Q1-2018
	$	$	$	$	$	$	$	$
License	16,767	16,768	16,768	16,769	16,769	16,768	16,768	16,768
Royalty	32,645	34,709	28,109	33,993	12,355	9,590	9,218	13,097
Sales of goods and services	514,725	235,361	176,413	570,495	128,034	100,201	86,592	80,113
Total Revenue	564,138	286,838	221,290	621,257	157,158	126,559	112,578	109,978
Cost of Sales	363,905	170,516	138,782	410,408	86,390	95,579	93,489	115,344
Gross Profit	200,233	116,322	82,508	210,849	70,768	30,980	19,089	(5,366)
Operating Expenses	1,421,945	912,058	1,035,983	830,122	783,550	941,442	702,381	866,930
Loss for the Qtr	(1,156,695)	(821,554)	1,675,462	(657,391)	(622,497)	(1,013,456)	(718,482)	(906,564)
Loss per share	(0.01)	(0.01)	0.02	(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. 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 revenues have been significantly higher in recent quarters. The Company expects continued rapid royalty growth as Dechra expanded their product line in late 2019 by introducing rawhide chews in Canada and the United States and expanding its toothpaste line into the United States. Sales of Dehra's existing products continues to grow, and their products should launch in Brazil in mid-2020 as the Company continues to demonstrate the safety and efficacy the product line.

Sales of goods and services have been significantly higher in recent quarters as a result of increases in all of the following revenue categories: Product sales to large pet retail chains, international sales, online sales and Dechra contract services revenue, In addition, an expanded line of bluestem™ products is contributing to ongoing revenue growth.

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. In addition, larger customer orders and overall higher sales in recent quarters have resulted in improved shipping and warehousing efficiencies contributing to improved margins.

Operating expenses can vary significantly from quarter to quarter due primarily 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. Q4 2019 includes higher contract research and compensation-related costs than earlier quarters as the Company escalated its work on its DispersinB® human wound care hydrogel project.

RESULTS OF OPERATIONS

Revenue

Revenue consists of License and Royalty revenue from its licensing agreement with Dechra, product sales from the Company's bluestem™ and StrixNB™ brands 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 December 31, 2019 and 2018 is summarized in the table below:

Three Months ended December 31,	2019	2018	Change	% Change
License	$ 16,767	$ 16,769	$ (2)	0.0%
Royalty	32,645	12,355	20,290	164.2%
Sales of goods and services	514,725	128,034	386,691	302.0%
Total Revenue	$ 564,137	$ 157,158	$ 406,979	259.0%

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.

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 December 31, 2019, royalty payments received from Dechra increased by 164% to $32,645 compared to $12,355 in the three months ended December 31, 2018 as Dechra continues to roll out its expanded Vetradent product line to its North American veterinarian customer base.

Revenue from product sales in the three months ended December 31, 2019 was $329,749, an increase of 217% compared to $104,144 in the three months ended December 31, 2018 due mainly to the fulfillment of the Company's first major order of bluestem™ products to its exclusive Chinese distribution partner, Eetoys Pet Products Limited ("Eetoys"), as well as increased product sales to large pet specialty retail customers in the current period.

Services revenue consists of contract manufacturing and quality control services related to the Company's relationship with Dechra. In the three months ended December 31, 2019, services revenue was $184,976, an increase of 674% compared to $23,890 for the three months ended December 31, 2018. This substantial increase is due mainly to contract manufacturing services related to Dechra's new rawhide chews and US-labelled toothpaste products manufactured for and shipped to Dechra in the current period.

The Company's revenue by category for the years ended December 31, 2019 and 2018 is summarized in the table below:

Year ended December 31,	2019	2018	Change	% Change
License	$ 67,073	$ 67,073	$ -	0.0%
Royalty	129,456	44,260	85,196	192.5%
Sales of goods and services	1,496,995	394,940	1,102,055	279.0%
Total Revenue	$ 1,693,524	$ 506,273	$ 1,187,251	234.5%

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.

Royalty revenue in the year ended December 31, 2019 increased by 192% to $129,456 compared to $44,260 in the year ended December 31, 2018 as Dechra has continues to roll out its expanded Vetradent product line to its North American veterinarian customer base.

Revenue from bluestem™ and StrixN™ product sales in the year ended December 31, 2019 was $1,161,079, an increase of 271% compared to $313,207 in the year ended December 31, 2018. This increase is due primarily to the fulfillment of the Company's first major order of bluestem™ products to its exclusive Chinese distribution partner, Eetoys as well as increased product sales to large pet specialty retail customers in the current period.

Services revenue consisting of contract manufacturing and quality control services related to the Company's relationship with Dechra in the year ended December 31, 2019 was $ 335,916, an increase of 311% compared to $81,733 for the year ended December 31, 2018. The increase in the current period is due to overall higher demand for contract manufacturing services by Dechra including manufacturing services related to its new rawhide chews and US-labelled toothpaste products manufactured for and shipped to Dechra in the fourth quarter of the current period.

General and Administration Expenses

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

The changes in general and administration expenditures by category for the three months ended December 31, 2019 and 2018 are reflected in the following table:

Three Months ended December 31,	2019	2018	Change	% Change
Compensation related costs	$ 514,644	$ 214,164	$ 300,480	140.3%
Business development costs	186,307	113,747	72,560	63.8%
Legal costs	41,303	44,554	(3,251)	-7.3%
Other administration costs	56,582	31,479	25,103	79.7%
Grant Income	(83,809)	-	(83,809)	100.0%
General and adminstration expenses	$ 715,027	$ 403,944	$ 311,083	77.0%

Higher compensation related costs in the three months ended December 31, 2019 compared to the three months ended December 31, 2018 are primarily due to higher salaries resulting from an increase in staff as well as higher consulting and short-term compensation expenses in the current period.

Higher business development costs in the three months ended December 31, 2019 compared to the three months ended December 31, 2018 are primarily due to increased spending on bluestem™ marketing programs and employee travel in the current period.

Lower legal costs in the three months ended December 31, 2019 compared to the three months ended December 31, 2018 are primarily due to legal costs incurred in the prior period related to the Nestle lawsuit partially offset by higher general legal costs in the current period

Higher other administration costs in the three months ended December 31, 2019 compared to the three months ended December 31, 2018 are primarily due to higher general office expenditures in the current period related to an increase in general and administration staff.

Government assistance received in the current period is from an NRC IRAP grant.

The changes in general and administration expenditures by category for the year ended December 31, 2019 and 2018 are reflected in the following table:

Year ended December 31,	2019	2018	Change	% Change
Compensation related costs	$ 1,444,808	$ 1,371,690	$ 73,118	5.3%
Business development costs	771,780	512,930	258,850	50.5%
Legal costs	359,471	335,665	23,806	7.1%
Other administration costs	166,477	151,492	14,985	9.9%
Grant Income	(83,809)	-	(83,809)	100.0%
General and adminstration expenses	$ 2,658,727	$ 2,371,777	$ 286,950	12.1%

Higher compensation related costs in the year ended December 31, 2019 compared to the year ended December 31, 2018 are primarily due higher salaries resulting from an increase in staff as well as higher consulting and short-term compensation expenses in the current period partially offset by separation costs incurred in the prior period relating to the departure of the Company's former President and CEO.

Higher business development costs in the year ended December 31, 2019 compared to the year ended December 31, 2018 are primarily due to increased spending on bluestem™ marketing programs and employee travel in the current period.

Higher legal costs in the year ended December 31, 2019 compared to the year ended December 31, 2018 are primarily due to higher legal expenses related to the Nestle lawsuit in the current period partially offset by lower general legal expenses in the comparative period.

Higher other administration costs in the year ended December 31, 2019 compared to the year ended December 31, 2018 are primarily due to higher general office expenditures in the current period related to an increase in general and administration staff.

Government assistance received in the current period is from an NRC IRAP grant.

Research and Development Expenses

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

The changes in research and development expenses by category for the three months ended December 31, 2019 and 2018 are reflected in the following table:

Three Months ended December 31,	2019	2018	Change	% Change
Compensation related costs	$ 164,717	$ 86,761	77,956	89.9%
Contract research and scientific consulting	337,419	19,354	318,065	1643.4%
Patent related costs and other intangibles expensed	153,591	242,430	(88,839)	-36.6%
Other research costs	43,726	38,062	5,664	14.9%
Government assistance	7,465	(7,000)	14,465	-206.6%
Research expenses	$ 706,918	$ 379,607	$ 327,311	86.2%

Higher compensation related costs in the three months ended December 31, 2019 compared to the three months ended December 31, 2018 are due primarily to higher salaries resulting from an increase in staff as well as higher short-term compensation expenses.

Higher contract research and scientific consulting costs in the three months ended December 31, 2019 compared to the three months ended December 31, 2018 are due primarily to increased spending on contract research related to the Company's DispersinB® human wound care program.

Lower patent related costs and other intangibles expensed in the three months ended December 31, 2019 compared to the three months ended December 31, 2018 are due mainly to lower patent write-off expenses in the current period.

Higher other research costs in the three months ended December 31, 2019 compared to the three months ended December 31, 2018 are due primarily to higher research consumables costs in the current period compared to the previous period.

Government assistance recorded in the current quarter reflects an adjustment to Scientific Research and Experimental Development (SR&ED) credits recorded earlier in the current year.

The changes in research and development expenses by category for the year ended December 31, 2019 and 2018 are reflected in the following table:

Year ended December 31,	2019	2018	Change	% Change
Compensation related costs	$ 527,950	$ 365,497	162,453	44.4%
Contract research and scientific consulting	519,889	157,744	362,145	229.6%
Patent related costs and other intangibles expensed	312,579	379,535	(66,956)	-17.6%
Other research costs	195,360	164,848	30,512	18.5%
Government assistance	(14,397)	(145,098)	130,701	-90.1%
Research expenses	$ 1,541,381	$ 922,526	$ 618,855	67.1%

Higher compensation related costs in the year ended December 31, 2019 compared to the year ended December 31, 2018 are due primarily to higher salaries resulting from an increase in research and development staff as well as higher short-term compensation expense.

Higher contract research and scientific consulting costs in the year ended December 31, 2019 compared to the year ended December 31, 2018 are due primarily to increased spending on contract research related to the Company's DispersinB® human wound care program.

Lower patent related costs and other intangibles expensed in the year ended December 31, 2019 compared to the year ended December 31, 2018 are due mainly to lower patent write-off and patent amortization expenses recorded in the current period.

Higher other research costs in the year ended December 31, 2019 compared to the year ended December 31, 2018 are due primarily to higher research consumables costs in the current period compared to the previous period.

Lower government assistance recorded in the year ended December 31, 2019 compared to the year ended December 31, 2018 is the result of the Company receiving NRC IRAP research and development grant funding in the previous period.

Finance Costs (Income)

The change in finance costs (income) for the three months ended December 31, 2019 and 2018 are reflected in the following table:

Three Months ended December 31,	2019	2018	Change
Finance income	$ (410)	$ (9,343)	$ 8,933
Finance expense	30,240	20,786	9,454
Fair value adjustment - government loan	(108,623)	-	(108,623)
Foreign exchange loss, net	14,226	(1,120)	15,346
Net finance costs	$ (64,567)	$ 10,323	$ (74,890)

Lower finance income in the three months ended December 31, 2019 compared to the three months ended December 31,2018 is due to lower interest income on cash balances during the current period.

Higher finance expense in the three months ended December 31, 2019 compared to the three months ended December 31, 2018 is due to higher interest expense related to short-term loan and related party cash advances during the current period.

The change in finance costs (income) for the year ended December 31, 2019 and 2018 are reflected in the following table:

Year ended December 31,	2019	2018	Change
Finance income	$ (454)	$ (9,620)	$ 9,166
Finance expense	141,675	89,777	51,898
Fair value adjustment - government loan	(108,623)	-	(108,623)
Foreign exchange loss, net	5,984	2,010	3,974
Net finance costs	$ 38,582	$ 82,167	$ (43,585)

Lower finance income in the year ended December 31, 2019 compared to the year ended December 31, 2018 is due to lower interest income on cash balances during the current period.

Higher finance expense in the year ended December 31, 2019 compared to the year ended December 31, 2019 is due to higher interest expense related to short-term loan and related party advances in the current period.

Loss and Comprehensive Loss

The losses and comprehensive losses for the three months and year ended December 31, 2019 and 2018 are reflected in the following tables:

Three Months ended December 31,	2019	2018	Change
Loss and comprehensive loss	$ (1,156,695)	$ (622,497)	$ (534,198)
Basic and diluted loss per share	$ (0.01)	$ (0.01)	$ -

Year ended December 31,	2019	2018	Change
Loss and comprehensive loss	$ (960,178)	$ (3,260,999)	$ 2,300,821
Basic and diluted loss per share	$ (0.01)	$ (0.04)	$ 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 December 31, 2019, the Company had cash of $834,128 compared with $75,425 at December 31, 2018.

Cash used in operating activities

Cash used in operating activities for the three months ended December 31, 2019 was $1,051,663 compared to $564,299 for the three months ended December 31, 2018.

Cash used in operating activities for the year ended December 31, 2019 was $955,372 compared to $2,814,451 for the year ended December 31, 2018. The period over period decrease in cash used in operating activities is due mainly to proceeds received from a lawsuit settlement in the second quarter of the current period.

Cash from financing activities

Cash provided by financing activities for the three months ended December 31, 2019 was $1,586,210 compared to $560,454 received in the three months ended December 31, 2018. The period over period increase in cash provided by financing activities is due mainly to proceeds received from the first tranche of a private placement offering during the current period.

Cash provided by financing activities for the year ended December 31, 2019 was $1,811,451 compared to $1,060,454 in the year ended December 31, 2018. The period over period increase in cash provided by financing activities is due mainly to proceeds received from the first tranche of a private placement offering during the current period.

Cash used in investing activities

Cash used in investing activities during the three months ended December 31, 2019 was $41,750 compared to $42,259 in the three months ended December 31, 2018.

Cash used in investing activities during the year ended December 31, 2019 was $97,378 compared to $146,301 in the year ended December 31, 2018.

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

However, it is possible that these sources of cash inflows will not be sufficient to entirely fund the Company's planned research activities and administration costs in 2020. 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 26, 2020	December 31, 2019	December 31, 2018
Common shares issued and outstanding	108,613,535	101,531,673	80,113,536
Options outstanding	5,185,000	1,535,000	6,197,333
Warrants outstanding	47,174,389	43,499,813	38,004,997

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

CONTRACTUAL OBLIGATIONS

The Company periodically enters into 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	5-7 years	Total
Lease agreements	$ 74,884	$ 66,529	$ -	$ -	$ 141,413
Accounts payable and accrued liabilities	1,226,544	-	-	-	1,226,544
Due to related party	41,841	-	-	-	41,841
Long-term loan government repayable	-	-	91,545	165,653	257,198
	$ 1,343,269	$ 66,529	$ 91,545	$ 165,653	$ 1,666,996
Licence maintenance fees (USD)	$ 10,000	$ 20,000	$ 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 ("ICF), and as such has not completed such an evaluation.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

Revenue recognition

The Company's accounting policy over revenue recognition may be found in Note 2(e) in the Company's financial statements.

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

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

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

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

Revenue from the sales of goods and services, net of discounts, is recognized when control of those goods has been transferred to the customer or the performance obligation on services is met.

Research and development costs

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

Patents and trademarks

The Company's accounting policy over patents and trademarks may be found in Notes 3(f)(ii) in the Company's financial statements. Patents and trademarks are reviewed for impairment on an ongoing basis whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, then the asset's recoverable amount is estimated. An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use. The fair value less costs to sell calculation is based on available data from observable market prices, less incremental costs. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market size and market growth trends, strength of customer demand and degree of variability in cash flows, as well as other factors, are considered when making assumptions regarding future cash flows and the appropriate discount rate. A change in any of the significant assumptions of estimates used to evaluate the underlying assets could result in a material change to the results of operations.

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

Stock-based compensation

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