Biosenta Inc.
(formerly known as RXT 110 Inc.)

Condensed Interim Financial Statements
For the three and nine months ended June 30, 2012
(Unaudited)

Notice of No Auditor Review of Condensed Interim Financial Statements

The accompanying unaudited condensed 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 condensed interim financial statements, in accordance with standards established by the Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

Biosenta Inc.
August 24, 2012

Biosenta Inc.

Condensed Interim Statements of Financial Position

(expressed in Canadian dollars, unless otherwise stated)

	As at June 30 2012 $	As at September 30 2011 $
Assets	(unaudited)	(audited)
Current assets		
Cash and cash equivalent *(note 5)*	**203,181**	800,421
Sales tax receivable	**55,550**	88,470
Prepaid expenses *(note 6)*	**359,866**	135,726
Loan receivable *(note 7)*	**60,000**	100,000
	678,597	1,124,627
Deferred tax asset	**676,689**	441,689
Intangible assets *(note 8)*	**4,106,250**	125,000
Equipment *(note 9)*	**325,967**	70,855
	5,787,503	1,762,161
Equity and Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(note 10)*	**564,192**	489,022
Loan payable *(note 12)*	**5,000**	35,000
	569,192	524,022
Capital and Reserves		
Share capital *(note 13)*	**7,507,694**	2,679,224
Shares subscriptions received *(note 14)*	**396,772**	72,500
Contributed surplus	**128,478**	128,478
Deficit	**(2,814,633)**	(1,642,063)
	5,218,311	1,238,139
	5,787,503	1,762,161

Commitments (note 18)
Nature of Operations and Going Concern (note 1)

The accompanying notes are an integral part of these condensed interim financial statements.

Biosenta Inc.

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Three months ended June 30		Nine months ended June 30	
	2012	2011	**2012**	2011
	$	$	**$**	$
Net Revenue	**-**	-	**-**	-
Administrative expense				
Management and consulting fees	**162,000**	68,332	**526,101**	90,297
Legal and accounting fees	**102,324**	26.993	**379,154**	57,978
Salaries and benefits	**35,300**	30,355	**78,269**	30,355
Rent and occupancy costs	**24,071**	-	**60,120**	-
Commissions	**32,500**	31,000	**70,380**	31,000
Vehicle expense	**34,037**	9,407	**64,882**	9,407
Office and general	**15,568**	11,898	**39,850**	13,550
Travel and entertainment	**16,738**	2,642	**36,702**	2,642
Insurance	**9,143**	-	**23,357**	-
Advertizing and promotion	**16,402**	8,566	**41,129**	9,516
Stock transfer fees	**14,480**	1,575	**25,622**	9,075
Amortization	**20,668**	-	**62,004**	-
	483,231	190,768	**1,407,570**	253,820
Net income (loss) before income taxes	**(483,231)**	(190,768)	**(1,407,570)**	(253,820)
Income tax	**-**	-	**235,000**	-
Net income (loss) before income taxes	**(483,231)**	(190,768)	**(1,172,570)**	(253,820)
Basic and diluted income (loss) per share *(note 16)*	**(0.01)**	(0.00)	**(0.03)**	(0.01)
Weighted average number of common shares outstanding	**49,698,959**	28,261,925	**35,247,866**	28,265,033
Statement of Comprehensive Income (loss)				
Net income (loss) for the period	**(483,231)**	(190,768)	**(1,172,570)**	(253,820)
Other comprehensive income	**-**	-	**-**	-
Comprehensive income (loss) for the period	**(483,231)**	(190,768)	**(1,172,570)**	(253,820)

The accompanying notes are an integral part of these condensed interim financial statements.

Biosenta Inc.

Condensed Interim Statements of Changes in Shareholders' Equity

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Share Capital $	Share Subscription Received $	Contributed Surplus $	Deficit $	Total Equity $
Balance, September 30, 2010	752,063	-	- -	(796,415)	(44,352)
Common shares issued on exercise of warrants	2,105,625	-	-	-	2,105,625
Share subscription received		72,500	-	-	72,500
Share based payments	-	-	69,950	-	69,950
Share issue costs – FMV of warrant	(58,528)	-	58,528	-	-
Share issue costs	(119,936)	-	-	-	(119,936)
Net income (loss) for the period	-	-	-	(845,648)	(845,648)
Balance, September 30, 2011	2,679,224	72,500	128,478	(1,642,063)	1,238,139
Common shares issued from private placement	749,500	-	-	-	749,500
Common share canceled	(100,030)	-	-	-	(100,030)
Share subscription received		503,272	-	-	503,272
Common shares issued for share subscriptions received	179,000	(179,000)	-	-	-
Common shares issued for license agreement	4,000,000	-	-	-	4,000,000
Net income (loss) for the period	-	-	-	(1,172,570)	(1,172,570)
Balance, June 30, 2012	7,507,694	396,772	128,478	(2,814,633)	5,218,311

The accompanying notes are an integral part of these condensed interim financial statements.

Biosenta Inc.

Condensed Interim Statements of Cash Flows

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	nine months ended June 30	
	2012	2011
	$	$
Cash flow from operating activities		
Net loss from operation	**(1,172,570)**	(253,820)
Items not involving cash		
Share based payments	**-**	-
Amortization	**62,004**	-
Deferred tax	**(235,000)**	-
	(1,345,566)	(253,820)
Changes in non-cash working capital		
Amounts receivable	**32,920**	(90,668)
Shareholder receivable	**40,000**	-
Prepaid expenses	**(224,140)**	(22,500)
Accounts payable and accrued liabilities	**(24,860)**	165,246
	(1,521,646)	(201,742)
Cash flow from financing activities		
Reduction in loan payable	**(30,000)**	-
Proceeds from issue of common shares, net	**906,778**	200,000
Proceeds from subscription receipts received, net	**324,272**	-
	1,201,050	200,000
Cash flow from investing activities		
Expenditures on equipment	**(276,644)**	-
	(276,644)	-
Increase (decrease) in cash and cash equivalents	**(597,240)**	1,742
Cash and cash equivalents, beginning of period	**800,421**	242
Cash and cash equivalents (Indebtedness), end of period	**203,181**	(1,500)

The accompanying notes are an integral part of these condensed interim financial statements.

1. Nature of Operations and Going Concern

Biosenta Inc. (the "Company" or "Biosenta" and formerly RXT 110 Inc.) is a public company incorporated and domiciled in Canada, whose shares are traded on the Canadian National Stock Exchange (CNSX) under the symbol "ZRO". The Company's registered address is 1120 Finch Avenue West, Suite 503, Toronto, Ontario M3J 3H7, Canada. In fiscal 2011, the Company acquired the intellectual property rights to certain technology and processes relating to anti-microbial products with potential commercial and consumer applications. 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.

The ability of the Company to continue as a going concern is dependent upon the continuing financial support of shareholders or other investors, obtaining new financing on commercial terms acceptable to the Company to enable it to monetize its intellectual property assets, and upon attaining profitable operations once such assets can be monetized, all of which outcomes are uncertain and which, taken together, cast significant doubt over the ability of the Company to continue as a going concern. These condensed interim financial statements do not include any adjustments to the carrying values of the Company's assets, liabilities, and expenses and the related classifications that would be necessary if the going concern assumption were inappropriate. Such adjustments have not been quantified by management but could be material.

The Company funded its operations for the period ended June 30, 2012 through the use of existing cash reserves and three private placements for common shares. The Company may not have sufficient cash reserves to fund its product development programs, administrative costs and other obligations for the coming fiscal period. Management is actively involved in developing and bringing their products to market, and in seeking new equity financing to enable it to service the Company's liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives.

2. Basis of Consolidation and Presentation

Statement of Compliance and conversion to International Financial Accounting Standards ("IFRS")

These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company reported in Note 2 and 3, in the Company's audited annual financial statements for the year ending September 30, 2011. These condensed interim financial statements do not include all of the information required for full annual financial statements.

As these interim financial statements are the Company's first interim 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 22 to these interim financial statements and the additional annual disclosures included herein.

These condensed interim financial statements were authorized for issuance by the Board of Directors of the Company on August 24, 2012.

Basis of preparation and presentation

These condensed interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these unaudited condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

3. Significant Accounting Policies

The accounting policies as reported in Note 2 and 3 of the unaudited condensed interim financial statements for the three months ended December 31, 2011, have been applied in preparing these condensed interim financial statements.

Measurement and uncertainty

The preparation of these unaudited condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods, if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates:
Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of accounts receivable;
- the recoverability of prepaid development expenditures incurred; and
- management's assumptions on the recoverability of the license costs, estimated useful life and term of license; and
- the recoverability of deferred income tax assets.

4. Future Changes in Accounting Policies

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards when they become effective.

IFRS 7 - Financial Instruments: Disclosures
The Accounting Standards Board ("AcSB") approved the incorporation of the IASB's amendments to IFRS 7 Financial Instruments: Disclosures and the related amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards into Part I of the Handbook. These amendments were made to Part I in January 2011 and are effective for annual periods beginning on or after July 1, 2011. Earlier application is permitted. The amendments relate to required disclosures for transfers of financial assets to help users of the financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. The Company has not fully assessed the impact of adopting IFRS 7; however, it anticipates that the impact will be limited.

IFRS 9 - Financial Instruments
IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Company is assessing the impact of IFRS 9 on its results of operations and financial position.

IFRS 13 – Fair Value Measurement
IFRS 13, Fair Value Measurement ("IFRS 13") was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 13 on its consolidated results of operations and financial position.

IAS 1 – Presentation of Financial Statements
IAS 1, Presentation of Financial Statements ("IAS 1") amendment, issued by the IASB in June 2011, requires an entity to group items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company is assessing the impact of IAS 1 on its consolidated financial statements.

5. Cash Position

Cash consists of the following:

	As at June 30 2012 $	As at September 30 2011 $
Cash	203,181	800,421
Total	203,181	800,421

6. Prepaid expenses

Accounts receivable and other assets consist of the following:

	As at June 30 2012 $	As at September 30 2011 $
Prepaid expenses	140,531	135,726
Product development costs	219,335	-
Total	359,866	135,726

7. Loan receivable

	As at June 30 2012 $	As at September 30 2011 $
Loan receivable	60,000	100,000
	60,000	100,000

Loan balance is unsecured, non-interest bearing, and has no specific terms of repayment. See Notes 11 (iii).

8. Intangible assets

The intangible assets are comprised as follows:

	MM license Agreement	Total
Balance September 30, 2010	-	-
MM Interim license fee	**$ 150,000**	**$ 150,000**
Amortization	**(25,000)**	**(25,000)**
Balance, September 30, 2011	**125,000**	**125,000**
Acquisition of MM license	**4,000,000**	**4,000,000**
Amortization	**(18,750)**	**(18,750)**
Balance, June 30, 2012	**$ 4,106,250**	**$ 4,106,250**

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 "MM 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 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 issued 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 was April 10, 2012.
Marcus Martin and Edward Pardiak, directors of the Company, exercise control and direction over the 20,000,000 million shares issued in consideration for the License through holding companies controlled by them.

9. Equipment

Equipment and fixtures consists of the following:

Cost	Furniture & equipment	Leasehold improvements	Computer Equipment	Total
Balance September 30, 2010	$ -	$ -	$ -	$ -
Additions	69,348	-	3,151	72,499
Disposals	-	-	-	-
Other	-	-	-	-
Balance September 30, 2011	$69,348	-	$3,151	72,499
Additions	-	293,651	4,715	298,366
Disposals	-	-	-	-
Other	-	-	-	-
Balance, June 30, 2012	$69,348	$293,651	$7,866	$370,865

Accumulated Amortization	Furniture & equipment	Leasehold improvements	Computer Equipment	Total
Balance September 30, 2010	$ -	$ -	$ -	$ -
Additions	935	-	709	1,644
Disposals	-	-	-	-
Other	-	-	-	-
Balance September 30, 2011	935	-	709	1,644
Additions	867	41,025	1,362	43,254
Disposals	-	-	-	-
Other	-	-	-	-
Balance, June 30, 2012	$1,802	$41,025	$2,071	$44,898

Net book value at September 30, 2010	$ -	$ -	$ -	$ -
Net book value at September 30, 2011	$ 68,413	$ -	$ 2,442	$ 70,855
Net book value at June 30, 2012	$ 67,546	$ 252,626	$5,795	$ 325,967

10. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	As at June 30 2012	As at September 30 2011
	$	$
Trade payables	377,584	285,108
Accured payroll	12,214	9,832
Accrued liabilities other	156,394	194,082
Total	546,192	489,022

11. Related party transactions

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

(i) During the period the Company incurred the following expenses to directors of the Company or companies that they control or close family members for management, scientific, engineering and technical services:
Mr. Marcus Martin - $135,000 (three months ended June 30, 2011 - $Nil)
Mr. Edward Pardiak - $153,500 (three months ended June 30, 2011 - $Nil)
Mr. Allan Gibbins - $30,000 (three months ended June 30, 2011 - $Nil)

(ii) On March 19, 2012, the Company also announced that it exercised its right to convert the interim license granted under an intellectual property license agreement 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 issued 20,000,000 fully paid and non-assessable Class A shares of the Company to the Licensors. The Company and the Licensors entered into an escrow agreement in respect of the 20,000,000 shares issued in consideration of the License as well as a securities pledge agreement in respect of the Licensors' obligations under the license agreement.

(iii) The loan receivable (Note 7) is from close relatives of certain directors of the Company.

12. Loan Payable

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

13. Share Capital

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.

Issued and outstanding:

	Number of shares	Amount
Balance, September 30, 2010	**17,470,003**	**$ 752,063**
Shares issued pursuant to license agreement *(i)*	10,000,000	200,000
Shares issued pursuant to private placement *(ii)*	902,500	225,625
Shares issued pursuant to private placement *(iii)*	7,900,000	1,580,000
Shares issued to directors *(iv)*	500,000	100,000
Share issue Costs	-	(178,464)
Balance, September 30 2011	**36,772,503**	**$ 2,679,224**
Cancelled Shares December 2011 *(i)*	(3,968,750)	(100,030)
Shares issued pursuant to private placement *(v)*	62,500	12,500
Shares issued pursuant to private placement *(vi)*	1,847,500	369,500
Shares issued pursuant to private placement *(vii)*	1,867,500	373,500
Cancelled Shares December 2011 *(i)*	(5,284,433)	-
Shares issued pursuant to license agreement *(Note 11(ii) & 8)*	20,000,000	4,000,000
Shares issued pursuant to private placement *(viii)*	865,000	173,000
Share issue Costs	-	
Balance, June 30, 2012	**52,161,820**	**$ 7,507,694**

(i) As disclosed in a press release dated December 15, 2010, the Company announced that it entered into an exclusive license agreement (the "RX License Agreement") with RX 110 Inc. ("RX") to manufacture, import, market and sell in Canada filler products for stopping mould at source (the "RX Products"). Pursuant to the terms of the RX License Agreement, and as partial consideration for RX entering into the RX License Agreement, the Company issued 10,000,000 Class A shares with a fair value of $200,000 as directed by RX and granted an ongoing royalty equal to 3% of revenues generated by the Company from the sale of RX Products. The term of the RX License Agreement was to expire upon the expiration of the last of the RX patents.

As disclosed in a press release dated June 3, 2011, the Company announced that it received notice of revocation of the RX License Agreement from RX. The Company had not received any prior notice of any breach of default under the RX License Agreement. As disclosed in a press release dated October 18, 2011, the Company announced it had commenced legal proceedings against Donald Mark Meade, RX, Rx100 Inc. and certain other persons and entities (the "Defendants") in connection with the revocation or the RX License Agreement (the "Meade Litigation"). In the statement of claim, the Company sought, among other remedies, damages and the return and cancellation of the shares issued by the Company in consideration for the RX License Agreement. The Company obtained an interim order of the Ontario Superior Court of Justice – Commercial List, on a without notice basis, in the form of a temporary injunction restraining the Defendants from selling, encumbering or otherwise dealing with any shares of the Company in their possession or control, including approximately 8,601,774 Class A shares that were issued by the Company in consideration of the RX license. The injunction was subsequently extended by the court until further notice.

On March 7, 2012, the Company announced that it has reached a binding 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. Pursuant to the terms of the settlement agreement, the Defendants agreed to deliver to the Company 8,552,123 Class A shares for cancellation.

The cancellation in December 2011 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.

The cancellation In March 2012 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.

(ii) In April 2011, the Company closed a private placement for gross proceeds of $225,625. Under the terms of the private placement, the Company issued 902,500 units with a unit price of $0.25. Each unit was comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at a price of $0.35 per for a period of 18 months from date of closing.

(iii) In July 2011, the Company closed a private placement for gross proceeds of $1,580,000. Under the terms of the private placement, the Company issued 7,900,000 units with a unit price of $0.20. Each unit was comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at a price of $0.35 per for a period of 18 months from date of closing.

(iv) During fiscal 2011 the Company issued 500,000 Class A shares to close relatives of Mr. Martin and Mr. Pardiak, directors of the Company, for fair value consideration of $100,000, which was unpaid at September 30, 2011. The shares were subsequently cancelled in fiscal 2012.

(v) In November 2011, the Company closed the first 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 62,500 units for aggregate consideration of $12,500, each unit consisting of one Class A Share and one Class A Share purchase warrant Each warrant entitles the holder to purchase one additional Class A Share in the capital of the Corporation at an exercise price of $0.30 per warrant to the extent such warrant is exercised on or before the date that is 18 months from the closing of the Offering.

(vi) On February 22, 2012, the Company announced the closing of the second 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 1,847,500 units for aggregate consideration of $369,500, each unit consisting of one Class A Share and one Class A Share purchase warrant. Each warrant entitles the holder to purchase one additional Class A Share in the capital of the Corporation at an exercise price of $0.30 per warrant to the extent such warrant is exercised on or before the date that is 18 months from the closing of the Offering.

(vii) 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 ("Units"). Each warrant entitles the holder to purchase one additional Class A Share in the capital of the Corporation at an exercise price of $0.30 per warrant 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 62,500 Units, for aggregate consideration of $12,500.

(viii) In May 2012, the Company completed the closing of the fourth 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 865,000 units for aggregate consideration of $173,000, each unit consisting of one Class A Share and one Class A Share purchase warrant. Each warrant entitles the holder to purchase one additional Class A Share in the capital of the Corporation at an exercise price of $0.30 per warrant to the extent such warrant is exercised on or before the date that is 18 months from the closing of the Offering.

14. Share Subscription Received Class A Shares

	Number of shares	Amount
Balance, September 30, 2010	**-**	**$ -**
Share subscription received	362,500	72,500
Balance, September 30 2011	**362,500**	**$ 72,500**
Class A shares issued *(Note 13(v))*	(62,500)	(12,500)
Purchase of equipment at $0.25*(i)*	87,088	21,772
Share subscription received for private placement at $0.20	2,377,500	488,000
Class A shares issued *(Note 13(viii))*	(865,000)	(173,000)
Balance, June 30, 2012	**1,899,588**	**$ 396,772**

(i) Class A shares to be issued in settlement of 20% of a contract to purchase equipment. The 87,088 Class A shares have not been issued as of June 30, 2012.
(ii) See subsequent event note 23.

15. Warrant Reserve

The movements in the number and estimated fair value of outstanding broker warrants and share purchase warrants are as follows:

	June 30, 2012		September 30, 2011	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Balance, beginning of the period	9,420,000	$0.30	-	-
Issued	4,642,500	0.30	9,420,000	$0.30
Exercised	-	-	-	-
Expired	-	-	-	-
Balance, end of period	14,062,500	$0.30	9,420,000	$0.30

The exercise price, expiry date, and the outstanding warrants issued and outstanding as at June 30, 2012 are as follows:

Expiry Date	Weighted Average Exercise Price $	Warrants Outstanding	Contractual Life (years)
October 12, 2013	0.35	900,000	0.29
January 22, 2013	0.30	7,900,000	0.56
January 22, 2013	0.20	620,000	0.56
August 17,2013	0.30	1,910,000	1.13
October 2, 2013	0.30	2,732,500	1.26
	0.30	14,062,500	0.76

The fair value of the warrants issued during the year ended September 30, 2011 and nine months ended June 30, 2012 were estimated using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1.47
Expected dividend yield	Nil
Expected volatility	66%
Expected life	1.5 years

Option pricing models require the input of subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of Black-Scholes option pricing model, may not provide a realistic measure of the fair value of the Company's warrants at the date of issue.

16. Contributed Surplus Reserve and Stock-Based Compensation

The Company has a stock option plan (the "Plan"), under which the Company may grant options to directors, officers, employees, and third party service providers. Under the terms of the Plan that was approved by the shareholders on May 24, 2012, the Company is authorized to issue a maximum of 10% of the issued and outstanding shares.

The purpose of the Plan is to attract, retain and motivate directors, officers, and certain third party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. The options granted under the Plan are non-assignable, have a term of 5 years and vest over periods of up to three years from the date of issue.

	June 30, 2012		September 30, 2011	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Balance, beginning of the period	2,250,000	$0.21	-	-
Granted	600,000	0.24	2,250,000	$ 0.21
Expired	-	-	-	-
Balance, end of period	2,850,000	$0.22	2,250,000	$0.21

Options to purchase common shares outstanding at June 30, 2012 carry exercise prices and remaining terms to maturity as follows:

Expiry Date	Exercise Price $	Options Outstanding	Options Exercisable	Contractual Life (years)
April 13, 2016	0.25	1,000,000	1,000,000	3.79
August 16, 2016	0.20	1,750,000	437,500	4.13
November 8, 2016	0.20	100,000	-	4.36
	0.22	2,850,000	1,437,500	4.02

During the nine months ended June 30, 2012, the Company granted 600,000 new options (for the year end September 30, 2011 – 2,250,000) with a weighted-average exercise price of $0.241 per share (for the year end September 30, 2011 - $0.21). The fair value of the options issued during the year ended September 30, 2011 and nine months ended June 30, 2012 were estimated using the Black-Scholes option pricing model with the following assumptions:

	2011 - 2010
Risk free interest rate	1.12-1.74%
Expected dividend yield	Nil
Expected volatility	66.0%
Expected life	1-5 years

Option pricing models require the input of subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of Black-Scholes option pricing model, may not provide a realistic measure of the fair value of the Company's options at the date of issue.

17. Income (Loss) per Share

The calculation of basic and diluted loss per share for the three months ended June 30, 2012 was based on the loss attributable to common shareholders of $483,231 (June 30, 2011 - $190,768) and the weighted average number of common shares outstanding of 49,698,959 (June 30, 2011 – 28,261,925). The calculation of basic and diluted loss per share for the nine months ended June 30, 2012 was based on the loss attributable to common shareholders of $1,172,570 (June 30, 2011 - $253,820) and the weighted average number of common shares outstanding of 35,247,866 (June 30, 2011 – 28,265,033). Diluted loss per share did not include the effect of share purchase options and warrants as they are anti-dilutive.

18. Commitments

Operating Lease Commitments

Minimum payments due under operating leases in respect of office space and office equipment are set out below.

Balance of 2012	$	**25,500**
2013		**66,400**
2014		**65,300**
2015		**53,300**
2016		**48,900**
	$	**259,400**

19. Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to other receivables and receivable from the refund of sales taxes. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments included in other is remote. No balances are considered past due or impaired.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet current liabilities when due. As at June 30, 2012, the Company had a cash balance of $203,181 (September 30, 2011 - $800,421) to settle current liabilities of $569,192 (September 30, 2011 - $524,022). The Company may not have sufficient cash reserves to fund its product development programs, administrative costs and other obligations for the coming fiscal year. Management is actively involved in developing and bringing their products to market, and in seeking new equity financing to enable it to service the Company's liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives. All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

The Company has cash and cash equivalents earning interest at a variable interest rate, fixed rate for term deposits. The company has no indebtedness to lenders or financial institutions, except for a loan payable of $5,000. The Company's current policy is to invest excess cash in investment-grade, short-term deposit certificates issued by its banking institutions.

20. 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.

21. Segmented Information

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

22. Transition to IFRS

As stated in Note 2(a), these are the Company's first set of interim 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 2 and 3 have been applied in preparing the financial statements for the ine months ended June 30, 2012, the comparative information presented in these financial statements for the financial year ended September 30, 2011, for the nine months ended June 30, 2011 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.

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.

23. Subsequent Event

Stock Options

In August 2012 the Company granted a total 1,000,000 stock options to purchase Class A shares of the Company to the independent directors of the Company. The stock options have an exercise price of $0.20 per share, they vest one third immediately and one third on each of the first and second anniversaries of the grant date and they have term of 5 years. The stock options are granted under the Company's stock option plan.

Financing

In August 2012, the Company announced a private placement of up to 3,000,000 units at a price of $0.20 for gross proceeds of up to $600,000. Each unit consists of one Class A Share and one Class A Share purchase warrant. 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. Some of the funds from this financing were collected prior to June 30, 2012.