

Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

KANE BIOTECH INC.

Three and nine months ended September 30, 2025 and 2024
(Unaudited)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrator, the Company discloses its auditors have not reviewed the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2025 and 2024.

KANE BIOTECH INC.

Condensed Interim Consolidated Statement of Financial Position

	Note	September 30, 2025	December 31, 2024
Assets			
Cash and cash equivalents		\$ 939,062	\$ 358,813
Trade and other receivables		131,154	88,084
Inventory	8	338,997	376,034
Prepaid expenses		262,420	205,928
Current assets		1,671,633	1,028,859
Property and equipment	9	500,919	929,262
Intangible assets	10	568,020	536,055
Non-current assets		1,068,939	1,465,317
Total assets		\$ 2,740,572	\$ 2,494,176
Liabilities and Shareholders' Deficit			
Trade payable and other payables		\$ 1,236,576	\$ 1,828,239
Deposits - private placement		-	120,000
Loans payable and lease liability - current	11	621,546	461,726
Current liabilities		1,858,122	2,409,965
Loans payable and lease liability	11	1,675,819	1,713,448
Total non-current liabilities		1,675,819	1,713,448
Total liabilities		3,533,941	4,123,413
Shareholders' Deficit			
Share capital	12(a)	27,245,353	24,402,338
Contributed surplus		8,536,282	8,317,784
Warrants	12(d)	14,505	65,767
Deficit		(36,589,509)	(34,415,126)
Total Shareholders' Deficit		(793,369)	(1,629,237)
Going concern	2(b)		
Commitments and contingencies	13		
Subsequent event	16		
Total liabilities and shareholders' deficit		\$ 2,740,572	\$ 2,494,176

The notes on pages 5 to 15 are an integral part of these condensed interim consolidated financial statements.

KANE BIOTECH INC.

Condensed Interim Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

	Note	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Revenue		\$ 8,499	\$ 1,282,698	\$ 449,009	\$ 1,955,021
Cost of sales	8	13,627	723,944	457,216	995,720
Gross Profit (loss)		(5,128)	558,754	(8,207)	959,301
Expenses					
General and administration	7,9	378,668	986,824	1,460,857	2,752,152
Research	7,10	159,638	183,240	510,884	1,109,463
Expenses		538,306	1,170,064	1,971,741	3,861,615
Loss from continuing operations		(543,434)	(611,310)	(1,979,948)	(2,902,314)
Other income (expenses):					
Finance income		7,953	3,250	17,186	3,724
Finance expenses		(71,864)	(70,576)	(232,618)	(489,828)
Fair value adjustment	11(b)	-	-	20,997	-
Net other (expenses) from continuing operations		(63,911)	(67,326)	(194,435)	(486,104)
Net loss and comprehensive loss from continuing operations		(607,345)	(678,636)	(2,174,383)	(3,388,418)
Income and comprehensive income from discontinued operations	5	-	72,823	-	10,637,610
Net income (loss) and comprehensive income (loss)		\$ (607,345)	\$ (605,813)	\$ (2,174,383)	\$ 7,249,192
Net income (loss) and comprehensive income (loss) attributable to shareholders:					
Shareholders:					
Continuing operations		\$ (607,345)	(678,636)	\$ (2,174,383)	\$ (3,388,418)
Discontinued operations	5	-	72,823	-	10,569,295
		(607,345)	(605,813)	(2,174,383)	7,180,877
Minority interest:					
Continuing operations		-	-	-	-
Discontinued operations	5	-	-	-	68,315
		-	-	-	68,315
Net income (loss) and comprehensive income (loss)		\$ (607,345)	\$ (605,813)	\$ (2,174,383)	\$ 7,249,192
Net loss per share attributable to shareholders from continuing operations					
Basic		\$ (0.00)	(0.01)	\$ (0.01)	(0.03)
Diluted		\$ (0.00)	(0.01)	\$ (0.01)	(0.03)
Net income per share attributable to shareholders from discontinued operations					
Basic		\$ -	0.00	\$ -	\$ 0.08
Diluted		\$ -	0.00	\$ -	\$ 0.08

The notes on pages 5 to 15 are an integral part of these condensed interim consolidated financial statements.

KANE BIOTECH INC.

Condensed Interim Consolidated Statement of Changes in Shareholders' 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)
Net loss and comprehensive loss from continuing operations		-	-	-	-	(3,161,097)	(3,161,097)
Income and comprehensive income from discontinued operations	5	-	-	-	68,315	9,259,039	9,327,354
Total equity transactions:							
Share-based payments	12(c)	-	710,831	-	-	-	710,831
Restricted share units redeemed	12(a),(c)	142,060	(142,060)	-	-	-	-
Warrants exercised	12(a),(d)	573,919	-	(74,833)	-	-	499,086
Total equity transactions		715,979	568,771	(74,833)	-	-	1,209,917
Changes of ownership interest in subsidiary		-	-	-	(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)
Net loss and comprehensive loss for the period		-	-	-	-	(2,174,383)	(2,174,383)
Total equity transactions:							
Fair value of the equity component of the convertible loan	11(b)	-	400,018	-	-	-	400,018
Issuance of common shares	12(a)	2,640,932	-	-	-	-	2,640,932
Share-based payments	12(b),(c)	-	230,629	-	-	-	230,629
Exercised stock options	12(a),(b)	32,117	(7,117)	-	-	-	25,000
Restricted share units reversed	12(c)	-	(300,833)	-	-	-	(300,833)
Restricted share units redeemed	12(a),(c)	169,966	(169,966)	-	-	-	-
Warrants expired	12(d)	-	65,767	(65,767)	-	-	-
Warrants granted	12(d)	-	-	14,505	-	-	14,505
Total equity transactions		2,843,015	218,498	(51,262)	-	-	3,010,251
Balance as of September 30, 2025		\$ 27,245,353	\$ 8,536,282	\$ 14,505	\$ -	\$ (36,589,509)	\$ (793,369)

The notes on pages 5 to 15 are an integral part of these condensed interim consolidated financial statements.

KANE BIOTECH INC.

Condensed Interim Consolidated Statement of Cash Flows

	Note	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Cash provided by (used in):			
Operating activities:			
Net income (loss) and comprehensive income (loss)		\$ (2,174,383)	\$ 7,249,192
Adjustments for:			
Income and comprehensive income from discontinued operations	5	-	(10,637,610)
Depreciation of property and equipment		106,711	120,048
Amortization of intangible assets		23,686	34,854
Derecognition of property and equipment	9	266,527	77
Derecognition of intangible assets	10	30,699	-
Derecognition of lease liability	11(c)	(335,362)	-
Financing fees	11	208,512	479,826
Warrant expense	12(d)	(1,803)	-
Fair value adjustment - convertible loan	13(c)	-	-
Share-based compensation (recovery)	12(b),(c)	(70,204)	568,875
Change in the following:			
Trade and other receivables		(43,070)	(360,937)
Inventory		37,037	(437,955)
Prepaid expenses		(56,492)	(44,178)
Trade payable and other payables	12(a)	(566,663)	726,023
Contract liabilities		-	(942,802)
Cash used in operating activities - continuing operations		(2,574,805)	(3,244,587)
Cash used in operating activities - discontinued operations	5	-	(446,882)
Cash used in operating activities		(2,574,805)	(3,691,469)
Financing activities:			
Issuance of common shares	12(a)	2,537,240	-
Warrants exercised		-	248,700
Financing fee paid	11	(61,716)	(948,400)
Financing fee for convertible loan	13(c)	-	-
Proceeds from convertible loan	11(b)	1,000,000	-
Repayment of loan payable		-	(6,000,000)
Repayment of government loans	11(a)	(210,000)	(418,000)
Repayment of lease liability	11(c)	(79,225)	(82,383)
Cash provided by (used in) financing activities - continuing operations		3,186,299	(7,200,083)
Cash used in financing activities - discontinued operations	5	-	(689,052)
Cash provided by (used in) financing activities		3,186,299	(7,889,135)
Investing activities:			
Purchase of property and equipment		(4,895)	(20,251)
Additions to intangible assets	10	(86,350)	(28,658)
Proceeds from disposal of furniture	9	60,000	-
Net proceeds from sale of subsidiary	5	-	10,288,708
Disposal costs from sale of subsidiary	5	-	-
Cash provided by (used in) investing activities - continuing operations		(31,245)	10,239,799
Cash used in investing activities - discontinued operations	5	-	(3,546)
Cash provided by (used in) investing activities		(31,245)	10,236,253
Increase (decrease) in cash		580,249	(1,344,351)
Cash, beginning of period - continuing operations		358,813	749,248
Cash, beginning of period - discontinued operations		-	1,139,480
		358,813	1,888,728
Less cash, end of period - discontinued operations	5	-	-
Cash, end of period - continuing operations		\$ 939,062	\$ 544,377

The notes on pages 5 to 15 are an integral part of these condensed interim consolidated financial statements.

KANE BIOTECH INC.

Notes to the Condensed Interim Consolidated Financial Statements Three and nine months ended September 30, 2025 and 2024

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 190-100 Innovation Drive, Winnipeg, Manitoba, Canada, R3T 6G2.

2. Basis of preparation of condensed interim consolidated financial statements:

a) Statement of compliance

These unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2025 and 2024 have been prepared in accordance with International Accounting Standard ("IAS") 34, "*Interim Financial Reporting*" and they should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2024 ("last annual financial statements"), which were prepared in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board ("IFRS[®] Accounting Standards"). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS[®] Accounting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

These condensed interim consolidated financial statements have been authorized for issue by the Board of Directors on November 26, 2025.

b) Going concern

These condensed interim consolidated financial statements have been prepared assuming the Company will continue as 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 nine months ended September 30, 2025, the Company had a loss and comprehensive loss of \$2,174,383 (September 30, 2024 – \$7,249,192, income and comprehensive income) and negative cash flow from operating activities of \$2,574,805 (September 30, 2024 - \$3,691,469), and as of that date had working capital deficit of \$186,489 (December 31, 2024 - \$1,381,106) and a deficit of \$36,589,509 (December 31, 2024 - \$34,415,126).

The Company's future operations are completely dependent upon its ability to negotiate collaboration or licence agreements with upfront and milestone payments as well as royalties, generate product and services revenue, obtain grant funding and/or secure additional funds. 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 negotiate collaboration or licence agreements, 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 condensed interim consolidated financial statements do not reflect adjustments in the carrying values of the Company's assets and liabilities, revenue and expenses, and the condensed interim consolidated statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

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Notes to the Condensed Interim Consolidated Financial Statements Three and nine months ended September 30, 2025 and 2024

3. Use of judgements and estimates:

In preparing these condensed interim consolidated financial statements, management has made judgements and estimates about the future, including climate-related risks and opportunities, that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

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 was disclosed in the notes specific to that asset or liability in the last annual financial statements except those new and significant ones, which are disclosed in these condensed interim consolidated financial statements.

(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 current monetary assets and liabilities approximate their fair values due to their relatively short periods to maturity.

Financial assets and liabilities that are recognized on the condensed interim 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 loans and the convertible loan represent 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).

4. Change in accounting policy:

In these condensed interim consolidated financial statements, the Company applied the same accounting policies as those applied in its consolidated financial statements as at and for the year ended December 31, 2024 except as follows:

Amendments to IAS 21, 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 condensed interim consolidated financial statements.

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after January 1, 2026 and earlier application is permitted. The Company has not early adopted any of the forthcoming new or amended accounting standards in preparing these condensed interim consolidated financial statements.

5. Discontinued operations:

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

There were no transactions or activities in 2025 in the discontinued operations. The following table indicates the financial results related to the discontinued operations for the period from January 1, 2024 to September 30, 2024. More details related to sale of STEM can be found on the last annual consolidated financial statements.

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Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2025 and 2024

5. Discontinued operations (continued):

	Three months ended September 30, 2024	Nine months ended September 30, 2024
Revenue	\$ -	\$ 1,079,690
Cost of sales	-	454,998
Gross Profit		624,692
Expenses		
General and administration	-	446,142
Research	-	6,917
Expenses	-	453,059
Income from discontinued operations	-	171,633
Other income (expenses):		
Finance income	-	9,104
Finance expenses	-	(3,793)
Foreign exchange gain	-	27,961
Net other income from discontinued operations		33,272
Income and comprehensive income from discontinued operations	-	204,905
Gain on sale of subsidiary	72,823	10,432,705
Net income and comprehensive income from discontinued operations	\$ 72,823	\$ 10,637,610
Net income and comprehensive income from discontinued operations attributable:		
Shareholders	72,823	10,569,295
Minority interest	-	68,315
Net income and comprehensive income from discontinued operations	\$ 72,823	\$ 10,637,610

The gain on sale of subsidiary on last annual consolidated financial statement was \$9,122,449. The difference from the above table is deferred income tax of \$1,310,256 on the gain on sale of subsidiary was excluded from the calculation of the gain on sale of subsidiary for the nine months ended September 30, 2024.

The net cash flows from discontinued operations incurred by STEM presented on the condensed interim consolidated statement of cash flows for the period from January 1, 2024 to April 12, 2024 as follows:

Net cash flows:	
Used in operating activities	\$ (446,882)
Used in financing activities	(689,052)
Used in investing activities	(3,546)
Net decrease in cash from discontinued operations	\$ (1,139,480)

6. Revenue:

The Company's operations and main sources of revenue are described in the Company's December 31, 2024 financial statements. The Company's revenue is derived from contracts with customers and sales on its website and on Amazon.com and Amazon.ca. The following factors impacted the Company's revenue in 2025.

- (a) 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.

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6. Revenue (continued):

During the three months ended September 30, 2025, the Company recorded manufacturing service revenue of \$nil (September 30, 2024 - \$669,099) associated with this contract manufacturing agreement.

During the nine months ended September 30, 2025, the Company recorded manufacturing services revenue of \$420,729 (September 30, 2024 - \$946,601) associated with this contract manufacturing agreement.

- (b) The Company's subsidiary STEM was sold in April 2024.

There had been no revenue recorded during the three months ended September 30, 2025 or 2024 from the discontinued operations.

During the nine months ended September 30, 2025, the Company recorded revenue of \$nil (September 30, 2024 - \$1,079,690) from the discontinued operations.

- (c) During the three months ended June 30, 2025, the Company terminated the distribution agreement with ProgenaCare Global LLC ("ProgenaCare") due to various materials breaches of the agreement by ProgenaCare.

During the three months ended September 30, 2025, the Company recorded revenue of \$nil (September 30, 2024 - \$594,695) associated with this agreement.

During the nine months ended September 30, 2025, the Company recorded revenue of \$nil (September 30, 2024 - \$663,160) associated with this agreement.

7. Government and other assistance:

The Company was awarded government grants.

For the three months ended September 30, 2025, the Company recorded \$49,660 in government assistance (September 30, 2024 - \$103,546).

For the nine months ended September 30, 2025, the Company recorded \$201,102 in government assistance (September 30, 2024 - \$203,500)

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

8. Inventories:

During the three months ended September 30, 2025, the Company has recorded a recovery of inventory written down \$794 (September 30, 2024 - \$800, expense) in continuing operations related to discontinued and expired products, which is included in the cost of sales.

During the nine months ended September 30, 2025, the Company has written down \$13,541 of inventory (September 30, 2024 - \$4,681) in continuing operations related to discontinued and expired products, which is included in cost of sales.

9. Property and equipment:

During the nine months ended September 30, 2025, the Company terminated the lease of its office premises and derecognized net right-of-use assets of \$293,535, resulting in a gain on disposal of \$17,406, which is included in general and administration expenses.

During the nine months ended September 30, 2025, the Company disposed its office furniture with the consideration of \$60,000 and derecognized net office furniture of \$27,912, resulting in a gain on disposal of \$39,962, which is included in general and administration expenses.

During the nine months ended September 30, 2025, the Company wrote off \$5,080 of net computer equipment and scientific equipment since they were not usable any longer (September 30, 2024 - \$77), which is included in general and administration and expenses.

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Notes to the Condensed Interim Consolidated Financial Statements Three and nine months ended September 30, 2025 and 2024

10. Intangible assets:

During the three months ended September 30, 2025, \$4,864 patent (September 30, 2024 - \$3,466) and \$748 trademarks (September 30, 2024 -\$nil) were added.

During the nine months ended September 30, 2025, \$83,804 patent (September 30, 2024 - \$27,415) and \$2,546 trademarks (September 30, 2024 - \$1,243) were added.

The Company has considered indicators of impairment as of September 30, 2025 and has determined that it was not feasible to pursue certain patents and patents pending and accordingly has derecognized net patents \$30,699 for the nine months ended September 30, 2025 (September 30, 2024 - \$nil) and \$nil of net patents has been derecognized for the three months ended September 30, 2025 and 2024.

As of September 30, 2025, the Company has recorded aggregate impairment (derecognition) losses of \$1,724,816 (September 30, 2024 - \$1,497,126) primarily resulting from patents and patent applications that were abandoned. Amortization and derecognition expenses are recognized in research expenses.

11. Loans payable and lease liability:

	Note	Nominal Interest rate	Year of maturity	Face value	Carrying amount
Balance as of January 2025					\$ 2,175,174
New issue					
Convertible loan	(b)	3%	2030	1,007,973	622,433
Derecognition					
Lease liability	(c)	6%	2031	(682,538)	(335,362)
Repayments					
Government loan	(a)	N/A	2028	(210,000)	(85,655)
Lease liability	(c)	6%	2031	(147,634)	(79,225)
Balance as of September 30, 2025				\$	2,297,365

(a) Government loan

During the three months ended June 30, 2025, the Company received a notice of default from Prairies Economic Development Canada ("PrairiesCan") related to the funding agreement that was signed in 2019. Kane made all required repayments from April 1, 2023 to May 1, 2025.

As of September 30, 2025, the outstanding balance of repayable contributions is \$1,399,267 (December 31, 2024 - \$1,609,267). As of September 30, 2025, the fair value of the outstanding repayable contributions included in Government loan balance of the consolidated statement of financial position is \$1,216,807 (December 31, 2024 - \$1,302,462).

During the three months ended September 30, 2025, the Company recorded accretion expense of \$38,508 (September 30, 2024 - \$49,810) and repaid to PrairiesCan \$nil of the contributions (September 30, 2024 - \$126,000).

During the nine months ended September 30, 2025, The Company recorded accretion expense of \$124,345 (September 30, 2024 - \$157,108) and repaid to PrairiesCan \$210,000 (September 30, 2024 - \$378,000).

The repayment schedule of the remaining contributions is as follows:

2025	\$ 294,000
2026	504,000
2027	504,000
2028	97,267
	\$ 1,399,267

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11. Loans payable and lease liability (continued):

(b) Convertible loan

During the three months ended June 30, 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 three months ended June 30, 2025, the promissory note was cancelled and replaced with a convertible redeemable unsecured debenture with an interest rate of 3% per annum compound annually. The principal and related interest is repayable on the maturity date of June 26, 2030.

This debenture allows the holder the right, at the holder's option, 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 holder of this debenture.

At initial recognition, using a discount rate of 14%, the Company determined the fair value of the promissory note to be \$979,003. During the nine months ended September 30, 2025, the Company recorded a fair value adjustment of \$20,997 (September 30, 2024 - \$nil) for the advance of \$1,000,000 received during the period. This amount has been offset with an accretion expense of \$20,997 (September 30, 2024 - \$nil) related to this promissory note. As of September 30, 2025, the outstanding balance of the promissory note is \$nil (December 31, 2024 - \$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 \$599,982 recorded as convertible loan and the fair value of the equity component to be \$400,018 recorded in contributed surplus. The convertible loan is subsequently measured at amortized cost. As of September 30, 2025, the outstanding balance of the convertible loan with unpaid interest is \$1,007,973 (December 31, 2024 - \$nil). As of September 30, 2025, the fair value of the outstanding balance of the convertible loan with unpaid interest is \$622,433 (December 31, 2024 - \$nil).

During the three months ended September 30, 2025, the Company recorded an accretion expense of \$21,293 (September 30, 2024 - \$nil) and paid financing fee of \$nil (September 30, 2024 - \$nil) related to the convertible loan, as finance expenses.

During the nine months ended September 30, 2025, the Company recorded an accretion expense of \$22,451 (September 30, 2024 - \$nil) and paid financing fee of \$27,512 (September 30, 2024 - \$nil) related to the convertible loan, as finance expenses.

(c) Lease liability

During the three months ended September 30, 2025, the Company terminated the lease of its office premises with the surrender date July 31, 2025, as of which the net lease liability balance associated with the lease of its office premises were \$335,362. The early termination fee was \$24,422.

The terms of the lease of its laboratory remains unchanged and the fixed monthly rent payments are \$8,103 over the remaining term.

During the three months ended September 30, 2025, \$30,095 (September 30, 2024 - \$41,667) was paid on the lease liability including interest of \$8,742 (September 30, 2024 - \$13,794).

During the nine months ended September 30, 2025, \$113,429 (September 30, 2024 - \$\$125,001) was paid on the lease liability including interest of \$34,204 (September 30, 2024 - \$42,619).

As of September 30, 2025, the carrying amount of the lease liability was \$458,125 (December 31, 2024 - \$872,712).

The breakdown of contractual undiscounted cash flows for lease liability as of September 30, 2025 and December 31, 2024 is as follows:

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11. Loans payable and lease liability (continued):

	September 30, 2025	December 31, 2024
Less than one year	\$ 97,237	\$ 166,669
One to five years	388,947	666,674
Over five years	53,601	216,876
Discounting	(81,660)	(177,507)
	\$ 458,125	\$ 872,712

12. Share Capital:

(a) Shares issued and outstanding

During the three months ended March 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 \$1,698,500. 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.

During the three months ended June 30, 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 three months ended June 30, 2025, the Company cancelled 1,000,000 shares which were issued to a third-party who provides marketing and distribution services to the Company at \$0.10/share during the three months ended March 31, 2025, since the related service agreement was terminated.

During the three months ended September 30, 2025, 250,000 stock options were exercised at the price of \$0.10 for aggregate gross proceeds of \$25,000, which offset with trade payable, and the fair market value of 250,000 stock options are \$7,117.

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	27,985,000	2,640,932
Restricted share units redeemed	1,324,998	169,966
Stock options exercised	250,000	32,117
Balance as of September 30, 2025	167,346,565	\$ 27,245,353

(b) 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% of the issued and outstanding shares of the Company as of June 25, 2025. As of September 30, 2025, an aggregate maximum of 16,586,657 (December 31, 2024 – 1,148,302) common share options are reserved for issuance under the Plan with 15,836,657 (December 31, 2024 – 1,148,302) of those common share options remaining available.

During the three months ended June 30, 2025, the Company issued 1,000,000 stock options to a third party who is contracted to provide marketing and distribution services to the Company. Each option is exercisable into one common share of the Company at the price of \$0.10 and expires one year after the issuance date. The options vest in equal tranches per 3-month period over 12 months. During the three months ended September 30, 2025, 250,000 out of 1,000,000 stock options were exercised at the price of \$0.10.

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12. Share Capital (continued):

Options outstanding as of September 30, 2025 consist of the following:

Range of exercise prices	Outstanding number	Weighted average remaining contractual life	Weighted average exercise price	Exercisable number
\$0.10	750,000	0.53	\$0.10	-

For the three months ended September 30, 2025, the Company recorded stock option compensation expense of \$5,667 (September 30, 2024 - \$nil).

For the nine months ended September 30, 2025, the Company recorded stock option compensation expense of \$16,103 (September 30, 2024 - \$nil).

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

(c) 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% of the issued and outstanding shares of the Company as of June 25, 2025. As of September 30, 2025, an aggregate maximum of 16,586,657 (December 31, 2024 – 25,177,197) restricted share units are reserved for issuance under the Plan with 664,242 (December 31, 2024 – 3,427,687) of those common share options remaining available.

Restricted share units outstanding as of September 30, 2025 and December 31, 2024 consist of the following:

	September 30, 2025	December 31, 2024
Balance, beginning of period	21,474,510	18,203,177
Additions	-	4,213,333
Expired	(2,140,429)	-
Forfeited	(3,316,666)	-
Redeemed	(1,324,998)	(942,000)
Balance, end of period	14,692,417	21,474,510
Restricted share units exercisable, end of period	13,942,416	15,769,511

During the three months ended September 30, 2025, the Company recorded expenses of \$18,296 for the RSUS (September 30, 2024 - \$140,168) with a corresponding offset to contributed surplus.

During the nine months ended September 30, 2025, the company recorded a recovery of \$86,307 for RSU compensation expenses (September 30, 2024 - \$568,875, expense) with a corresponding offset to contributed surplus, which includes RSU compensation expenses of \$214,526 and RSU compensation recovery of \$300,833 recorded expenses for the RSUs, which forfeited during the six months ended June 30, 2025.

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12. Share Capital (continued):

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.

(d) Warrants

During the three months ended March 31, 2025, the Company issued 566,100 warrants to the eligible finders associated with the private placement which closed in the three months ended March 31, 2025. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 and the expiry dates are in the three months ended September 30, 2026. The associated issuance cost is \$1,803 and the value of these warrants was determined to be \$16,308.

Warrants outstanding as of September 30, 2025 and December 31, 2024 are as follows:

	Nine months ended September 30, 2025			Twelve months ended December 31, 2024		
	Warrants	Amount	Weighted average exercise price	Warrants	Amount	Weighted average exercise price
Balance, beginning of period	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)	0.10
Expired	(3,125,000)	(65,767)	0.10	-	-	-
Balance, end of period	566,100	\$ 14,505	\$ 0.15	3,125,000	\$ 65,767	\$ 0.10
Weighted average remaining contractual life	0.83 years			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 warrant 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

13. Commitments and contingencies:

As of September 30, 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 and after	\$ 10,000
	\$ 53,005

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14. Related parties:

During the three months ended September 30, 2025, the key management personnel compensation was \$137,973 (September 30, 2024 - \$327,771).

During the nine months ended September 30, 2025, the key management personnel compensation was \$411,545 (September 30, 2024 - \$1,291,303).

The decrease is majorly due to cost reductions implemented across the Company and recovery of share-based payments due to expiration and renouncement for the restricted share units of the management personnel.

15. Segmented information:

In the nine months ended September 30, 2024, the operating segments were presented as STEM and all other segments. In the year ended December 31, 2024, the Company changed its operating segments to animal health and human health to better reflect the Company's transition to and focus on human health related operations post-sale-of STEM.

In the three months ended September 30, 2025, \$5,643 (September 30, 2024 - \$685,006) of revenue from other segments is included in animal health and \$1,681 (September 30, 2024 - \$508,735) of cost of sales of goods and services from all other segments is included in animal health.

In the nine months ended September 30, 2025, \$437,270 (September 30, 2024 - \$1,283,188) of revenues from all other segments is included in animal health and \$410,285 (September 30, 2024 - \$748,729) of cost of sales of goods and services from all other segments is included in animal health.

These operating segments are monitored by the Company's interim chief executive officer who makes the strategic decisions on the allocation of resources based on adjusted segment reporting results.

Each operating segment is managed separately as it is operated differently, marketed differently, and different resources are required. There have been no inter-segment transactions.

The revenues and profit generated by each of the Company's operating segments and segmented assets and liabilities are summarized as follows:

	Three months ended September 30, 2025			Three months ended September 30, 2024		
	Animal health	Human health	Total	Animal health	Human health	Total
External revenues	\$ 5,643	\$ 2,856	\$ 8,499	\$ 685,006	\$ 597,692	\$ 1,282,698
Total profit (loss)	3,962	(611,307)	(607,345)	249,094	(854,907)	(605,813)
Profit from discontinued operations	-	-	-	72,823	-	72,823
Profit (loss) - operating segment	\$ 3,962	\$ (611,307)	\$ (607,345)	\$ 176,271	\$ (854,907)	\$ (678,636)

	Nine months ended September 30, 2025			Nine months ended September 30, 2024		
	Animal health	Human health	Total	Animal health	Human health	Total
External revenues	\$ 437,270	\$ 11,739	\$ 449,009	\$ 2,362,878	\$ 671,833	\$ 3,034,711
Total profit (loss)	26,985	(2,201,368)	(2,174,383)	11,172,068	(3,922,876)	7,249,192
Profit from discontinued operations	-	-	-	10,637,610	-	10,637,610
Profit (loss) - operating segment	\$ 26,985	\$ (2,201,368)	\$ (2,174,383)	\$ 534,458	\$ (3,922,876)	\$ (3,388,418)

	September 30, 2025			December 31, 2024		
	Animal health	Human health	Total	Animal health	Human health	Total
Segment assets	\$ 87,549	\$ 2,653,023	\$ 2,740,572	\$ 237,889	\$ 2,256,287	\$ 2,494,176
Segment liabilities	(166,387)	(3,367,554)	(3,533,941)	(257,534)	(3,865,879)	(4,123,413)

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16. Subsequent event:

On November 27, 2025, Kane Biotech announced its intention to undertake a non-brokered private placement offering (the "Offering") of up to 16 million common shares ("Shares") at a price of \$0.05 per Share for gross proceeds of up to \$800,000. The net proceeds of the Offering will be used for working capital and general corporate purposes. Certain insiders of Kane Biotech may participate in the Offering. Closing of the Offering is expected to take place on or about December 17, 2025.