

Consolidated Financial Statements  
(Expressed in Canadian Dollars)

# **KANE BIOTECH INC.**

Years ended December 31, 2025 and 2024

To the Shareholders of Kane Biotech Inc.:

## Opinion

We have audited the consolidated financial statements of Kane Biotech Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2025 and December 31, 2024, and the consolidated statement of income (loss) and comprehensive income (loss), changes in deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

## Basis for Opinion

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

## Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) in the consolidated financial statements, which indicates that the Company incurred operating losses and negative cash flows during the year ended December 31, 2025. As stated in Note 2(c), these events or conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

## ***Intangible assets***

### *Key Audit Matter Description*

Impairment of intangible assets

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

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

Refer to Note 3(h)(ii) and Note 11 in the consolidated financial statements.

### *Audit Response*

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

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

### **Other Information**

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Winnipeg, Manitoba

April 23, 2026

*MNP LLP*

Chartered Professional Accountants

# KANE BIOTECH INC.

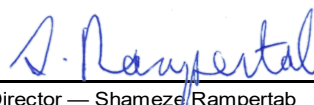
## Consolidated Statement of Financial Position

	Note	December 31, 2025	December 31, 2024
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 901,698	\$ 358,813
Trade and other receivables	8,18	36,495	88,084
Inventory	9	504,562	376,034
Prepaid expenses		246,498	205,928
<b>Total current assets</b>		<b>1,689,253</b>	<b>1,028,859</b>
Non-current assets:			
Property and equipment	10	476,488	929,262
Intangible assets	11	568,300	536,055
<b>Total non-current assets</b>		<b>1,044,788</b>	<b>1,465,317</b>
<b>Total assets</b>		<b>\$ 2,734,041</b>	<b>\$ 2,494,176</b>
<b>Liabilities and Shareholders' Deficit</b>			
Current liabilities:			
Accounts payable and accrued liabilities	12,13(d),18	\$ 1,076,177	\$ 1,649,449
Deposits - private placement	16(b)	-	120,000
Other liability	7	100,101	178,790
Government loan	13(b)	1,246,549	344,224
Lease liability	14	79,045	117,502
<b>Total current liabilities</b>		<b>2,501,872</b>	<b>2,409,965</b>
Non-current liabilities:			
Government loan	13(b)	-	958,238
Convertible loan	13(c)	617,159	-
Lease liability	14	361,555	755,210
<b>Total non-current liabilities</b>		<b>978,714</b>	<b>1,713,448</b>
<b>Total liabilities</b>		<b>3,480,586</b>	<b>4,123,413</b>
<b>Shareholders' Deficit</b>			
Share capital	16(b)	27,965,674	24,402,338
Contributed surplus		8,409,641	8,317,784
Warrants	16(e)	14,505	65,767
Deficit		(37,136,365)	(34,415,126)
<b>Total</b>		<b>(746,545)</b>	<b>(1,629,237)</b>
Going concern	2(c)		
Commitments and contingencies	17		
Subsequent events	25		
<b>Total liabilities and shareholders' deficit</b>		<b>\$ 2,734,041</b>	<b>\$ 2,494,176</b>

Approved on behalf of the Board:



Director — Philip Renaud



Director — Shameze Rampertab

The notes on pages 5 to 34 are an integral part of these consolidated financial statements.

# KANE BIOTECH INC.

## Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

	Note	Year ended December 31, 2025		Year ended December 31, 2024
<b>Revenue</b>				
License	6	\$	-	\$ 279,641
Royalty	6		1,699	-
Sales of goods and services	7		426,170	1,801,238
<b>Total Revenue</b>	<b>21</b>		<b>427,869</b>	<b>2,080,879</b>
<b>Cost of sales - sales of goods and services</b>	<b>7,9</b>		<b>428,509</b>	<b>1,208,783</b>
<b>Gross Profit (loss)</b>			<b>(640)</b>	<b>872,096</b>
<b>Expenses</b>				
General and administration	10,18		1,982,985	3,078,109
Research	11,18		670,223	1,716,984
	<b>20</b>		<b>2,653,208</b>	<b>4,795,093</b>
<b>Loss from continuing operations</b>			<b>(2,653,848)</b>	<b>(3,922,997)</b>
<b>Other income (expenses):</b>				
Finance income			18,994	4,943
Finance expenses	24		(242,759)	(545,480)
Foreign exchange gain (loss)			3,955	(7,819)
Gain on lease termination	14		17,406	-
Gain on disposal of equipment	10		27,008	-
<b>Net other expenses from continuing operations</b>			<b>(175,396)</b>	<b>(548,356)</b>
<b>Loss and comprehensive loss from continuing operations before income tax</b>			<b>(2,829,244)</b>	<b>(4,471,353)</b>
Deferred tax recovery	5,13(c)		108,005	1,310,256
<b>Net loss and comprehensive loss from continuing operations</b>			<b>(2,721,239)</b>	<b>(3,161,097)</b>
<b>Income and comprehensive income from discontinued operations</b>	<b>5</b>		<b>-</b>	<b>9,327,354</b>
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$</b>	<b>(2,721,239)</b>	<b>\$ 6,166,257</b>
<b>Net income (loss) and comprehensive income (loss) attributable to:</b>				
Shareholders:				
Continuing operations		\$	(2,721,239)	\$ (3,161,097)
Discontinued operations	5		-	9,259,039
			<b>(2,721,239)</b>	<b>6,097,942</b>
Minority interest:				
Continuing operations			-	-
Discontinued operations	4,5		-	68,315
			-	68,315
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$</b>	<b>(2,721,239)</b>	<b>\$ 6,166,257</b>
<b>Net loss per share attributable to shareholders from continuing operations</b>				
Basic	16(f)	\$	(0.02)	\$ (0.02)
Diluted	16(f)	\$	(0.02)	\$ (0.02)
<b>Net income per share attributable to shareholders from discontinued operations</b>				
Basic	16(f)	\$	-	\$ 0.07
Diluted	16(f)	\$	-	\$ 0.06

The notes on pages 5 to 34 are an integral part of these consolidated financial statements.

# KANE BIOTECH INC.

## Consolidated Statement of Changes in Deficit

	Note	Share Capital	Contributed Surplus	Warrants	Minority Interest	Deficit	Total
Balance as of January 1, 2024		\$ 23,686,359	\$ 7,749,013	\$ 140,600	\$ 2,148,912	\$ (42,134,276)	\$ (8,409,392)
Loss and comprehensive loss from continuing operations					-	(3,161,097)	(3,161,097)
Loss and comprehensive loss from discontinued operations					68,315	9,259,039	9,327,354
Total equity transactions:							
Share-based payments	16(d)	-	710,831	-	-	-	710,831
Restricted share units redeemed	16(b),(d)	142,060	(142,060)	-	-	-	-
Warrants exercised	16(b),(e)	573,919	-	(74,833)	-	-	499,086
Total equity transactions		715,979	568,771	(74,833)	-	-	1,209,917
Changes of ownership interest in subsidiary	5	-	-	-	(2,217,227)	1,621,208	(596,019)
Balance as of December 31, 2024		\$ 24,402,338	\$ 8,317,784	\$ 65,767	\$ -	\$ (34,415,126)	\$ (1,629,237)
Loss and comprehensive loss for the period					-	(2,721,239)	(2,721,239)
Total equity transactions:							
Net fair value of the equity component of the convertible loan	13(c)	-	292,013	-	-	-	292,013
Issuance of common shares	16(b)	3,330,379	-	-	-	-	3,330,379
Share-based payments	16(c),(d)	-	246,068	-	-	-	246,068
Exercised stock options	16(b)	62,991	(12,991)	-	-	-	50,000
Restricted share units reversed	16(d)	-	(329,034)	-	-	-	(329,034)
Restricted share units redeemed	16(d)	169,966	(169,966)	-	-	-	-
Warrants expired	16(e)	-	65,767	(65,767)	-	-	-
Warrants granted	16(e)	-	-	14,505	-	-	14,505
Total equity transactions		3,563,336	91,857	(51,262)	-	-	3,603,931
Balance as of December 31, 2025		\$ 27,965,674	\$ 8,409,641	\$ 14,505	\$ -	\$ (37,136,365)	\$ (746,545)

The notes on pages 5 to 34 are an integral part of these consolidated financial statements.

# KANE BIOTECH INC.

## Consolidated Statement of Cash Flows

	Note	Year ended December 31, 2025	Year ended December 31, 2024
<b>Cash provided by (used in):</b>			
<b>Operating activities:</b>			
Income (loss) and comprehensive income (loss)		\$ (2,721,239)	\$ 6,166,257
Adjustments for:			
Income and comprehensive income from discontinued operations	5	-	(9,327,354)
Depreciation of property and equipment	10	131,142	161,126
Amortization of intangible assets	11	31,596	57,344
Loss (gain) on disposal of equipment	10	(27,008)	77
Loss on derecognition of intangible assets	11	44,397	205,282
Forgiven interest payable to related party		-	(8,066)
Gain on lease termination including termination fee paid	10,14	(41,827)	-
Interest on loans and finance lease	24	239,765	540,330
Warrant expense	16(e)	(1,803)	-
Share-based compensation (recovery)	16(c),(d)	(82,966)	710,831
Non-cash marketing expenses	16(b)	50,000	-
Deferred tax recovery	5,13(c)	(108,005)	(1,310,256)
Change in the following:			
Trade and other receivables		51,589	15,018
Inventory		(128,528)	(125,617)
Prepaid expenses		(40,570)	(57,283)
Accounts payable and accrued liabilities		(573,272)	250,649
Other liability	7	(78,689)	-
Contract liabilities		-	(942,802)
Cash used in operating activities - continuing operations		(3,255,418)	(3,664,464)
Cash used in operating activities - discontinued operations	5	-	(446,882)
Cash used in operating activities		(3,255,418)	(4,111,346)
<b>Financing activities:</b>			
Deposits received from private placement		-	120,000
Issuance of common shares	16(b)	3,226,687	-
Warrants exercised	16(b),(e)	-	499,086
Interest paid on finance lease and loan	13(a),14	(40,989)	(961,774)
Net proceeds from convertible loan	13(c)	972,488	-
Repayment of loan payable	13(a)	-	(6,000,000)
Repayment of long-term government loans	13(b)	(210,000)	(544,000)
Repayment of lease liability principal	14	(96,750)	(110,676)
Cash provided by (used in) financing activities - continuing operations		3,851,436	(6,997,364)
Cash used in financing activities - discontinued operations	5	-	(689,052)
Cash provided by (used in) financing activities		3,851,436	(7,686,416)
<b>Investing activities:</b>			
Purchase of property and equipment	10	(4,895)	(24,741)
Additions to intangible assets	11	(108,238)	(65,397)
Proceeds from sale of office equipment	10	60,000	-
Proceeds from sale of subsidiary	5	-	10,852,174
Disposal costs from sale of subsidiary	5	-	(490,643)
Cash provided by (used in) investing activities - continuing operations		(53,133)	10,271,393
Cash used in investing activities - discontinued operations	5	-	(3,546)
Cash provided by (used in) investing activities		(53,133)	10,267,847
<b>Increase (decrease) in cash and cash equivalents</b>		<b>542,885</b>	<b>(1,529,915)</b>
<b>Cash and cash equivalents, beginning of year - continuing operations</b>		<b>358,813</b>	<b>749,248</b>
<b>Cash and cash equivalents, beginning of year - discontinued operations</b>		<b>-</b>	<b>1,139,480</b>
		<b>358,813</b>	<b>1,888,728</b>
<b>Less cash and cash equivalents, end of year - discontinued operations</b>	<b>5</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents, end of year - continuing operations</b>		<b>\$ 901,698</b>	<b>\$ 358,813</b>

The notes on pages 5 to 34 are an integral part of these consolidated financial statements.

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

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## 1. Reporting entity:

Kane Biotech Inc. (the "Company"), including its former subsidiary STEM Animal Health Inc. ("STEM") is a biotechnology company engaged in the research, development and commercialization of technologies and products that prevent and remove microbial biofilms. The Company is domiciled and incorporated in Canada. Its registered office is 263-196 Innovation Drive, Winnipeg, Manitoba, Canada, R3T 6C5.

## 2. Basis of preparation of consolidated financial statements:

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS<sup>®</sup> Accounting Standards as issued by the International Accounting Standards Board ("IFRS").

The consolidated financial statements were authorized for issue by the Board of Directors on April 23, 2026.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

### (c) Going concern

These consolidated financial statements have been prepared using IFRS that are applicable to a going concern, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is material uncertainty about the appropriateness of the use of the going concern assumption because the Company has experienced operating losses and net cash outflows from operations since inception and has not yet achieved profitability from the commercialization of its products which casts significant doubt on the Company's ability to continue as a going concern. For the year ended December 31, 2025, the Company had a loss and comprehensive loss of \$2,721,239 (2024 - \$6,166,257, income and comprehensive income) and negative cash flow from operating activities of \$3,255,418 (2024 - \$4,111,346), and as of that date had working capital deficit of \$812,618 (2024 - \$1,381,106) and a deficit of \$37,136,365 (2024 - \$34,415,126).

The Company's ability to continue operations is primarily dependent upon cash inflows from product revenues, non-dilutive government funding and securing additional capital through debt or equity financings. While the Company is striving to achieve this, there is no assurance that such sources of funds will be available or obtained on favourable terms. If the Company cannot generate product and services revenue, obtain grant funding, or if it cannot secure additional financing on acceptable terms, the Company will have to consider additional strategic alternatives. These may include, among other strategies, exploring the monetization of certain tangible and intangible assets as well as seeking to license assets, potential asset divestitures, winding up, dissolution or liquidation of the Company.

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

These consolidated financial statements do not reflect adjustments in the carrying values of the Company's assets and liabilities, revenue and expenses, and the consolidated statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

### (d) Functional and presentation currency

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

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

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

### (e) Use of estimates and judgments

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

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

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

- Note 2(c) Going concern. The determination that the Company will continue as a going concern.
- Note 2(f) Basis of consolidation. The determination of control of STEM.
- Note 3(b) Revenue recognition. The determination of the exclusive right to access a license representing the primary performance obligation in the Company's license and distribution agreements as well as when milestone revenue becomes highly probable. The determination of the duration of a contract where renewal terms may exist.
- Note 3(d) Fair value of long-term government loans. The determination of the effective interest rate for measuring the fair value of loan advances when received and the estimated repayment term and the timing of future cash flows.
- Note 3(d) Fair value of convertible loan. The determination of the fair value measurement, usage of discount rate for valuation, the estimated effective interest rate for measuring the fair value of convertible loan when received and estimated repayment term and the timing of future cash flows.
- Note 3(e) Inventory. The determination of net realizable value for the purpose of assessing inventory impairment.
- Note 3(g)(i) Research and development costs. The determination of research and development expenditures that meet the criteria for capitalization.
- Note 3(h)(i) Impairment of financial assets. The calculation of expected credit losses related to trade and other receivables.
- Note 3(h)(ii) Impairment of non-financial assets. The determination that the Company has a single cash generating unit as the Company cannot clearly distinguish cash inflows that are largely independent of other cash flows specific to certain assets or technologies. The determination that the fair value of future net cash flows related to the Company's non-financial assets exceeds their carrying value per the financial statements. The determination to use the replacement cost approach to estimate fair value less costs to sell to evaluate for impairment.
- Note 3(i)(ii) and Note 16(c), (d) and (e) Share-based payment transactions. The determination of the risk-free interest rate and expected volatility with respect to the assumptions used in the Black-Scholes option pricing model for the purpose of determining stock options expense for employee share-based compensation. The determination that the fair value of restricted share units is the closing price of the Company's stock on the grant date.
- Note 3(j) Government grants. The determination of eligible expenditures for scientific research and experimental development investment tax credits (SR&ED ITC).
- Note 3(n) Leases. The determination of the incremental borrowing rate where there is no rate implicit in the lease, by way of reference to the Company's incremental borrowing rate for a loan of similar security and term. The determination of the lease term when optional renewal periods exist and the determination of variable lease payments that should be excluded from the calculation of the right of use asset and lease liability.

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

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

### (f) Basis of consolidation

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

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

The Company had one subsidiary, STEM, which was 66.66% owned by the Company. The principal place of business of STEM was Winnipeg, Manitoba, Canada, and its functional currency was Canadian dollars. Refer to note 5 for further information regarding the discontinued operations and sale of STEM in 2024.

## 3. Material accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

### (a) Cash and cash equivalents

Cash includes currency on hand and demand deposits with banks with original maturities of 90 days or less. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. As December 31, 2025, cash and cash equivalents of \$901,698 (2024 - \$358,813) include cash equivalents of \$50,000 (2024 - \$ 50,000) that is a guaranteed investment certificate("GIC").

### (b) Revenue recognition

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

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

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

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

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

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

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

### (c) Foreign currency transactions

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

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

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

#### (d) Financial instruments

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

Cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, deposits, other liability, government loan, and convertible loan are all classified as amortized cost under this standard.

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

A promissory note was issued to an insider in May 2025 and subsequently converted to an unsecured convertible debenture in June 2025. The promissory note was initially measured at fair value based on management’s best estimate of the effective interest rate at initial recognition.

The convertible debenture is a compound financial instrument, which contains both a liability and an equity component. It was initially measured at fair value based on management’s best estimate of the effective interest rate at initial recognition. The carrying amount of the liability component of the convertible loan is recorded as a non-current liability and the carrying amount of the equity component of the convertible loan is recorded as contributed surplus in shareholders’ deficit. The convertible loan is subsequently measured at amortized cost.

#### (e) Inventory

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

#### (f) Property and equipment

##### (i) Recognition and measurement

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

##### (ii) Depreciation

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

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

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

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

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## 3. Material accounting policies (continued):

### (g) Intangible assets

#### (i) Research and development

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

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

#### (ii) Patents and trademarks

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

#### (iii) Subsequent expenditures

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

### (h) Impairment

#### (i) Financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset subsequently measured at amortized cost is impaired.

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

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

#### (ii) Non-financial assets

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

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

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

## KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

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

#### (i) Employee benefits

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

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

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

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

Forfeitures of equity-settled share-based payment awards are accounted for by revising the estimate of the number of equity instruments expected to vest. The Company recognizes an adjustment to the cumulative share-based compensation expense such that, at each reporting date, the amount recognized reflects the number of awards expected to vest. Amounts previously recognized in respect of awards that ultimately do not vest due to failure to satisfy service or non-market performance conditions are reversed through profit or loss.

Once an award has vested, no adjustment is made to the expense recognized, regardless of whether the equity instruments are ultimately exercised or expired unexercised.

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

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

#### (j) Government grants

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

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

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

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

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

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

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

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

#### (l) Income tax

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

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

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

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

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

#### (m) Earnings (loss) per share

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

#### (n) Leases

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

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate or the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

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

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

##### Standards and interpretations adopted

Lack of Exchangeability (Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates), issued in August 2023, specify when a currency is exchangeable into another currency and when it is not, specify how to determine whether a currency is exchangeable into another currency, how to determine the spot exchange rate when a currency lacks exchangeability, and requires the disclosure of additional information when a currency is not exchangeable. Effective January 1, 2025, the Company adopted the Amendment of IAS 21 with no material impact on its consolidated financial statements.

##### Standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are not yet effective up to the date of issuance of the Company’s consolidated financial statements are listed below.

##### Annual Improvements to IFRS® Accounting Standards – Volume 11 (Amendments)

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

##### Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

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

##### IFRS 18 Presentation and Disclosure in Financial Statements

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

### 4. Minority interest:

The minority interest pertained to the Company’s former subsidiary, STEM Animal Health Inc. (“STEM”), which was formed on September 28, 2020 and sold on April 12, 2024. The Company held a 66.66% equity interest in STEM and Animalcare Group PLC (“Animalcare”) invested \$3 million over a period of 48 months to acquire 33.34% equity interest of STEM.

## KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

### 4. Minority interest (continued):

The Company held 66.66% equity interest in STEM, along with other contributing factors, such as the Company retaining three of five Board positions of STEM, providing extensive services to STEM, and having a significant ability to affect the returns of STEM, concluded that it controlled STEM. Accordingly, all of STEM's assets, liabilities, equity, income, expense, and cash flows up to April 11, 2024, were included with Kane Biotech's in the Company's consolidated financial statements. Animalcare's investment was recorded as a minority interest in the consolidated statement of financial position at its initial fair value of \$2,693,606, which was subsequently derecognized from the consolidated statement of financial position and the consolidated statement of changes in deficit as of December 31, 2024.

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

STEM's assets, liabilities and equity are excluded from the consolidated statement of financial position as of December 31, 2025 and December 31, 2024, and STEM's revenue and income summary for the years ended December 31, 2025 and 2024 is as follows:

	Year ended December 31, 2025	Year ended December 31, 2024
Revenue	\$ -	\$ 1,079,690
Income and comprehensive income	\$ -	\$ 204,905

### 5. Discontinued operations:

On April 12, 2024, the Company completed the sale of its 66.66% interest in STEM to Dechra Veterinary Products, Inc. ("Dechra").

Pursuant to the terms of the Share Purchase Agreement, the Company received consideration for its issued and outstanding shares in STEM based on the following calculation:

- a) Base Purchase Price: \$8,000,000 USD.
- b) Plus the amount, if any, by which the Final Working Capital exceeds the Target Working Capital
- c) Minus the amount, if any, by which the Target Working capital exceeds the Final Working Capital
- d) Minus the amount of the Final indebtedness.

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

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

## KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

### 5. Discontinued operations (continued):

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

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

Financial results relating to discontinued operations for the year ended December 31, 2024 is summarized as follows:

	<b>Note</b>	Year ended December 31, 2024
<b>Revenue</b>		
License	<b>6</b>	\$ 70,398
Royalty		149,026
Sales of goods and services		860,266
<b>Total Revenue</b>		<b>1,079,690</b>
<b>Cost of sales - sales of goods and services</b>	<b>9</b>	<b>454,998</b>
<b>Gross Profit</b>		<b>624,692</b>
<b>Expenses</b>		
General and administration		446,142
Research		6,917
		<b>453,059</b>
<b>Income from discontinued operations</b>		<b>171,633</b>
<b>Other income (expenses):</b>		
Finance income		9,104
Finance expenses		(3,793)
Foreign exchange gain		27,961
<b>Net income from discontinued operations</b>		<b>33,272</b>
<b>Income and comprehensive income from discontinued operations</b>		<b>204,905</b>
Gain on sale of subsidiary		9,122,449
<b>Net income from discontinued operations</b>		<b>\$ 9,327,354</b>
<b>Net income and comprehensive income from discontinued operations attributable to:</b>		
Shareholders		\$ 9,259,039
Minority interest		68,315
<b>Net income and comprehensive income from discontinued operations</b>		<b>\$ 9,327,354</b>

## KANE BIOTECH INC.

### Notes to the Consolidated Financial Statements Years ended December 31, 2025 and 2024

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

The net cash flows from discontinued operations in the consolidated statement of cash flows for the year ended December 31, 2024 is as follows:

	Year ended December 31, 2024
Net cash flows:	
Cash used in operating activities	\$ (446,882)
Cash used in financing activities	(689,052)
Cash used in investing activities	(3,546)
Net decrease in cash from discontinued operations	\$ (1,139,480)

#### 6. License and distribution agreements:

The Company had an exclusive license and distribution agreement with Dechra that provided for an initial payment of \$500,000 USD along with a series of potential payments linked to various commercial milestones to a combined maximum of \$2,000,000 USD. In addition, the Company received ongoing royalty payments on net sales of products by Dechra in North America, subject to certain minimum annual royalty payments from Dechra to the Company.

The Company subsequently expanded its exclusive distribution agreement with Dechra to include South America which resulted in an additional \$125,000 USD milestone payment from Dechra received in 2021 related to the successful production of a pilot product manufacturing batch by a manufacturer in South America.

The Company also had an exclusive license and distribution agreement with Animalcare Group PLC ("Animalcare") that provided for an initial payment of \$500,000 along with a series of potential payments linked to various commercial milestones to a combined maximum of \$2,000,000.

During the year ended December 31, 2022, STEM was awarded the Veterinary Oral Health Council Seal of Acceptance which, in accordance with the Dechra and Animalcare license and distribution agreements, triggered \$1,300,000 in milestone payments of which \$500,000 USD was received in 2022 and \$700,000 was received in 2023.

On April 17, 2023, the Company signed a license and distribution agreement with Skout's Honor Pet Supply Co. ("Skout's Honor"). Under the terms of the agreement, STEM was entitled to receive a \$500,000 USD license fee to be paid over the 10-year term of the agreement, as well as an ongoing royalty on all of Skout's Honor's product sales in North America that use the coactiv+™ technology.

On April 18, 2023, the Company signed an exclusive distribution agreement with ProgenaCare Global LLC ("ProgenaCare") that provides for an upfront payment of \$500,000 USD to cover the Company's product manufacturing scale-up costs and for the repayment of future products. Under the terms of the agreement, ProgenaCare had exclusive distribution rights in the United States wound care market for the Company's coactiv+™ Antimicrobial Wound Gel. During the three months ended June 30, 2025, the Company terminated the agreement due to various material breaches of the agreement by ProgenaCare.

IFRS 15 requires the Company to use a five-step model to determine the timing and amount of revenue recognition with respect to payments received pursuant to its licenses and distribution agreement. Upon the evaluation of payments received using the five-step model, the Company concluded that all initial and milestone payments received should be recognized over the terms of the agreements with the exception of the initial payment received from ProgenaCare which the Company determined should be recognized upon the delivery of clinically usable products as per the terms of the related exclusive distribution agreement.

When the Company completed the sale of its interest in STEM on April 12, 2024, all outstanding license and distribution agreements with Dechra, Animalcare and Skout's Honor were terminated. Therefore, the balances of contract liabilities related to these outstanding agreements as of April 12, 2024 were recorded as license revenue in the three months ended June 30, 2024.

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Years ended December 31, 2025 and 2024

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

Summarized milestone payments received and related revenue recognized for the year ended December 31, 2024 are as follows and there were no milestones payments received or revenue recognized for 2025:

	Dechra Initial Payment \$500,000 USD	Dechra SA Initial Payment \$125,000 USD	Animalcare Initial Payment \$500,000 CAD	Dechra Milestone Payment \$500,000 USD	Animalcare Milestone Payment \$700,000 CAD	ProgenaCare Contract Payment \$500,000 USD	Skout's Honor License Fee Payment \$50,000 USD	Total
Contract liabilities balance in continuing operations as of January 1, 2024	\$ 212,392	\$ 67,249	\$ -	\$ -	\$ -	\$ 663,161	\$ -	\$ 942,802
Contract liabilities balance in liabilities held-for-sale as of January 1, 2024	\$ -	\$ -	\$ 337,500	\$ 203,762	\$ 472,212	\$ -	\$ 19,847	\$ 1,033,321
Revenue recognized in 2024	(212,392)	(67,249)	(14,028)	(17,999)	(19,639)	(579,622)	(18,732)	(929,661)
An offset to research expense in 2024	-	-	-	-	-	(83,539)	-	(83,539)
Derecognition due to sale of subsidiary in 2024	-	-	(323,472)	(185,763)	(452,573)	-	(1,115)	(962,923)
Contract liabilities balance in continuing operations as of December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contract liabilities balance in liabilities held-for-sale as of December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

On July 10, 2024, the Company signed a license agreement with Omni Bioceutical Innovation Inc. ("Omni") in which the Company licensed certain intellectual property to Omni for use in products sold in the hair and scalp care market. In return, Omni is required to pay the Company a royalty of 20% of the gross profit from the worldwide sales of its products using the licensed technology.

For the year ended December 31, 2025, the Company recorded royalty revenue from Omni of \$1,699 (2024 - \$nil).

For the year ended December 31, 2025, the Company recognized license revenue of \$nil (2024 - \$279,641) in continuing operations and \$nil (2024 - \$70,398) in discontinued operations, and sales of \$nil (2024 - \$579,622) and an offset to R&D expense of \$nil (2024 - \$83,539) in continuing operations, associated with initial and milestone payments received in prior periods.

### 7. Other liability:

On May 24, 2024, the Company entered into a contract manufacturing agreement with Dechra under which the Company manufactured animal health products for Dechra during the transition period between the date of acquisition of STEM by Dechra and December 31, 2024. This agreement was extendable for a period of two months based on mutual agreement of Dechra and the Company. All manufacturing under this agreement was completed in February 2025.

As of December 31, 2025, the other liability balance of \$100,101 (2024 - \$178,790) consists of the remaining amount payable net of receivables to Dechra under this contract for various cost sharing settlements.

During the year ended December 31, 2025, the Company recorded manufacturing services revenue of \$380,449 (2024 - \$1,055,018) and cost of sales of \$405,785 (2024 - \$713,344) associated with this contract manufacturing agreement.

Costs of \$13,819 incurred while acting as an agent were fully reimbursed and are presented net.

### 8. Trade and other receivables:

	December 31, 2025	December 31, 2024
Trade receivables	\$ 14,298	\$ 13,692
Other receivables	22,197	74,392
	\$ 36,495	\$ 88,084

## KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

### 9. Inventory:

	December 31, 2025	December 31, 2024
Raw materials	\$ 140,415	\$ 129,272
Work-in-progress	48,124	2,769
Finished goods	432,641	447,678
Allowance for inventory obsolescence	(116,618)	(203,685)
	<b>\$ 504,562</b>	<b>\$ 376,034</b>

The cost of inventories recognized as an expense and included in cost of sales of goods and services for the year ended December 31, 2025 was \$392,561 (2024 - \$949,700) in continuing operations and \$nil (2024 - \$298,623) in discontinued operations. During the year ended December 31, 2025, the Company has recorded a recovery of write down of \$26,545 (2024 - \$209,775, write down) of inventory in continuing operations and has written down \$nil (2024 - \$15,226) of inventory in discontinued operations, related to discontinued and expired products, which is included in the cost of sales. The allowance for inventory obsolescence decreased by \$87,067, including \$54,041 disposed in 2025, \$43,813 reversed on products subsequently sold, and \$10,787 of allowance taken in 2025.

### 10. Property and equipment:

The following is a summary of property and equipment as of December 31, 2025 and 2024:

Cost	Computer and Office Equipment	Scientific and Manufacturing Equipment	Right-of-use Assets	Total
Balance as of January 1, 2024	\$ 105,283	\$ 297,592	\$ 1,225,425	\$ 1,628,300
Additions - 2024	16,534	8,207	-	24,741
Disposals - 2024	-	(4,788)	-	(4,788)
Balance as of December 31, 2024	\$ 121,817	\$ 301,011	\$ 1,225,425	\$ 1,648,253
Additions - 2025	2,937	1,958	-	4,895
Disposals - 2025	(85,676)	(23,914)	(510,495)	(620,085)
<b>Balance as of December 31, 2025</b>	<b>\$ 39,078</b>	<b>\$ 279,055</b>	<b>\$ 714,930</b>	<b>\$ 1,033,063</b>
Depreciation	Computer and Office Equipment	Scientific and Manufacturing Equipment	Right-of-use Assets	Total
Balance as of January 1, 2024	\$ 47,699	\$ 188,097	\$ 326,780	\$ 562,576
Depreciation - 2024	15,879	22,704	122,543	161,126
Disposals - 2024	-	(4,711)	-	(4,711)
Balance as of December 31, 2024	\$ 63,578	\$ 206,090	\$ 449,323	\$ 718,991
Depreciation - 2025	10,819	19,051	101,272	131,142
Disposals - 2025	(53,841)	(22,757)	(216,960)	(293,558)
<b>Balance as of December 31, 2025</b>	<b>\$ 20,556</b>	<b>\$ 202,384</b>	<b>\$ 333,635</b>	<b>\$ 556,575</b>
Carrying amounts	Computer and Office Equipment	Scientific and Manufacturing Equipment	Right-of-use Assets	Total
Balance as of December 31, 2024	\$ 58,239	\$ 94,921	\$ 776,102	\$ 929,262
<b>Balance as of December 31, 2025</b>	<b>\$ 18,522</b>	<b>\$ 76,671</b>	<b>\$ 381,295</b>	<b>\$ 476,488</b>

## KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
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### 10. Property and equipment (continued):

During the year ended December 31, 2025, the Company terminated the lease of its office premises and, as a result, derecognized net right-of-use assets of \$293,535 and recorded a gain of \$17,406 after deducting the termination fee of \$24,421.

During the year ended December 31, 2025, the Company sold equipment for consideration of \$60,000 (2024 - \$nil) and derecognized \$32,992 (2024 - \$77) in equipment and recorded net gain of \$27,008 (2024 - (\$77), loss) on derecognition of equipment.

Depreciation was recorded to general and administration expenditures and research expenditures in the consolidated statement of income (loss) and comprehensive income (loss).

### 11. Intangible assets:

The following is a summary of intangible assets as of December 31, 2025 and 2024:

<b>Cost</b>	<b>Patents</b>	<b>Trademarks</b>	<b>Total</b>
Balance as of January 1, 2024	\$ 908,570	\$ 64,528	\$ 973,098
Additions - 2024	57,296	8,101	65,397
Derecognition - 2024	(337,976)	-	(337,976)
Balance as of December 31, 2024	\$ 627,890	\$ 72,629	\$ 700,519
Additions - 2025	104,477	3,761	108,238
Derecognition - 2025	(63,710)	(13,698)	(77,408)
<b>Balance as of December 31, 2025</b>	<b>\$ 668,657</b>	<b>\$ 62,692</b>	<b>\$ 731,349</b>
<b>Accumulated amortization</b>	<b>Patents</b>	<b>Trademarks</b>	<b>Total</b>
Balance as of January 1, 2024	\$ 239,814	\$ -	\$ 239,814
Amortization - 2024	57,344	-	57,344
Derecognition - 2024	(132,694)	-	(132,694)
Balance as of December 31, 2024	\$ 164,464	\$ -	\$ 164,464
Amortization - 2025	31,596	-	31,596
Derecognition - 2025	(33,011)	-	(33,011)
<b>Balance as of December 31, 2025</b>	<b>\$ 163,049</b>	<b>\$ -</b>	<b>\$ 163,049</b>
<b>Carrying amounts</b>	<b>Patents</b>	<b>Trademarks</b>	<b>Total</b>
Balance as of December 31, 2024	\$ 463,426	\$ 72,629	\$ 536,055
<b>Balance as of December 31, 2025</b>	<b>\$ 505,608</b>	<b>\$ 62,692</b>	<b>\$ 568,300</b>

The Company has considered indicators of impairment as of December 31, 2025 and has determined that it was not feasible to pursue certain patents and patents pending and accordingly has derecognized patents of \$77,408 (2024 - \$337,976) with a net book value of \$44,397 for the year ended December 31, 2025 (2024 - \$205,282) expensed in the research expenditures in the consolidated statement of income (loss) and comprehensive income (loss).

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Years ended December 31, 2025 and 2024

### 11. Intangible assets (continued):

As of December 31, 2025, the Company has recorded aggregate impairment (derecognition) losses of \$1,724,816 (2024 - \$1,694,117) primarily resulting from patents and patent applications that were abandoned.

Amortization was recorded to research expenditures in the consolidated statement of income (loss) and comprehensive income (loss).

The Company estimates the fair value of its patents and trademarks using a replacement cost approach, which reflects the cost a market participant would incur to recreate assets with equivalent service potential. This approach is acceptable under prescribed valuation methodology and falls under fair value less costs of disposal. The replacement cost is determined using observable market inputs, including:

- current market rates for legal, regulatory, and professional services required to register, defend, and develop comparable patents and trademarks; and
- externally incurred legal fees and related professional costs historically incurred in developing the Company's patents and trademarks, adjusted, where applicable, to reflect current market pricing.

The fair value measurement is classified as Level 2 within the fair value hierarchy, as it is based on observable market inputs and third-party pricing information.

Based on the assessment performed, no impairment loss was recognized during the period.

### 12. Accounts payable and accrued liabilities:

	December 31, 2025	December 31, 2024
Trade payables	\$ 692,920	\$ 1,007,323
Accrued expenses	383,257	642,126
	<b>\$ 1,076,177</b>	<b>\$ 1,649,449</b>

During the year ended December 31, 2025, the Company reclassified prior-year comparative trade payables of \$178,790 to other liability to conform with the current year's presentation. The reclassification relates to the contract manufacturing agreement with Dechra.

### 13. Loans payable:

#### (a) Loan payable

On April 12, 2024, the Company paid Pivot Financial Inc. ("Pivot") the principal amount owing on its non-revolving term loan credit agreement outstanding of \$6,000,000 as well as accumulated interest owing on the principal of \$742,409. The balance of the Pivot loan owing as of December 31, 2025 is \$nil (December 31, 2024 - \$nil).

#### (b) Government loans

During the year ended December 31, 2019, the Company signed a funding agreement with Prairies Economic Development Canada ("PrairiesCan"), previously known as Western Economic Diversification Canada ("WD"). The Company received a total of \$2,491,267 from PrairiesCan in the form of interest-free repayable contributions over three years on an expense incurred basis retroactive to April 1, 2019. The average effective interest rate is 14%. Repayment of these contributions has been taking place over five years since April 2023 until May 2025.

On June 16, 2025, the Company received a notice of default from PrairiesCan related to the funding agreement. Given the default on payments, the loan has been classified as current. The notice of default indicates that the Company has not met or satisfied the terms and conditions of the contribution agreement referenced as it relates to the terms of repayment which requires the Company to repay the contributions in 59 consecutive monthly installments of \$42,000 commencing April 1, 2023 and one final installment of \$13,267 due March 1, 2028. In accordance with the funding agreement, the Company agreed to pay the PrairiesCan interest calculated and compounded at the average bank rate plus 3.00% (9.06% for 2025) with interest accruing during the period beginning on the due date and ending on the day before the day on which payment is received by PrairiesCan. The Company made all required repayments from April 1, 2023 to May 1, 2025. Seven installments (\$294,000) were unpaid as of December 31, 2025.

## KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

### 13. Loans payable (continued):

As of December 31, 2025, the Company accrued interest of \$7,317 (2024 - \$nil) related to unpaid instalments and the outstanding balance of repayable contributions and accrued interest is \$1,406,584 (2024 - \$1,609,267). As of December 31, 2025, the carrying value of the outstanding repayable contributions and accrued interest included in the Government loan balance on the consolidated statement of financial position is \$1,246,549 (2024 - \$1,302,462).

During the year ended December 31, 2025, the Company recorded accretion expense of \$154,087 (2024 - \$204,236) and repaid to PrairiesCan \$210,000 of the contributions (2024 - \$504,000).

The repayment schedule of the remaining contributions is as follows:

2026	805,317
2027	504,000
2028	97,267
	<b>\$ 1,406,584</b>

The following is a summary of Government loan transactions as of December 31, 2025 and 2024:

	PrairieCan Loan	CEBA Loan	Total
Balance as of January 1, 2024	\$ 1,602,226	\$ 40,000	\$ 1,642,226
Repayment - 2024	(504,000)	(40,000)	(544,000)
Accretion expense - 2024	204,236	-	204,236
Balance as of December 31, 2024	\$ 1,302,462	\$ -	\$ 1,302,462
Repayment - 2025	(210,000)	-	(210,000)
Accretion expense - 2025	154,087	-	154,087
<b>Balance as of December 31, 2025</b>	<b>\$ 1,246,549</b>	<b>\$ -</b>	<b>\$ 1,246,549</b>

#### (c) Convertible loan

During the year ended December 31, 2025, the Company received \$1,000,000 from an insider of the Company and issued the insider a promissory note of \$1,000,000 bearing no interest with the principal payable on demand.

During the year ended December 31, 2025, the promissory note was cancelled and replaced by a convertible redeemable unsecured debenture with an interest rate of 3.00% per annum compound annually. The principal and related interest is repayable on the maturity date of June 26, 2030. \$27,512 legal and filing fees incurred related to the unsecured debenture.

This debenture allows the holder the right, at the holder's option and at any time before the maturity date, to convert all or a portion of the debenture into shares at the conversion price of \$0.10/share.

The debenture, plus all accrued and unpaid interest is redeemable by the Company at any time, before the maturity Date, in whole or in part, provided not less than thirty days' prior notice is provided to the debenture holder.

As of December 31, 2025, the outstanding balance of the promissory note is \$nil since it was replaced by the convertible debenture.

The convertible debenture is a compound financial instrument, which contains both a liability and an equity component. At initial recognition, using a discount rate of 14%, the Company determined the fair value of the liability component to be \$572,470 recorded as a convertible loan and the net fair value of the equity component to be \$292,013 after offsetting \$108,005 deferred tax adjustment related to this convertible loan recorded in contributed surplus, for the net proceeds of \$972,488. The convertible loan is subsequently measured at amortized cost. As of December 31, 2025, the outstanding balance of the convertible loan with unpaid interest is \$1,015,534. As of December 31, 2025, the carrying value of the outstanding balance of the convertible loan with unpaid interest is \$617,159.

During the year ended December 31, 2025, the Company recorded an accretion expense of \$44,689 related to the convertible loan.

## KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

### 13. Loans payable (continued):

#### (d) Credit facilities

The Company has access to commercial credit card facilities with an aggregate credit limit of \$50,000. As of December 31, 2025, the related credit card balances outstanding included in accounts payable and accrued liabilities on the consolidated statement of financial position is \$10,470 (2024 – \$26,414).

### 14. Lease liability:

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

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

During the year ended December 31, 2025, the Company terminated the lease of its office premises as of July 31, 2025, at which time the net book value of the right-of-use asset and lease liability balance associated with the lease of its office premises were \$293,535 and \$335,362 respectively. The terms of the lease surrender included an early termination fee of \$24,421. The Company recorded a gain of \$17,406 on the termination of the office lease.

The terms of the laboratory facility remain unchanged and include fixed monthly rent payments of \$8,103 over the remaining term of the lease.

As of December 31, 2025, the carrying amount of the lease liability was \$440,600 (2024 - \$872,712). The breakdown of contractual undiscounted cash flows for the lease liability as of December 31, 2025 and 2024 is as follows:

	December 31, 2025	December 31, 2024
Less than one year	\$ 97,237	\$ 166,669
One to five years	388,947	666,674
Over five years	29,292	216,876
Discounting	(74,876)	(177,507)
	<b>\$ 440,600</b>	<b>\$ 872,712</b>
Lease liability - current	79,045	117,502
Lease liability - long-term	361,555	755,210
	<b>\$ 440,600</b>	<b>\$ 872,712</b>

Transactions related to lease liability are summarized as follows:

	Facility Lease
Balance as of January 1, 2024	\$ 983,388
Payments - 2024	(166,669)
Interest - 2024	55,993
Balance as of December 31, 2024	\$ 872,712
Payments - 2025	(137,739)
Interest - 2025	40,989
Termination of office lease	(335,362)
<b>December 31, 2025</b>	<b>\$ 440,600</b>

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

## 14. Lease liability (continued):

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

	Year ended December 31, 2025		Year ended December 31, 2024	
Interest on lease liability	\$	40,989	\$	55,993
Expenses related to variable lease payments	\$	29,391	\$	89,412
Expenses related to short-term leases	\$	46,169	\$	60,348

For the year ended December 31, 2025, the total cash outflow for leases was \$237,720 (2024 - \$256,080) in continuing operations and \$nil (2024 - \$60,348) in discontinued operations.

## 15. Income tax:

### (a) Income tax provision

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

	2025			2024		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Canadian federal and provincial income tax rates at 27% (2024 - 27%)	\$ (763,896)	\$ -	\$ (763,896)	\$ (1,207,265)	\$ 2,872,154	\$ 1,664,889
Change in unrecognized deductible temporary differences and unused tax losses	600,479	-	600,479	(699,484)	(514,906)	(1,214,390)
Permanent differences and other	55,412	-	55,412	596,493	(1,046,992)	(450,499)
	\$ (108,005)	\$ -	\$ (108,005)	\$ (1,310,256)	\$ 1,310,256	\$ -

### (b) Deferred tax assets:

Deferred tax assets based on temporary differences are as follows:

	2025			2024		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Property and equipment	\$ 6,450	\$ -	\$ 6,450	\$ 19,704	\$ -	\$ 19,704
Financing costs	73,581	-	73,581	50,222	-	50,222
Other	1,344	-	1,344	-	-	-
Scientific research and development expenditures	148,672	-	148,672	90,130	-	90,130
	\$ 230,047	\$ -	\$ 230,047	\$ 160,056	\$ -	\$ 160,056

### (c) Deferred tax liabilities:

Deferred tax liabilities are as follows:

	2025			2024		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Intangible assets	\$ 79,276	\$ -	\$ 79,276	\$ 77,219	\$ -	\$ 77,219
Government loan	43,210	-	43,210	82,837	-	82,837
Convertible loan	107,561	-	107,561	-	-	-
	\$ 230,047	\$ -	\$ 230,047	\$ 160,056	\$ -	\$ 160,056

## KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

### 15. Income tax (continued):

#### (d) Unrecognized deductible temporary differences:

There were no unrecognized deductible temporary differences in discontinued operations for the years ended December 31, 2025 or 2024.

Unrecognized deductible temporary differences in continuing operations are as follows:

	2025	Expiry date	2024	Expiry date
Scientific research and development expenditures	\$ 3,563,902	No expiry	\$ 3,364,250	No expiry
Non-capital losses	33,687,200	2027-2045	31,264,482	2027-2043
	\$ 37,251,101		\$ 34,628,732	

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

As of December 31, 2025, the Company has unused scientific research and development tax credits of approximately \$1,573,000 (2024 - \$1,525,000) in continuing operations available for carry forward which expires between 2026 and 2045.

### 16. Share capital:

#### (a) Authorized

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

#### (b) Shares issued and outstanding

Shares issued and outstanding are as follows:

	Number of Common Voting Shares	Amount
Balance at January 1, 2024	131,844,567	\$ 23,686,359
Restricted share units redeemed	942,000	142,060
Warrants exercised	5,000,000	573,919
Balance as of December 31, 2024	137,786,567	\$ 24,402,338
Issuance of common shares	42,985,000	3,430,379
Cancelled shares	(1,000,000)	(100,000)
Restricted share units redeemed	1,324,998	169,966
Stock options exercised	500,000	62,991
Balance as of December 31, 2025	181,596,565	\$ 27,965,674

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

During the year ended December 31, 2025, the Company completed a private placement offering of 16,985,000 shares at a price of \$0.10 per share for aggregate gross proceeds of \$1,598,500. Issuance costs associated with the common shares were \$143,853, including \$16,308 for the value of 566,100 warrants at an exercise price of \$0.15 per share granted to eligible finders.

## KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
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### 16. Share capital (continued):

Of the above private placement offering, 1,000,000 shares were subsequently cancelled that were originally issued to a third party for \$100,000 for no proceeds to provide marketing services over the course of a year. Subsequent to the cancellation, a replacement contract with the same third party was entered into to provide marketing services for the period of one year in exchange for \$100,000 paid in quarterly in \$25,000 instalments and 1,000,000 stock options with an exercise price of 0.10 that vest equally in three-month tranches. The third party is expected to exercise the options in conjunction with the quarterly payments from the Company and therefore the Company has treated the contract as a non-cash transaction. During the year ended December 31, 2025, 500,000 of the 1,000,000 stock options granted were exercised at a price of \$0.10 for aggregate gross proceeds of \$50,000 with the remaining 500,000 options and \$50,000 exchange expected to be settled next year but can be cancelled with 30 days' notice by either party. The stock options were fair valued using the Black-Scholes model with \$12,991 expensed in the year ended December 31, 2025.

During the year ended December 31, 2025, the Company completed a private placement offering with insiders of the Company of 12,000,000 shares at a price of \$0.10 per share for aggregate gross proceeds of \$1,200,000. Issuance costs associated with the common shares were \$13,715.

During the year ended December 31, 2025, the Company completed a private placement offering with an insider of the Company for 14,000,000 shares at a price of \$0.05 per share for aggregate gross proceeds of \$700,000. Issuance costs associated with this offering were \$10,553.

#### (c) Stock option plan

The Company has an equity-settled Stock Option Plan ("Plan") in place for employees, directors, officers, and consultants of the Company which is administered by the Board of Directors. At the General and Special Meeting of Shareholders held on June 25, 2025, the Company received shareholder approval to set the number of common shares reserved for the issuance of stock options under the Plan at 10% (2024 - 1%) of the issued and outstanding shares of the Company as of June 25, 2025. As of December 31, 2025, an aggregate maximum of 16,586,657 (2024 - 1,148,302) common share options are reserved for issuance under the Plan with 16,086,657 (2024 - 1,148,302) of those common share options remaining available.

Share options issued to employees, directors, and officers of the Company under the Plan expire five years from the grant date. Share options issued to consultants or persons employed in investor relations activities expire within a 12-month period from the grant date. The attributed exercise price of the grant per the Plan cannot be less than the closing price per common share on the date of the grant.

Effective on all stock options issued after April 21, 2021:

- i) The exercise price shall, at a minimum, be equal to the fair market value of the Company's common stock on the grant date (TSXV share price).
- ii) Each stock option shall vest in three equal annual installments, beginning on the grant date unless the participant is employed in investor relation activities for the Company. In such case each stock option shall vest in four equal quarterly installments beginning three months after the grant date
- iii) The options shall expire five years from the date of issue.
- iv) Grants to executive officers shall be made by the Audit and Compensation Committee of the Company's Board of Directors.  
  
Grants to staff shall be made by authorized officers (the CEO and CFO). The authorized officers may not approve any stock option awards exceeding 500,000 shares to any staff member.
- v) All exceptions must be approved by the Audit and Compensation Committee.

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### 16. Share capital (continued)

Changes in the number of options outstanding during the years ended December 31, 2025 and 2024 are as follows:

	December 31, 2025		December 31, 2024	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of year	-	\$ -	-	\$ -
Granted	1,000,000	0.10	-	-
Exercised	(500,000)	0.10	-	-
Balance, end of year	500,000	\$ 0.10	-	\$ -
Options exercisable, end of year	-	\$ -	-	\$ -
Weighted average fair value per unit of option granted during the year		\$ 0.10		\$ -

For the year ended December 31, 2025, the Company recorded stock option compensation expense of \$18,308 (2024 - \$nil) to general and administration expenditures in the consolidated statement of income (loss) and comprehensive income (loss).

Stock option compensation expense is based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model with the following weighted average assumptions:

	2025
Expected option life	1 year
Risk free interest rate	3%
Expected volatility	57%
Grant-date share price	\$ 0.10
Option exercise price	\$ 0.10

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

For awards that vest at the end of a vesting period, compensation cost is recognized on straight-line basis over the period of service. For awards subject to graded vesting, each instalment is treated as a separate award with separate fair value and a separate vesting period

#### (d) Restricted share unit plan

The Company has an equity-settled Restricted Share Unit Plan ("RSU Plan") in place for employees, directors, officers, and consultants of the Company which is administered by the Board of Directors. At the General and Special Meeting of Shareholders held on June 25, 2025, the Company received shareholder approval to set the number of common shares reserved for the issuance of RSUs under the RSU Plan at 10% (2024 -19%) of the issued and outstanding shares of the Company as of June 25, 2025. As of December 31, 2025, an aggregate maximum of 16,586,657 (2024 - 25,177,197) restricted share units are reserved for issuance under the Plan with 2,242,219 (2024 - 3,427,687) of those remaining available.

During the year ended December 31, 2024, the Company issued 4,213,333 RSU's to various directors, officers and consultants of the Company. The expiry date of these RSUs is July 14, 2034 with 3,630,000 of these RSUs vesting on July 14, 2025 and 583,333 of these RSUs will vest on July 14, 2026.

## KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
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### 16. Share capital (continued):

Restricted share units outstanding as of December 31, 2025 and 2024 consist of the following:

	December 31, 2025	December 31, 2024
Balance, beginning of period	21,474,510	18,203,177
Additions	-	4,213,333
Expired	(3,488,406)	-
Forfeited	(3,546,666)	-
Redeemed	(1,324,998)	(942,000)
Balance, end of period	13,114,440	21,474,510
Restricted share units exercisable, end of period	12,364,439	15,769,511

During the year ended December 31, 2025, the Company recorded a net RSU compensation recovery of \$101,274 (2024 - \$710,831, expenses) with a corresponding offset to contributed surplus, to general and administration expenditures and research expenditures in the consolidated statement of income (loss) and comprehensive income (loss). The net recovery includes RSU compensation expenses of \$227,760 and RSU compensation expense reversal of \$329,034 for the RSUs that were forfeited and not vested or forfeited during the year ended December 31, 2025.

RSU compensation expense is based on the fair value of the RSUs as determined by the Company's closing share price on the TSX Venture Exchange on the date of issuance.

For awards that vest at the end of a vesting period, compensation cost is recognized on a straight-line basis over the period of service. For awards subject to graded vesting, each instalment is treated as a separate award with separate fair value and a separate vesting period.

#### (e) Warrants

During the year ended December 31, 2023, the Company issued 2,500,000 warrants to a third-party for their guarantee of the \$1,000,000 increase in the credit facility related to an amended credit agreement signed with Pivot on March 1, 2023. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.10 and had an expiry date of September 11, 2024. These warrants were exercised during the three months ended September 30, 2024 at an exercise price of \$0.10.

During the year ended December 31, 2023, the Company issued 2,500,000 warrants to Pivot Financial as part of the further amended and restated credit agreement signed with Pivot on September 11, 2023. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.10 and has an expiry date of September 11, 2024. These warrants were exercised during the three months ended September 30, 2024 at an exercise price of \$0.10.

During the year ended December 31, 2023, the Company issued 3,125,000 warrants associated with its \$500,000 private placement which closed on September 11, 2023. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.10 and has an expiry date of March 11, 2025. These warrants expired during the year ended December 31, 2025.

During the year ended December 31, 2025, the Company issued 321,000 warrants to the eligible finders associated with the private placement which closed on January 17, 2025. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 and has an expiry date of July 17, 2026. The associated issuance cost is \$910 and the fair value of these warrants was determined to be \$9,243.

During the year ended December 31, 2025, the Company issued 245,100 warrants to the eligible finders associated with the private placement which closed on February 18, 2025. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 and has an expiry date of February 18, 2026. The associated issuance cost is \$893 and the fair value of these warrants was determined to be \$7,065.

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

## 16. Share capital (continued):

Warrants outstanding as of December 31, 2025 and 2024 are as follows:

	December 31, 2025			December 31, 2024		
	Warrants	Amount	Weighted average exercise price	Warrants	Amount	Weighted average exercise price
Balance, beginning of year	3,125,000	\$ 65,767	\$ 0.10	8,125,000	\$ 140,600	\$ 0.10
Granted	566,100	14,505	0.15	-	-	-
Exercised	-	-	-	(5,000,000)	(74,833)	-
Expired	(3,125,000)	(65,767)	0.10	-	-	0.10
Balance, ending of year	566,100	\$ 14,505	\$ 0.15	3,125,000	\$ 65,767	\$ 0.10
Weighted average remaining contractual life	0.58 year			0.19 year		

The relative fair value of warrants issued in 2025 was determined at the date of issue using the Black-Scholes Model with the following weighted average assumptions:

Expected option life	1.5 year
Risk free interest rate	3.91%
Expected volatility	83.32%
Grant-date share price	\$ 0.10
Warrant exercise price	\$ 0.15

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

### (f) Per share amounts

The weighted average number of common voting shares outstanding for the year ended December 31, 2025 and 2024 was 162,222,699 and 133,905,613 respectively.

The Company presents basic and diluted earnings per share data for its ordinary shares, being Common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted earnings per share is determined by dividing the profit or loss attributable to shareholders of ordinary shares by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

The details of the computation of basic and diluted earnings (loss) per share for the year ended December 31, 2025, and 2024 as follows:

	Year ended December 31, 2025	Year ended December 31, 2024
Numerator		
Net loss and comprehensive loss from continuing operations	\$ (2,721,239)	\$ (3,161,097)
Net income and comprehensive income from discontinued operations	-	9,259,039
Net income (loss) and comprehensive income (loss)	\$ (2,721,239)	\$ 6,097,942
Denominator:		
Weighted average number of basic shares outstanding	162,222,699	133,905,613
Weighted average number of diluted shares outstanding	162,222,699	155,380,123
Loss per share from continuing operations:		
Basic	\$ (0.02)	\$ (0.02)
Diluted	\$ (0.02)	\$ (0.02)
Income per share from discontinued operations:		
Basic	\$ -	\$ 0.07
Diluted	\$ -	\$ 0.06

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

## 17. Commitments and contingencies:

### (a) Commitments

As of December 31, 2025 and in the normal course of business, the Company has obligations to make future payments, representing contracts and other commitments that are known and committed.

Contractual obligation payments due by fiscal year ending December 31:

	USD	
2026	\$	23,005
2027	\$	10,000
2028	\$	10,000
2029	\$	10,000
2030 and after	\$	10,000
	<b>\$</b>	<b>63,005</b>

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

In addition, the Company holds a worldwide exclusive license to the DispersinB<sup>®</sup> enzyme from the University of Medicine and Dentistry of New Jersey (“UMDNJ”), now part of Rutgers University (“Rutgers”). In consideration for the right, the Company will pay a royalty to Rutgers of a stipulated percentage of the net sales, if any, of the licensed products. If the Company sublicenses any rights to a third party, the Company will pay Rutgers a percentage of a sublicense fee and/or sublicense royalty fees. A minimum royalty fee of \$10,000 USD per annum is payable for the life of the license, with additional milestone payments possible throughout the term of the agreement. The agreement term is the period of time from the effective date April 1, 2025 until the later of the date: of the last to expire of the Rutgers patent right or ten years following the first commercial sales. The Company does not expect to make royalty payments under this agreement in fiscal 2025 and cannot predict when such royalty payments will become payable, if at all.

### (b) Guarantee

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

## 18. Government and other assistance:

For the year ended December 31, 2025, the Company recorded \$229,238 in government assistance (2024 - \$285,478).

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

As of December 31, 2025, trade and other receivables included \$8,866 (2024 - \$71,864) of government assistance receivable.

As of December 31, 2025, accounts payable and accrued liabilities included \$31,976 (2024 - \$31,321) payable to Canada Revenue Agency (CRA), which included a \$45,315 claw back as the result of a recent CRA review of the Company’s 2023 Scientific Research and Experimental Development (SR&ED) offset by accrued refundable tax credits of \$13,339 for the year ended December 31, 2025.

## KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

### 19. Related parties:

#### (a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company. The Board of Directors, Executive Chair, President & CEO, Chief Financial Officer and Chief Quality Officer are key management personnel.

Board of Director compensation includes board fees and RSUs. The Interim CEO, Chief Financial Officer and Chief Quality Officer compensation includes base salaries, a short-term incentive plan and RSUs. The following table details the compensation recorded for key management personnel:

	Year ended December 31, 2025		Year ended December 31, 2024	
Salaries, fees and short-term employee benefits	\$	634,363	\$	1,162,047
Share-based payments expense (recovery)		(95,050)		507,046
	\$	539,313	\$	1,669,093

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

As of December 31, 2025, directors and key management personnel control 30.0% (2024 – 24.2%) of the voting shares of the Company.

As of December 31, 2025, accounts payable and accrued liabilities owing to key management personnel was \$4,979 (2024 - \$6,929).

### 20. Expenses by nature:

Expenses incurred for the years ended December 31, 2025 and 2024 respectively in continuing operations and discontinued operations are as follows:

#### Expenses by nature - continuing operations:

	Year ended December 31, 2025		Year ended December 31, 2024	
Personnel expenses				
Wages and salaries	\$	1,136,171	\$	1,416,027
Employee benefits and insurance premiums		102,454		121,990
Share-based payments (recovery)		(82,965)		710,831
		1,155,660		2,248,848
Depreciation, amortization and write-downs		210,843		423,829
Science consumables and contract research		288,443		789,089
Occupancy		59,618		26,013
License fees		28,551		14,922
Investor relations		231,045		275,123
Consulting		212,794		381,549
Marketing		201,469		91,654
Other		494,023		829,544
Less: Government assistance		(229,238)		(285,478)
	\$	2,653,208	\$	4,795,093

## KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2025 and 2024

### 20. Expenses by nature (continued):

#### Expenses by nature - discontinued operations:

	Year ended December 31, 2025	Year ended December 31, 2024
Personnel expenses		
Wages and salaries	\$ -	\$ 273,103
Employee benefits and insurance premiums	-	11,486
	-	284,589
Depreciation, amortization and write-downs	-	-
Science consumables and contract research	-	-
Occupancy	-	12,689
Consulting	-	774
Marketing	-	132,936
Other	-	22,071
	\$ -	\$ 453,059

### 21. Segmented information:

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

In the year ended December 31, 2024, \$70,398 of license income, \$149,026 of royalty, \$860,266 of sales of goods and service, and \$454,998 of cost of sales of goods and services from discontinued operation were included in animal health.

# KANE BIOTECH INC.

## Notes to the Consolidated Financial Statements Years ended December 31, 2025 and 2024

### 21. Segmented information (continued):

Information regarding the results by Animal health and Human health for the years ended December 31, 2025 and 2024 is as follows:

	Year ended December 31, 2025			Year ended December 31, 2024		
	Animal health	Human health	Total	Animal health	Human health	Total
<b>Revenue</b>						
License	\$ -	\$ -	\$ -	\$ 350,039	\$ -	\$ 350,039
Royalty	-	1,699	1,699	149,026	-	149,026
Sales of goods and services	410,000	16,170	426,170	1,986,136	675,368	2,661,504
<b>Total Revenue</b>	<b>410,000</b>	<b>17,869</b>	<b>427,869</b>	<b>2,485,201</b>	<b>675,368</b>	<b>3,160,569</b>
<b>Cost of sales-sales of goods and services</b>	<b>413,196</b>	<b>15,313</b>	<b>428,509</b>	<b>1,204,305</b>	<b>459,476</b>	<b>1,663,781</b>
<b>Gross Profit (loss)</b>	<b>(3,196)</b>	<b>2,556</b>	<b>(640)</b>	<b>1,280,896</b>	<b>215,892</b>	<b>1,496,788</b>
<b>Expenses</b>						
General and administration	-	1,982,985	1,982,985	446,142	3,078,109	3,524,251
Research	-	670,223	670,223	6,917	1,716,984	1,723,901
	-	2,653,208	2,653,208	453,059	4,795,093	5,248,152
<b>Income (loss) from operations</b>	<b>(3,196)</b>	<b>(2,650,652)</b>	<b>(2,653,848)</b>	<b>827,837</b>	<b>(4,579,201)</b>	<b>(3,751,364)</b>
<b>Other income (expenses):</b>						
Finance income	-	18,994	18,994	9,104	4,943	14,047
Finance expenses	-	(242,759)	(242,759)	(3,793)	(545,480)	(549,273)
Foreign exchange gain (loss), net	-	3,955	3,955	27,961	(7,819)	20,142
Gain on sales of subsidiary	-	-	-	10,432,705	-	10,432,705
Gain on lease termination	-	17,406	17,406	-	-	-
Gain on disposal of equipment	-	27,008	27,008	-	-	-
<b>Net other income (expenses)</b>	<b>-</b>	<b>(175,396)</b>	<b>(175,396)</b>	<b>10,465,977</b>	<b>(548,356)</b>	<b>9,917,621</b>
<b>Income (loss) and comprehensive income (loss) before income tax</b>	<b>\$ (3,196)</b>	<b>\$ (2,826,048)</b>	<b>\$ (2,829,244)</b>	<b>\$ 11,293,814</b>	<b>\$ (5,127,557)</b>	<b>\$ 6,166,257</b>
Deferred tax recovery (expense)	-	108,005	108,005	(1,310,256)	1,310,256	-
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$ (3,196)</b>	<b>\$ (2,718,043)</b>	<b>\$ (2,721,239)</b>	<b>\$ 9,983,558</b>	<b>\$ (3,817,301)</b>	<b>\$ 6,166,257</b>
<b>Net income (loss) and comprehensive income (loss) attributable to:</b>						
Shareholders	\$ (3,196)	\$ (2,718,043)	\$ (2,721,239)	\$ 9,915,243	\$ (3,817,301)	\$ 6,097,942
Minority interest	-	-	-	68,315	-	68,315
	<b>\$ (3,196)</b>	<b>\$ (2,718,043)</b>	<b>\$ (2,721,239)</b>	<b>\$ 9,983,558</b>	<b>\$ (3,817,301)</b>	<b>\$ 6,166,257</b>

Information regarding the financial position by operating segment as of December 31, 2025 and 2024 is as follows:

	Year ended December 31, 2025			Year ended December 31, 2024		
	Animal health	Human health	Total	Animal health	Human health	Total
Current assets	\$ 5,063	\$ 1,684,190	\$ 1,689,253	\$ 237,889	\$ 790,970	\$ 1,028,859
Non-current assets	-	1,044,788	1,044,788	-	1,465,317	1,465,317
Current liabilities	(125,041)	(2,376,831)	(2,501,872)	(257,534)	(2,152,431)	(2,409,965)
Non-current liabilities	-	(978,714)	(978,714)	-	(1,713,448)	(1,713,448)
<b>Total net liabilities</b>	<b>\$ (119,978)</b>	<b>\$ (626,567)</b>	<b>\$ (746,545)</b>	<b>\$ (19,645)</b>	<b>\$ (1,609,592)</b>	<b>\$ (1,629,237)</b>

# KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
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## 21. Segmented information (Continued):

In terms of geographic segmentation, a substantial proportion of the Company's revenues come from non-Canadian sources.

The breakdown of Canadian to non-Canadian revenues for the years ended December 31, 2025 and 2024 is as follows:

	Year ended December 31, 2025			Year ended December 31, 2024		
	Animal health	Human health	Total	Animal health	Human health	Total
Domestic	\$ 175,940	\$ 12,267	\$ 188,207	\$ 1,006,631	\$ -	\$ 1,006,631
International	234,060	5,602	239,662	1,478,570	675,368	2,153,938
	\$ 410,000	\$ 17,869	\$ 427,869	\$ 2,485,201	\$ 675,368	\$ 3,160,569

In the year ended December 31, 2024, \$1,079,690 of revenues from discontinued operation were included in animal health.

One of the Company's largest customers accounted for 89% of the Company's total sales for the year ended December 31, 2025 (2024 – two customers, 61%).

## 22. Determination of fair values:

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

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

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

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

### (b) Financial assets and liabilities:

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. The carrying values of cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities, and other liabilities approximate their fair values due to their relatively short periods to maturity. The fair value of government loans, which is determined based on the discounted cash flow method is \$1,246,549 as of December 31, 2025 (2024 - \$1,302,462). The fair value of the convertible loan, which is determined based on the discounted cash flow method, is \$617,159 (2024 - \$nil).

Financial assets and liabilities that are recognized on the consolidated statement of financial position at fair value follow a hierarchy that is based on the significance of the inputs used in making the measurements. The government loan represents a level 2 input that represents inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The valuation is conducted with the Company's borrowing interest rate with government of Canada bond yields reflected.

The convertible loan represents a level 2 input that includes inputs other than quoted prices including discount rates and cash flow forecasts. The fair value of the convertible loan is determined using discount rate which is derived from the Company's borrowing interest rate with government of Canada bond yields reflected.

## 23. Financial risk management:

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

## KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
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### 23. Financial risk management (continued):

#### (a) Foreign exchange risk:

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

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

	2025		2024		2024		2024	
	U.S. Dollars	Pound Sterling	U.S. Dollars	United Arab Emirates Dirham	Australian Dollars	Pound Sterling		
Cash and cash equivalents	\$ 46,639	\$ -	\$ 27,558	\$ -	\$ -	\$ -	\$ -	\$ -
Trade and other receivables	7,988	-	30,316	-	-	-	-	-
Accounts payables and accrued liabilities	(193,654)	(250)	(310,366)	(1,100)	(8,121)	(1,090)		
	\$ (139,027)	\$ (250)	\$ (252,492)	\$ (1,100)	\$ (8,121)	\$ (1,090)		

Fluctuations in the U.S. dollar exchange rates may potentially have a significant impact on the Company's operating results. The Company estimates that a decrease in the Canadian to US dollar exchange rate of 10% would result in net loss of \$13,903 (2024 - \$25,249) in continuing operations.

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

#### (b) Interest rate risk:

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

There is a risk that future cash flows from invested cash, cash equivalents and short-term deposits will vary as the market interest rates fluctuate because these investments earn interest at market rates. Based on the December 31, 2025 investment, balance of approximately \$793,572 (2024 - \$170,000), including \$50,000 GIC (2024 - \$50,000) and \$743,572 deposits (2024 - \$120,000) in saving account, a variation of 100 basis points in the market interest rate would not affect loss and comprehensive loss by a material amount. For the year ended December 31, 2025, the Company recorded interest income of \$18,994 (2024 - \$4,054) in relation to these assets.

The Company is exposed to fair value interest rate risk associated with its fixed interest rate convertible debt and interest-free government loan. Subsequent changes in market interest rates would not result in changes to the carrying amount of the loan, which is measured at amortized cost, and therefore no sensitivity analysis is presented.

#### (c) Credit risk:

The Company limits its exposure to credit risk by investing only in banks that have a strong credit rating. Trade and other receivables are subject to normal credit risk. As of December 31, 2025, the maximum exposure to credit risk is equal to the carrying value of cash and cash equivalents, and the trade receivables, which is \$938,193 (2024 - \$446,897). The Company regularly assesses the trade and other receivables and takes action to collect the amounts or provide adequate reserves against doubtful accounts. The Company currently has no reserve for doubtful accounts as there have been no bad debts to date except the related party loan receivable with the related interest was written off in 2022 with a total of \$178,203. As of December 31, 2025, the Company has accounts receivable that are past due but not impaired of \$1,208 (2024 - \$9,171) in continuing operations.

#### (d) Liquidity risk:

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

## KANE BIOTECH INC.

Notes to the Consolidated Financial Statements  
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### 23. Financial risk management (continued):

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

	< 1 Year	1-3 years	3-5 years	Total
Accounts payable and accrued liabilities	\$ 1,076,177	\$ -	\$ -	\$ 1,076,177
Other liability	100,101	-	-	100,101
Government loan	805,317	601,267	-	1,406,584
Lease liability	97,237	194,474	223,765	515,476
Convertible loan	-	-	1,159,274	1,159,274
	\$ 2,078,832	\$ 795,741	\$ 1,383,039	\$ 4,257,612

#### (e) Capital management:

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

As of December 31, 2025, the Company's capital was \$29,843,887 (2024 - \$25,770,566).

To fund its activities, the Company relies on a combination of common share issuances, borrowing, government grants, payments related to licensing and distribution agreements and gross margin from the sales of its goods and services. The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital management strategy during the year ended December 31, 2025.

### 24. Finance expenses:

Finance expenses are comprised of the following:

	Year ended December 31, 2025	Year ended December 31, 2024
Interest on lease liability	\$ 40,989	\$ 55,993
Accretion on government loan	154,087	204,236
Accretion on convertible loan	44,689	-
Interest on loan payable	-	280,101
Other interest and bank charges	2,994	5,150
	\$ 242,759	\$ 545,480

### 25. Subsequent events:

#### (a) Lease termination

Effective January 31, 2026, the Company terminated its laboratory facility lease described in Note 14 with a termination fee of \$38,967 and relocated its laboratory premises. Effective January 15, 2026, the Company signed a one-year lease agreement related to the relocated premises with monthly rent of \$570.

#### (b) Exercise of stock options

On February 26, 2026, 250,000 stock options were exercised at an exercise price of \$0.10 per share, resulting in issuance of 250,000 common shares.

#### (c) Cash advance

On April 17, 2026, the Company received a \$1.0 million cash advance from an insider of the Company.