

RXT 110 INC. INTERIM FINANCIAL STATEMENTS

MARCH 31, 2012

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under national Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**RXT 110 INC.
INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012**

CONTENTS

	<u>Page</u>
FINANCIAL STATEMENTS	
Interim Statements of Loss and Deficit	1-2
Interim Statements of Financial Position	3
Interim Statements of Equity	4
Interim Statements of Cash Flows	5-6
Notes to Interim Financial Statements	7-23

RXT 110 INC.
INTERIM STATEMENTS OF LOSS AND DEFICIT
FOR THE THREE MONTHS PERIODS ENDED MARCH 31, 2012 and 2011
(Unaudited)

	2012 \$	2011 \$
SALES	<u>-</u>	<u>-</u>
ADMINISTRATIVE EXPENSES		
Management, engineering, and consulting fees	171,601	24,780
Legal and accounting fees	112,468	14,000
Salaries and benefits	27,728	-
Rent and occupancy costs	22,917	-
Commissions	22,880	-
Vehicle expenses	15,033	-
Office and general	14,136	1,765
Travel and entertainment	10,811	819
Insurance	9,435	-
Advertising and promotion	8,556	131
Stock transfer fees	6,675	3,729
Amortization	20,668	-
	<u>442,908</u>	<u>45,224</u>
NET LOSS BEFORE INCOME TAXES	(442,908)	(45,224)
Income taxes - (Note 7)	<u>(114,000)</u>	<u>-</u>
NET LOSS	(328,908)	(45,224)
DEFICIT, beginning of period	<u>(2,002,494)</u>	<u>(796,413)</u>
DEFICIT, end of period	<u>(2,331,402)</u>	<u>(841,637)</u>
BASIC AND DILUTED LOSS PER SHARE - (Note 14)	<u>(0.0209)</u>	<u>(0.0025)</u>

See accompanying notes

RXT 110 INC.
INTERIM STATEMENTS OF LOSS AND DEFICIT
FOR THE SIX MONTHS PERIODS ENDED MARCH 31, 2012 and 2011
(Unaudited)

	2012 \$	2011 \$
SALES	<u>-</u>	<u>-</u>
ADMINISTRATIVE EXPENSES		
Management, engineering, and consulting fees	364,101	38,950
Legal and accounting fees	276,830	14,000
Salaries and benefits	42,969	-
Rent and occupancy costs	36,049	-
Commissions	37,880	-
Vehicle expenses	30,845	-
Advertising and promotion	24,727	131
Office and general	24,282	1,652
Travel and entertainment	19,964	819
Insurance	14,214	-
Stock transfer fees	11,142	7,500
Amortization	41,336	-
	<u>924,339</u>	<u>63,052</u>
NET LOSS BEFORE INCOME TAXES	(924,339)	(63,052)
Income taxes - (Note 7)	<u>(235,000)</u>	<u>-</u>
NET LOSS	(689,339)	(63,052)
DEFICIT, beginning of period	<u>(1,642,063)</u>	<u>(796,413)</u>
DEFICIT, end of period	<u>(2,331,402)</u>	<u>(859,465)</u>
BASIC AND DILUTED LOSS PER SHARE - (Note 14)	<u>(0.0209)</u>	<u>(0.0025)</u>

See accompanying notes

RXT 110 INC.
INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2012, SEPTEMBER 30, 2011 AND OCTOBER 1, 2010
(Unaudited)

	<u>2012</u> March 31	2011 <u>September 30</u>	2010 <u>October 1</u>
	\$	\$	\$
ASSETS			
CURRENT			
Cash	264,210	800,421	242
Amounts receivable	139,015	88,470	2,565
Prepaid expenses	264,321	135,726	-
Loan receivable - (Note 5)	-	<u>100,000</u>	-
	<u>667,546</u>	1,124,617	<u>2,807</u>
NON-CURRENT ASSETS			
Property and equipment - (Note 6)	319,060	70,855	-
Deferred income tax asset - (Note 7)	676,689	441,689	-
Intangible asset - (Note 8)	<u>112,500</u>	<u>125,000</u>	-
	<u>1,108,249</u>	637,544	-
	<u>1,775,795</u>	<u>1,762,161</u>	<u>2,807</u>
LIABILITIES			
CURRENT			
Accounts payable and accrued charges	509,253	489,022	15,026
Loan payable - (Note 9)	<u>5,000</u>	<u>35,000</u>	<u>32,133</u>
	<u>514,253</u>	<u>524,022</u>	<u>47,159</u>
SHAREHOLDERS EQUITY			
SHARE CAPITAL - (Note 10)	2,961,194	2,679,224	752,063
SHARE SUBSCRIPTIONS RECEIVED - (Note 10)	503,272	72,500	-
CONTRIBUTED SURPLUS - (Note 13)	128,478	128,478	-
DEFICIT	<u>(2,331,402)</u>	<u>(1,642,063)</u>	<u>(796,415)</u>
	<u>1,261,542</u>	<u>1,238,139</u>	<u>(44,352)</u>
	<u>1,775,795</u>	<u>1,762,161</u>	<u>2,807</u>

ON BEHALF OF THE BOARD:

(s) Bruce Lewis, Director

See accompanying notes

RXT 110 INC.
INTERIM STATEMENTS OF EQUITY
AS AT MARCH 31, 2012, SEPTEMBER 30, 2011, DECEMBER 31, 2011 AND OCTOBER 1, 2010
(Unaudited)

	Share Capital \$	Share Subscription Received \$	Contributed Surplus \$	Deficit \$	Total \$
Balance, October 1, 2010	752,063	-	-	(796,415)	(44,352)
Net loss for year				(845,648)	(845,648)
Proceeds of share issuance	2,105,625				2,105,625
Warrants issued for stock issuance cost	(58,528)		58,528		-
Other stock issuance cost	(119,936)				(119,936)
Non-employee stock based compensation			69,950		69,950
Share subscriptions received		72,500			72,500
Balance September 30, 2011	2,679,224	72,500	128,478	(1,642,063)	1,238,139
Cancellations of shares	(100,030)				(100,030)
Proceeds of share issuance	12,500				12,500
Net loss for period				(360,431)	(360,431)
Share subscriptions received		141,772			141,772
Share subscription issued		(12,500)			(12,500)
Balance December 31, 2011	2,591,694	201,772	128,478	(2,002,494)	919,450
Proceeds of share issuance	369,500				727,500
Net loss for period				(328,908)	(328,908)
Share subscriptions received		361,500			361,500
Share subscription issued		(60,000)			(60,000)
Balance March 31, 2012	2,961,194	503,272	128,478	(2,331,402)	1,261,542

See accompanying notes

RXT 110 INC.
INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND MARCH 31, 2011
(Unaudited)

	2012	2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(328,908)	(45,224)
Amortization	20,668	-
Deferred income tax	<u>(114,000)</u>	<u>-</u>
	<u>(422,240)</u>	<u>(45,224)</u>
 NON-CASH COMPONENTS OF WORKING CAPITAL		
(Increase) decrease in amounts receivable	44,165	(5,378)
(Decrease) increase in accounts payable	(228,420)	115,314
(Increase) decrease in prepaid expenses	<u>(102,836)</u>	<u>(10,000)</u>
 Net change in non-cash components of working capital	<u>(287,091)</u>	<u>99,936</u>
	<u>(709,331)</u>	<u>54,712</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(360)</u>	<u>-</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of Class A shares	309,500	-
Share subscriptions received	<u>361,500</u>	<u>-</u>
	<u>671,000</u>	<u>-</u>
 (DECREASE) INCREASE IN CASH	 (38,691)	 54,712
 CASH, beginning of period	 <u>302,901</u>	 <u>637</u>
 CASH, end of period	 <u><u>264,210</u></u>	 <u><u>55,349</u></u>

See accompanying notes

RXT 110 INC.
INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED MARCH 31, 2012 AND MARCH 31, 2011
(Unaudited)

	2012	2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(689,339)	(63,052)
Amortization	41,336	-
Deferred income tax	<u>(235,000)</u>	<u>-</u>
	<u>(883,003)</u>	<u>(63,052)</u>
NON-CASH COMPONENTS OF WORKING CAPITAL		
(Increase) decrease in amounts receivable	(50,545)	(6,738)
(Decrease) increase in accounts payable	20,231	134,897
(Increase) decrease in prepaid expenses	<u>(128,595)</u>	<u>(10,000)</u>
Net change in non-cash components of working capital	<u>(287,091)</u>	<u>118,159</u>
	<u>(709,331)</u>	<u>55,107</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(254,909)	-
Acquisition of intangible assets	<u>-</u>	<u>(500,000)</u>
	<u>(254,909)</u>	<u>(500,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of Class A shares	321,970	500,000
Repayment of loan payable	(30,000)	-
Share subscriptions received	<u>409,000</u>	<u>-</u>
	<u>671,000</u>	<u>500,000</u>
(DECREASE) INCREASE IN CASH	(38,691)	55,107
CASH, beginning of period	<u>800,421</u>	<u>242</u>
CASH, end of period	<u><u>264,210</u></u>	<u><u>55,349</u></u>

See accompanying notes

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012
(Unaudited)

1. GENERAL INFORMATION

RXT 110 Inc. (the "Company") is a public company incorporated and domiciled in Canada, whose shares are traded on the Canadian National Stock Exchange (CNSX) under the symbol "RXT". The Company's registered address is 1120 Finch Avenue West, Suite 503, Toronto, Ontario M3J 3H7, Canada.

In 2011, the Company acquired the intellectual property rights to certain technology and processes relating to anti-microbial products with potential commercial and consumer applications as described in Note 8. In the previous fiscal year, the Company entered into an exclusive retail distribution agreement with a major distributor of home renovation products (the "Distributor") for Canada and the United States for the Company's line of home improvement and construction related anti-microbial products.

In late 2011, the Company began construction of a dedicated research facility in Parry Sound, Ontario, Canada to further develop and expand both the consumer and commercial applications of the technology. Construction is scheduled to be completed in late 2012.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34), as issued by the International Accounting Standards Board ("IASB"), using the accounting policies the Company expects to adopt in its financial statements as at and for the financial year ending September 30, 2012.

As these interim financial statements are the Company's first financial statements prepared using International Financial Reporting Standards ("IFRS"), certain disclosures that are required to be included in the annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") have been included in these financial statements for the current comparative and comparative periods.

These interim financial statements should be read in conjunction with the Company's 2011 annual financial statements, with consideration given to the IFRS transition disclosures included in Note 15 to these interim financial statements and the additional annual disclosures included herein.

These interim financial statements were authorized for issuance by the Board of Directors of the Company on **May 30, 2012**.

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

2. BASIS OF PREPARATION (Continued)

(b) Use of Estimates and Judgements

The preparation of these interim financial statements in conformity with IFRS requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Judgement is commonly used in determining whether a balance or transaction should be recognized in the financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgement and estimates are often interrelated.

The Company has applied judgement in its assessment of the appropriateness of the classification of items such as financial instruments, in identifying the indicators of impairment for property and equipment and intangible assets with finite useful lives, and in assessing the likelihood that tax losses will be utilized in future.

Estimates are used when determining the useful lives of property and equipment and intangible assets for the purposes of depreciation and amortization, and when measuring items including those related to the valuation of indefinite useful life intangible assets and other assets for impairment. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Measurement

These interim financial statements have been prepared on the historical cost basis and under the going concern convention.

The methods used to measure fair values are discussed further in Note 4 to these financial statements.

(b) Revenue recognition

Revenue is recognized when goods are shipped to customers, the price is fixed or determinable, and collection is reasonably assured.

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICES (Continued)

(c) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

(d) Earnings (Loss) per Share

Basic earnings (loss) per share is calculated by dividing net earnings (loss) by the weighted average number of Class A shares outstanding during the period. Fully diluted earnings (loss) per share is calculated using the treasury stock method which assumes that outstanding stock options and warrants are exercised if their effect is dilutive.

(e) Financial Instruments

Classification of Financial Instruments

Financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or financial liabilities. The classification determines the accounting treatment of the instrument. The classification is determined by the Company when the financial instrument is initially recorded, based on the underlying purpose of the instrument.

The Company's financial instruments are classified and measured as follows:

<u>Financial Asset / Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash	Held for trading	Fair value
Amounts receivable	Loans and receivables	Amortized cost
Loan receivable	Loans and receivables	Amortized cost
Accounts payable	Financial liabilities	Amortized cost

Financial instruments measured at amortized cost are initially recognized at fair value and then subsequently at amortized cost using the effective interest method, less any impairment losses, with gains and losses recognized in earnings in the period in which the gain or loss occurs.

(f) Share Capital

Shares issued by the Company are recorded in the amount of the proceeds received, net of the after tax cost of issuance.

The Company, from time to time, may repurchase its shares. When shares are repurchased, the amount of the consideration paid, which includes directly attributable costs and is net of any tax effects, is recognized as a deduction from share capital. Any repurchased shares will be cancelled.

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICES (Continued)

(g) Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and any recognized impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When components of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

The Company commences recognition of depreciation when the item of property and equipment is ready for its intended use. Depreciation is recognized on the following bases:

Furniture and equipment	20% declining balance and 20 years straight line
Computer equipment	45% declining balance
Leasehold improvements	lesser of lease term or useful life, straight line

Depreciation methods and useful lives are reviewed at each reporting date.

(h) Intangible Assets - License

Intangible assets that are acquired by the Company which have finite useful lives, are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is provided for to amortize the license over its estimated useful life as follows:

License	straight-line over the license term
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Amortization methods and useful lives are reviewed at each reporting date.

(i) Impairment

None of the Company's non-financial assets generate independent cash inflows and therefore all non-financial assets are allocated to cash generating units ("CGU") for purposes of assessing impairment. CGUs are defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Impairment losses are recognized when carrying amount of a CGU exceeds the recoverable amount, which is greater of the CGU's fair values less cost to sell and its value in use. Value in use is the present value of the estimated future cash flows from the CGU discounted using a pre-tax rate that reflects current market rates and the risks inherent in the business of each CGU. If the recoverable amount of the CGU is less than its carrying amount, the CGU is considered impaired and is written down to its recoverable amount. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, allocated pro-rata on the basis of the carrying amount of each asset.

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICES (Continued)

Impairment losses of continuing operations are recognized in the income statement. A previously recognized impairment loss for non-financial assets, excluding goodwill, is reversed if there has been a change in the assumptions used to determine recoverable amount since the previous impairment loss was recognized. The carrying amount after the reversal cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

(j) Stock-based Compensation

The Company has a stock-based compensation plan as described in Note 12. The Company accounts for all stock based payments granted using the fair value based method. Awards of stock based compensation that are subject to shareholder approval are accounted for from the date of approval if shareholder approval is assured. Under the fair value based method, employee compensation cost is measured at fair value at the grant date and recognized over the vesting period. For awards that vest at the end of the vesting period, compensation cost is recognized on a straight-line basis; for awards that vest on a graded basis, compensation cost for each tranche of options is recognized on a pro rata basis over the vesting period. For non-employees, compensation cost is measured at the earliest of: the date performance is complete; the date at which a commitment for performance is reached; or the date at which the instruments are granted if they are fully vested and non-forfeitable at that date. Consideration received on the exercise of stock options is recorded as share capital along with the related amounts of contributed surplus.

Other share based transactions are entered into in the normal course of business and are accounted for at fair value, determined as the negotiated price for goods or services supplied to the Company.

(k) Accounting Standards Issued Not Yet Effective

As of January 1, 2013, The Company will be required to adopt IFRS 9, "Financial Instruments", which is the result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new Standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard should not have a material impact on the Company's financial statements.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10, Consolidated Financial Statements (IFRS10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interest in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13), and amended IAS 28, Investments in Associates and Joint Ventures (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial assets and liabilities. Fair values have been determined based on the following. When applicable, further information about the assumptions made in determining the fair values is disclosed in the notes specific to that asset or liability.

(a) Financial Assets

The fair values of cash and amounts receivable approximate their carrying values due to their short-term maturities.

(b) Financial Liabilities

The fair values of accounts payable approximate their carrying values due to their short-term maturities.

(c) Share-based Payment Transactions

The grant date fair values of stock options granted to employees are measured using the Black-Scholes option-pricing model (the "model"). Measurement inputs to the model include share price on measurement date, exercise price of the instruments, expected volatility, weighted average expected life of the instruments, expected dividends and the risk-free interest rate (based on government bonds).

5. LOAN RECEIVABLE

The loan receivable was unsecured, non-interest bearing and has no specific terms of repayment. (See Note 10(b)(i) and Note 18(i)).

6. PROPERTY AND EQUIPMENT

	<u>March 31, 2012</u>		September 30,
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2011</u>
	\$	\$	Net
			\$
Furniture and equipment	69,348	1,513	68,413
Computer equipment	6,694	1,617	2,442
Leasehold improvements	<u>273,498</u>	<u>27,350</u>	<u>-</u>
	<u>349,540</u>	<u>30,480</u>	<u>70,855</u>

Depreciation of \$14,418 was recorded during the period (three months ended March 31, 2011 - \$Nil).

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

7. INCOME TAXES

	<u>March 31, 2012</u>	<u>September 30, 2011</u>
Loss before income taxes	(924,339)	(1,244,648)
Basic income tax rate %	26.25 %	26.25 %
Computed income tax	(242,639)	(326,720)
Non-deductible expenses	7,639	10,720
Increase (decrease) in valuation allowance	-	(83,000)
	<u>\$ (235,000)</u>	<u>\$ (399,000)</u>

The Company has operating losses available to reduce taxable income in future years of approximately \$2,295,000 (September 30, 2011 - \$1,381,000), which expire as follows:

2025	\$ 52,600
2026	26,000
2027	68,300
2028	77,000
2030	92,300
2031	1,979,000

The deferred income tax asset benefit resulting from these losses amounts to \$121,000 for the period, (September 30, 2011 - \$362,500) and (September 30, 2010 - \$83,000). Other components of the deferred income tax asset that were recognized at September 30, 2011 include an excess of amortization over tax depreciation of \$36,500 (2010 - \$Nil) and the tax benefit of deductible financing costs incurred of \$42,689 (2010 - \$Nil). At December 31, 2011, it is more likely than not that the Company will be able to realize the benefit of the unused tax losses, therefore no valuation allowance has been provided.

8. INTANGIBLE ASSET

	<u>2012</u>			<u>2011</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
	\$	\$	\$	\$
MM License Agreement	<u>150,000</u>	<u>37,500</u>	<u>112,500</u>	<u>-</u>

Amortization of \$6,250 was recorded during the period (three months ended March 31, 2011 - \$Nil).

On June 7, 2011, the Company entered into an exclusive world-wide interim license agreement with Marcus Martin, a Director of the Company with respect to certain intellectual property rights held by Mr. Martin relating to a process for the manufacture of anti-microbial filler product (the "License Agreement"). Effective October 3, 2011, the License Agreement was amended and restated to add Edward Pardiak, a Director of the Company as a co-licensor and was again amended and restated on April 10, 2012 to add 2320696 Ontario Inc. as a co-licensor. Marcus Martin and Edward Pardiak, through holding companies controlled by them, each holding 50% of the shares of the shares of 2320696 Ontario Inc. The amended and restated License Agreement is substantially the same as the original license agreement except certain

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

8. INTANGIBLE ASSET (Continued)

intellectual property not originally covered by the license agreement has been added, including intellectual property utilized in the manufacture of Zeromold, and the aggregate interim license consideration has increased to \$300,000. In addition the Company exercised its right to convert the interim license granted on June 7, 2011, as amended and restated, into an assignable, transferable, perpetual, world-wide exclusive license (the License"). In connection with the exercise of the right to acquire the License, and in accordance with the terms of the license agreement, the Company will issue 20,000,000 fully paid and non-assessable Class A shares of the Company to the licensors. The effective date for the issuance of the Shares and the acquisition of the License is April 10, 2012. The Company has made payments aggregating to \$50,000 towards satisfying the interim license consideration and a further payment of \$100,000 is due on May 1, 2012 and is included in accounts payable at September 30, 2011 and March 31, 2012. (See Notes 19(i) and Notes 21(ii)(iii)).

9. LOAN PAYABLE

The loan payable is unsecured, non-interest bearing and has no specific terms of repayment and represents deposits received for unissued shares capital subsequently refunded.

10. SHARE CAPITAL

(a) Issued and outstanding Class A Shares

	Six months ended March 31 2012		Year ended September 30 2011	
	Shares #	Amount \$	Shares #	Amount \$
Balance - October 1, 2011	36,772,503	2,679,224	17,470,003	752,063
Pursuant to license agreement at \$0.02	-	-	10,000,000	200,000
Pursuant to private placement at \$0.25	-	-	902,500	225,625
Pursuant to private placement at \$0.20	-	-	7,900,000	1,580,000
Issued at \$0.20 for fair value consideration	-	-	500,000	100,000
Share issuance cost	-	-	-	(178,464)
Cancellation of shares (i)	(3,968,750)	(100,030)	-	-
Pursuant to private placement at \$0.20	<u>62,500</u>	<u>12,500</u>	-	-
Balance - December 31, 2011	32,866,253	2,591,694	36,772,503	2,679,224
Pursuant to private placement at \$0.20	1,847,500	369,500	-	-
Cancellation of shares (ii)	<u>(5,284,433)</u>	-	-	-
Balance, March 31, 2012	<u>29,429,320</u>	<u>2,961,194</u>	<u>36,772,503</u>	<u>2,679,224</u>

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

10. SHARE CAPITAL (Continued)

(i) The cancellation is in part settlement of the litigation against Donald Meade, Rx110 Inc., Rx100 Inc. and certain other persons and entities (the "Defendants") in respect of an intellectual property license granted by Rx110 Inc. to the Company. The cancellation includes 3,113,926 Class A shares that were cancelled and 854,824 Class A shares purchased for cancellation for consideration of \$30 cash and cancellation of the loan receivable to current directors of the Company.

(ii) The cancellation is in final settlement of the litigation against Donald Meade, Rx110 Inc., Rx100 Inc. and certain other persons and entities (the "Defendants") in respect of an intellectual property license granted by Rx110 Inc. The cancellation includes a further 5,284,433 Class A shares. (See Note 21(v)).

(b) Authorized

The Company can issue an unlimited number of:

Class A shares, voting and participating.

Class B shares, voting, redeemable at any time at the option of the corporation for an amount equal to the fair value of the consideration received at issuance.

Class C preferred shares issuable in series with the following to be fixed with each series: number of shares, designation, rights, privileges, restrictions and conditions including dividend rate and calculation method and payment dates, the redemption, purchase and/or conversion prices, terms of redemption, purchase and/or conversion, any sinking fund or other provisions, may be convertible into Class A shares and voting unless otherwise determined.

(c) Share Subscriptions Received Class A Shares

	Shares #	Amount \$
Balance, September 30, 2010	-	-
Share subscriptions received	362,500	72,500
Balance - September 30, 2011	362,500	72,500
Class A shares issued (i)	(62,500)	(12,500)
Purchase of equipment at \$0.25 (ii)	87,088	21,772
Private placement at \$0.20	<u>600,000</u>	<u>120,000</u>
Balance, December 31, 2011	1,349,588	201,772
Class A shares issued (iii)	(300,000)	(60,000)
Private Placement at \$0.20 (iii)	1,805,000	361,000
Share subscriptions received	<u>2,500</u>	<u>500</u>
Balance, March 31, 2012	<u>2,857,088</u>	<u>503,272</u>

(i) Issued 62,500 Class A shares for proceeds received and held in trust prior to September 30, 2011.

(ii) Class A shares to be issued in settlement of 20% of a contract to purchase equipment. The 87,088 Class A shares were issued on February 8, 2012 at \$0.25.

(iii) Issued 1,805,000 Class A shares for \$361,000 on April 2, 2012 pursuant to private placement at \$0.20. (See Note 21(i)).

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

11. WARRANTS

The following table sets forth all changes in outstanding warrants:

	Number of Warrants	Exercise Price
Balance- September 30, 2010	-	-
Unit warrants issued April 2011	900,000	0.35
Unit warrants issued July 2011	7,900,000	0.30
Warrants issued for stock issuance cost (i)	620,000	0.20
Unit warrants issued November 2011	62,500	0.30
Unit warrants issued February 2012	1,847,500	0.30
Balance - September 30, 2011 and March 31, 2012	11,330,000	\$ 0.30

The following table summarizes the warrants outstanding at March 31, 2012:

Exercise price \$	Number outstanding	Weighted average remaining contractual life (months)	Weighted average exercise price \$	Number of exercisable warrants
0.20-0.35	11,267,500	9.0	0.29	11,330,000

(i) The fair value of these warrants was estimated using the Black-Scholes model using the following assumptions:

Grant date	July 22, 2011
Number of warrants granted	620,000
Dividend yield	-
Fair value of warrants granted	\$ 0.0944
Expected volatility	66.00 %
Risk-free interest rate	1.47 %
Expected life in years	1.5

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

12. STOCK OPTIONS

As disclosed in a press release dated August 16, 2011, the Company announced that the board of directors has adopted a "rolling" employee stock option plan pursuant to which the Company may issue options to eligible employees, officers, directors and consultants to purchase up to 10% of the Class A Shares of the Company. The board of directors of the Company has also conditionally approved the grant of 1,750,000 options under the Option Plan to the President and CEO, exercisable, subject to vesting, at any time during the period of five years from the date of the grant at an exercise price of \$0.20 per optioned share. Such options vest 25% on the date of the grant and in equal installments on the next three anniversaries of the grant date. In addition, a non-executive employee has been granted 100,000 options under the Option Plan, exercisable, subject to vesting, at any time during the period of five years from the date of the grant at an exercise price of \$0.20 per optioned share. Such options vest as to 33,334 options on the first anniversary date and 33,333 options on the second and third anniversary of the grant date. The Option Plan and grant of options thereunder is subject to approval of the shareholders of the Company which was received at the annual and special meeting of shareholders held on May 24, 2012.

The following table sets out equity compensation plan information:

	Number of Options	Exercise Price
Balance- September 30, 2010	-	-
Non-employee options granted (i)	1,000,000	0.25
Employee options granted	1,850,000	0.20
Balance - September 30, 2011 and March 31, 2012	2,850,000	0.21

(i) Includes options issued, or to be issued, to certain principals of a consultant to the Company. The Company has commenced legal proceedings for a declaration that the consulting agreement is of no force or effect or alternatively that the consultant breached the terms of that agreement. The Company is seeking cancellation of such options issued or issuable and damages. The fair value of these options, determined using the Black-Scholes options pricing method was \$16,290.

The fair values of these stock options were estimated using the Black-Scholes model using the following assumptions:

Grant date	April 13, 2011	August 16, 2011
Number of options granted	1,000,000	1,750,000
Dividend yield	-	-
Fair value of options granted	\$ 0.1399	\$ 0.1280
Expected volatility	66.00 %	60.00 %
Risk-free interest rate	1.74 %	1.12 %
Expected life in years	5	5

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

12. STOCK OPTIONS (Continued)

On November 8, 2011, the Company issued 100,000 options under the Option Plan. The fair values of these stock options were estimated using the Black-Scholes model using the following assumptions:

Grant date	November 8, 2011
Number of options granted	100,000
Dividend yield	-
Fair value of options granted	\$ 0.1029
Expected volatility	60.00 %
Risk-free interest rate	1.34 %
Expected life in years	5

The following table summarizes the stock options outstanding at March 31, 2012:

Exercise price \$	Number outstanding	Weighted average remaining contractual life (months)	Weighted average exercise price \$	Number of exercisable share options
0.20-0.25	2,850,000	51.0	0.21	970,834

13. CONTRIBUTED SURPLUS

	\$
Balance, September 30, 2010	-
Employee stock-based compensation expense - (See Note 12)	-
Warrants issued for stock issuance costs	58,528
Non-employee stock based compensation expense	69,950
Balance, September 30, 2011 and March 31, 2012	128,478

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

14. LOSS PER SHARE

The following table sets forth the reconciliation of basic and diluted earnings per share for the three month periods ended:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Net loss	(689,339)	(63,052)
Weighted average number of Class A shares outstanding - basic	33,050,145	25,333,017
Shares assumed issued (i)	-	-
Shares assumed purchased (i)	-	-
Weighted average number of Class A shares outstanding - diluted	33,050,145	25,333,017
Net loss per Class A share:		
Basic	(0.0209)	(0.0025)
Diluted	(0.0209)	(0.0025)

(i) Outstanding during the period were 1,000,000 stock options granted in the third quarter of 2011, 1,750,000 stock options granted in the fourth quarter of 2011, and 100,000 stock options granted in the first quarter of 2012, which were anti-dilutive as at March 31, 2012 and 2011. Therefore, they have not been included in the calculation of shares assumed issued and shares assumed purchased.

15. EXPLANATION OF TRANSITION TO IFRS

As stated in Note 2(a), these are the Company's first financial statements prepared in accordance with IFRS. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP" or previous GAAP). The Company's financial statements for the financial year ending September 30, 2012 will be the first annual financial statements that comply with IFRS.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the 3 months ended, the comparative information presented in these financial statements for the financial year ended September 30, 2011, for the three months ended December 31, 2010 and in the preparation of an opening IFRS balance sheet at October 1, 2010 (the Company's date of transition). The Company will ultimately prepare its opening IFRS balance sheet and financial statements for 2011 and 2012 by applying existing IFRS with an effective date of September 30, 2012, accordingly, the opening IFRS balance sheet and financial statements for 2011 and 2012 may differ from these financial statements.

IFRS 1 requires an entity to reconcile equity, comprehensive income (loss) and cash flows for prior periods. The Company's first-time adoption did not have an impact on the total equity, comprehensive loss and cash flows and there are therefore no reconciling adjustments from Canadian GAAP to IFRS in preparing its opening IFRS balance sheet as at October 1, 2010.

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

15. EXPLANATION OF TRANSITION TO IFRS (Continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemption to its opening statement of financial position dated October 1, 2010:

(i) Exemption for business combinations

IFRS1 provides the option to apply IFRS 3, Business Combinations, prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. The Company has elected to apply IFRS 3 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated.

(ii) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of October 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

16. CAPITAL MANAGEMENT

Capital is defined as share capital. The Company's objectives when managing capital are to maintain an appropriate balance between holding a sufficient amount of capital to support its operations as a going concern, and providing shareholders with a prudent amount of leverage, as and when required, to enhance returns. There have been no changes since the prior year.

The Company is not subject to any regulatory or contractual capital obligations of material consequence.

17. FINANCIAL INSTRUMENTS

(a) Fair Value

The carrying amounts of the Company's financial instruments, consisting of cash, amounts receivable, and accounts payable, approximate their fair values due to their short-term nature.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet a demand for cash or fund its obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its obligations, management will consider securing additional funds through debt or equity transactions. The Company manages its liquidity risk by continuously monitoring forecast and actual cash flows. There have been no changes since the prior year.

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

18. RELATED PARTY TRANSACTIONS

During the period the Company engaged in transactions with related parties as follows:

(i) During the period the Company paid the following amounts to directors of the Company or companies that they control or close family members for management, scientific, engineering and technical services:

Mr. Marcus Martin - \$49,500 (three months ended March 31, 2011 - \$Nil)
 Mr. Edward Pardiak - \$49,500 (three months ended March 31, 2011 - \$Nil)
 Mr. Allan Gibbins - \$10,000 (three months ended March 31, 2011 - \$Nil)

19. COMMITMENTS

(i) The Company has a commitment to issue 20,000,000 Class A Shares on exercise of the option to convert the interim license granted under an intellectual property license agreement. (See Note 8 and Notes 21(iii)).

(ii) The Company has a five year Executive Employment Agreement with the President and CEO of the Company ending December 31, 2016, paying an annual salary of \$250,000 and a car allowance.

(iii) The Company has a three year lease obligation for its head office located at 1120 Finch Avenue West, Toronto, Ontario, ending August 31, 2014, and a five year lease obligation for its warehouse and manufacturing facility located in Parry Sound, Ontario, ending August 31, 2016. The future basic rents, excluding utilities and other assessed levies, are as follows for each fiscal year:

2012	-	\$25,500
2013	-	\$66,400
2014	-	\$65,300
2015	-	\$53,300
2016	-	\$48,900

(iv) During the period, the Company entered into contractual commitments to purchase property and equipment for a total of \$NIL (September 30 ,2011 - \$221,390).

(v) The Company has a two year contractual commitment for consulting services ending April 2013. Under the terms of the agreement, the Company is committed to issue 1,000,000 stock options. Each option will entitle the holder to purchase one Class A share for \$ 0.25 for a five year period. The future minimum annual cash payments for the next two fiscal years are:

2012	-	\$72,000
2013	-	\$52,000

(vi) The Company entered into a contractual commitment for research services in the amount of \$53,000, with a project completion date of July 15, 2012, included in prepaid expense at March 31, 2012.

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

20. SEGMENTED INFORMATION

The Company operates in one segment. All of the Company's assets and operations are located in Canada.

21. SUBSEQUENT EVENTS

Subsequent to the period end, the Company entered into the following transactions:

(i) On April 2, 2012, the Company announced the closing of the third tranche of the private placement of up to 14,135,000 units at a price of \$0.20 for gross proceeds of up to \$2,827,000 ("the Offering") announced July 14, 2011. The Company issued and sold 1,805,000 units for aggregate consideration of \$361,000, each unit consisting of one Class A Share and one Class A Share purchase warrant ("Unit"). Each warrant will entitle the holder to purchase one additional Class A Share in the capital of the Corporation (a "Warrant Share") at an exercise price of \$0.30 per Warrant Share to the extent such Warrant is exercised on or before the date that is 18 months from the closing of the Offering.

In connection with the issue and sale of certain of the Units in the Offering, the Company paid a finder's fee, in Units, for aggregate consideration of \$12,500. All securities issued will be subject to a four-month hold period. The proceeds will be used for working capital purposes and in furtherance of the Company's activities in connection with the license agreement.

(ii) As disclosed in a press release and material change report, each dated March 19, 2012, the Company entered into an amended and restated license agreement with respect to the license of certain intellectual property originally publicly disclosed in an news release on June 10, 2011. The amended and restated license agreement is substantially the same as the original license agreement except a co-licensor was added as a party to the agreement, certain intellectual property not originally covered by the license agreement was also added, including intellectual property utilized in the manufacture of Zeromold, and the aggregate license consideration increased to \$300,000.

(iii) As disclosed in a material change report filed April 10, 2012, the Company announced that it entered into a further amended and restated license agreement (the "License Agreement"), to add certain assignees of intellectual property originally held by the licensors and the Company announced that it exercised its right to convert the interim license granted under the License Agreement into an assignable, transferable, perpetual, world-wide exclusive license (the "License").

As disclosed in a press release and material change report filed on April 10, 2012, the Company issued 20,000,000 fully paid and non-assessable Class A shares of the Company to the licensors in consideration for the License. (See Note 19(i)).

(iv) Effective April 24, 2012, Soberman LLP resigned as auditors and the accounting firm of McGovern, Hurley, Cunningham, LLP, Chartered Accountants was appointed as auditors.

RXT 110 INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012

(v) In May 2012, the Company cancelled a total of 5,284,433 Class A shares surrendered for cancelled pursuant to a binding settlement reached on March 7, 2012 of the litigation commenced by the Company against Donald Meade, Rx110 Inc., Rx100 Inc. and certain other persons and entities in respect of an intellectual property license granted by Rx110 Inc. to the Company. (See Note 10(b)(ii)).

(vi) On May 24, 2012, it was resolved by the shareholders at the 2012 annual and special meeting of the shareholders, that the Company's 2011 employee stock option plan and grants of options made thereunder be adopted and approved. (See Note 12).

(vii) On May 24, 2012, it was also resolved at the 2012 annual and special meeting of the shareholders, by a special resolution of the shareholders, that the articles of incorporation the Company be amended to change the Company's name to Biosenta Inc. under the *Business Corporations Act* (Ontario).