

# **Biosenta Inc.**

## **Condensed Interim Financial Statements**

For the three months and nine months ended June 30, 2013

**(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 28, 2013

**Biosenta Inc.**  
**Condensed Interim Statements of Financial Position**  
(expressed in Canadian dollars, unless otherwise stated)

	As at June 30, 2013 \$	As at September 30 2012 \$
<b>Assets</b>	(unaudited)	(audited)
<b>Current assets</b>		
Cash	11,138	19,536
Amounts receivable (note 5)	74,825	45,025
Inventory	190,956	-
Prepaid expenses	187,593	131,026
Loan receivable (note 6)	60,000	60,000
Total current assets	524,512	255,587
Intangible assets (note 7)	3,060,000	3,060,000
Equipment (note 8)	500,876	429,564
Total assets	4,085,388	3,745,151
<b>Equity and Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 9)	1,728,123	1,553,051
Loan payable (note 11)	-	5,000
Total current liabilities	1,728,123	1,558,051
<b>Capital and Reserves</b>		
Share capital (note 12)	6,551,021	5,515,506
Warrant reserve (note 13)	944,702	670,914
Equity reserve	526,591	390,022
Deficit	(5,665,049)	(4,389,342)
Total shareholders' equity	2,357,265	2,187,100
Total liabilities and shareholders' equity	4,085,388	3,745,151

**Commitments (note 16)**  
**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		Nine months ended	
	June 30		June 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Licensing fee</b>	<b>50,000</b>	-	<b>350,000</b>	-
Sales of Zeromold	3,255	-	36,864	-
Cost of Sales of Zeromold	24,158	-	51,242	-
<b>Gross margin Zeromold</b>	<b>(20,903)</b>	-	<b>(14,378)</b>	-
<b>Administrative expense</b>				
Management and consulting fees	205,635	162,000	574,693	526,101
Legal and accounting fees	87,525	102,324	312,421	379,154
Product development costs	9,248	-	96,810	-
Salaries and benefits	97,523	35,300	240,978	78,269
Rent and occupancy costs	31,558	24,071	91,990	60,120
Investor relations	15,000	32,500	45,380	70,380
Vehicle expense	14,230	34,037	49,622	64,882
Office and general	16,356	15,568	43,968	39,850
Travel and entertainment	8,539	16,738	16,765	36,702
Insurance	15,352	9,143	44,955	23,357
Advertizing and promotion	19,560	16,402	57,454	41,129
Stock transfer fees	10,554	14,480	33,173	25,622
Amortization	1,040	1,025	3,120	3,067
Total administrative expense	532,120	463,588	1,611,329	1,348,633
<b>Net loss and comprehensive loss for the period</b>	<b>(503,023)</b>	<b>(463,588)</b>	<b>(1,275,707)</b>	<b>(1,348,633)</b>
<b>Basic and diluted loss per share (note 15)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.04)</b>
<b>Weighted average number of common shares outstanding</b>	<b>58,427,327</b>	<b>49,698,959</b>	<b>56,741,665</b>	<b>35,247,866</b>

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

## Biosenta Inc.

### Condensed Interim Statements of Changes in Shareholders' Equity (deficiency)

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

	Share Capital #	Share Capital \$	Warrant Reserve \$	Equity Reserve \$	Deficit \$	Total Equity \$
<b>Balance, September 30, 2011</b>	36,772,503	2,204,574	490,489	208,531	- (2,233,305)	670,289
Common shares issued from private placement	3,312,500	506,075	180,425	-	-	686,500
Common shares issued for license agreement	20,000,000	3,060,000	-	-	-	3,060,000
Common share canceled	(9,253,183)	(267,997)	-	-	167,967	(100,030)
Share issue costs	120,000	(59,646)	-	-	-	(59,646)
Net income (loss) for the period	-	-	-	-	(1,348,633)	(1,348,633)
<b>Balance, June 30, 2012</b>	50,951,820	5,443,006	670,914	208,531	- (3,413,971)	2,908,480
Common shares issued for share subscription received	362,500	72,500	-	-	-	72,500
Share based payments	-	-	-	181,491	-	181,491
Net income (loss) for the period	-	-	-	-	(975,371)	(975,371)
<b>Balance, September 30, 2012</b>	51,314,320	5,515,506	670,914	390,022	(4,389,342)	2,187,100
Common shares issued from private placement	7,113,007	1,050,115	332,485	-	-	1,382,600
Expired warrants	-	-	(58,697)	58,697	-	-
Share based payments	-	-	-	77,872	-	77,872
Share issue costs	-	(14,600)	-	-	-	(14,600)
Net income (loss) for the period	-	-	-	-	(1,275,707)	(1,275,707)
<b>Balance, June 30, 2013</b>	58,427,327	6,551,021	944,702	526,591	(5,665,049)	2,357,265

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	
	2013	2012
	\$	\$
<b>Cash flow from operating activities</b>		
Net loss from operation	(1,275,707)	(1,348,633)
Items not involving cash		
Share based payments	77,872	-
Amortization	3,120	3,067
	(1,194,715)	(1,345,566)
Changes in non-cash working capital		
Amounts receivable	(29,800)	32,920
Inventory	(190,956)	40,000
Prepaid expenses	(56,567)	(224,140)
Accounts payable and accrued liabilities	175,072	(24,860)
	(1,296,966)	(1,521,646)
<b>Cash flow from financing activities</b>		
Reduction in loan payable	(5,000)	(30,000)
Proceeds from issue of common shares, net	1,368,000	1,231,050
	1,363,000	1,201,050
<b>Cash flow from investing activities</b>		
Expenditures on equipment	(74,432)	(276,644)
	(74,432)	(276,644)
<b>Increase (decrease) in cash</b>	<b>(8,398)</b>	<b>(597,240)</b>
<b>Cash, beginning of period</b>	<b>19,536</b>	<b>800,421</b>
<b>Cash, end of period</b>	<b>11,138</b>	<b>203,181</b>

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

## **Biosenta Inc.**

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months and nine months ended June 30, 2013

---

### **1. Nature of Operations and Going Concern**

Biosenta 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 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 2011, 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 2013.

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 nine months ended June 30, 2013 through the use of existing cash reserves and two private placements of common shares for gross proceeds of \$1.4 million. 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.

### **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 Notes 2 and 3, in the Company's audited annual financial statements for the year ending September 30, 2012. These condensed interim financial statements do not include all of the information required for full annual financial statements.

These condensed interim financial statements were authorized for issuance by the Board of Directors of the Company on August 28, 2013.

## **Biosenta Inc.**

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months and nine months ended June 30, 2013

---

### **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**

#### **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;
- management's assumptions on the recoverability of the license costs, estimated useful life and term of license; and
- the fair value of share based payments.

### **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.

The IASB has issued a new standard, IFRS 9, Financial Instruments (IFRS 9), which will ultimately replace IAS 39, Financial Instruments: Recognition and measurement (IAS 39). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Most of the disclosure requirement in IAS 39 for classification and measurement of financial liabilities were carried forward to IFRS 9. The standard becomes effective January 1, 2015. The Company has yet to assess the impact of the new standard.

IFRS 13, Fair Value Measurement, replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. It defines and provides guidance on determining fair value and



## Biosenta Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months and nine months ended June 30, 2013

requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value. IFRS 13 was issued in May 2011 and is effective for annual periods beginning January 1, 2013, with early adoption allowed. The Company has yet to assess the impact, if any, of these new standards.

IAS 28, Investments in Associates and Joint Ventures prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture). This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is assessing the impact of IAS 28 on its results of operations and financial position.

### 5. Amounts receivable

	As at June 30 2013 \$	As at September 30 2012 \$
Accounts receivable	-	-
Sales tax receivable	74,825	45,025
	<b>74,825</b>	<b>45,025</b>

### 6. Loan receivable

	As at June 30 2013 \$	As at September 30 2012 \$
Loan receivable	60,000	60,000
	<b>60,000</b>	<b>60,000</b>

Loan balance is unsecured, non-interest bearing, and has no specific terms of repayment.

## Biosenta Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months and nine months ended June 30, 2013

### 7. Intangible assets

The intangible assets are comprised as follows:

	MM license Agreement	Total
<b>Balance September 30, 2011</b>	<b>\$ 125,000</b>	<b>\$ 125,000</b>
Acquisition of license	<b>3,060,000</b>	<b>3,060,000</b>
Impairment of interim license	<b>(125,000)</b>	<b>(125,000)</b>
<b>Balance, September 30, 2012</b>	<b>3,060,000</b>	<b>3,060,000</b>
Amortization	-	-
<b>Balance, December 31, 2012 and June 30, 2013</b>	<b>\$ 3,060,000</b>	<b>\$ 3,060,000</b>

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. and 2262554 Ontario Inc., as a co-licensor. Marcus Martin and Edward Pardiak, control 2320696 Ontario Inc. and 2262554 Ontario Inc. through holding companies controlled by them. The consideration payable for the acquisition of the MM License Agreement was \$150,000 payable in installments of \$50,000 (\$50,000 paid). The consideration payable was superseded by the Amended and Restated License Agreement dated May 1, 2012 to an aggregate payment of \$300,000, \$50,000 having been paid in 2011, \$100,000 payable on or before the date that is 30 days after the Company receives payment for its first shipment having an aggregate purchase price in excess of \$200,000, with the balance of \$150,000 payable on the date that is 90 days after the Company receives payment for such first shipment.

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 MM License Agreement, the Company issued 20,000,000 fully paid and non-assessable Class A shares of the Company to the Licensors valued at \$3,060,000 based on the value of the most recently completed private placement share price of \$0.153. The effective date for the issuance of the Class A shares and the acquisition of the License was April 10, 2012. The License is subject to a royalties payable equal to 7% to 25% of the amount the gross margin actually received by the Company on the sale of the licensed products based on gross margin as a percentage.

As a result of the exercise of the License, the interim license was impaired as it was replaced by the License and therefore, the Company charged the balance of \$125,000 to the statement of operations during 2012.

On November 26, 2010, the Company entered into an exclusive License Agreement with Rx 110 Inc. to manufacture, import, market and sell in Canada filler products for stopping mould at source. Pursuant to the terms of the License Agreement the Company issued 10,000,000 Class A shares in the capital of the Company as directed by Rx 110 Inc. with a fair value of \$200,000 and granted an ongoing royalty equal to 3% of all revenues generated from the sale of products under the license. On June 3, 2011 the Company received notice of revocation of the License Agreement from Rx 110 Inc. The Company had not received any prior notice of any breach or default under the License Agreement, therefore an impairment charge was recognized for the full

## Biosenta Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months and nine months ended June 30, 2013

carrying amount of the License Agreement during the year. Mr. Meade agreed to surrender his director position for a payment of \$25,000, which is included in management and consulting fees. Of the 10,000,000 Class A shares issued as consideration for the license, 854,824 were issued to current directors of the Company on Rx 110 Inc.'s direction. These shares were purchased for cancellation as described in Note 12(i).

The 20,000,000 Class A shares have been held in escrow subject to an escrow agreement, dated April 10, 2012. The Class A shares shall not be released from escrow prior to the third anniversary of the date of the agreement and following the third anniversary of the date, they shall be released as to 1/8 of the original number of escrowed Class A shares on the first day of the commencement of each financial quarter of the Company.

### 8. Equipment

Equipment and fixtures consists of the following:

<b>Cost</b>	<b>Furniture &amp; equipment</b>	<b>Leasehold improvements</b>	<b>Computer Equipment</b>	<b>Total</b>
Balance September 30, 2011	\$ 69,348	\$ -	\$ 3,151	\$ 72,499
Additions	169,019	187,955	5,827	362,801
Disposals	-	-	-	-
Other	-	-	-	-
Balance September 30, 2012	\$238,367	\$187,955	\$8,978	\$435,300
Additions	2,911	71,521	-	74,432
Disposals	-	-	-	-
Other	-	-	-	-
Balance, June 30, 2013	\$241,278	\$259,476	\$8,978	\$509,732

  

<b>Accumulated Amortization</b>	<b>Furniture &amp; equipment</b>	<b>Leasehold improvements</b>	<b>Computer Equipment</b>	<b>Total</b>
Balance September 30, 2011	\$935	-	\$709	\$1,644
Additions	1,682	-	2,410	4,092
Disposals	-	-	-	-
Other	-	-	-	-
Balance September 30, 2012	\$2,617	-	\$3,119	\$5,736
Additions	900	-	2,220	3,120
Disposals	-	-	-	-
Other	-	-	-	-
Balance, June 30, 2013	\$3,517	-	\$5,339	\$8,856

  

Net book value at September 30, 2011	\$ 68,413	-	\$ 2,442	\$ 70,855
Net book value at September 30, 2012	\$ 235,750	\$ 187,955	\$ 5,859	\$ 429,564
Net book value at June 30, 2013	\$ 237,761	\$ 259,476	\$3,639	\$ 500,876

## Biosenta Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months and nine months ended June 30, 2013

### 9. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	<b>As at June 30 2012 \$</b>	As at September 30 2012 \$
Trade payables	<b>1,169,044</b>	557,109
Accrued payroll	<b>45,150</b>	11,511
Accrued liabilities other	<b>230,679</b>	263,369
Share subscription receipts received (i)	<b>283,250</b>	721,062
<b>Total</b>	<b>1,728,123</b>	1,553,051

(i) See subsequent event note 20

### 10. Related Party Transactions

- (i) In fiscal 2012, the Company 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 Class A shares issued in consideration of the License as well as a securities pledge agreement in respect of the Licensors' obligations under the MM License Agreement. Two of the licensors are also directors of the Company.
- (ii) Included in accounts payable and accrued liabilities as at June 30, 2013 is \$295,920 (September 30, 2012 - \$163,590) owing to directors and companies controlled by directors of the Company for management consulting fees for services rendered. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.
- (iii) The loan receivable (Note 6) is from close relatives of certain directors of the Company.
- (iv) Compensation of key management personnel of the Company

The remuneration of directors and other key management personnel during the nine month period ending June 30 is as follows:

	<b>2013</b>	2012
Short-term compensation (i)	<b>\$ 519,975</b>	\$ 380,000
Stock-based compensation (ii)	<b>46,558</b>	-
	<b>\$ 566,533</b>	\$ 380,000

(i) Short-term compensation includes salaries, bonuses and allowances, employment benefits and directors' fees.

(ii) Stock-based compensation represents the amount expensed by the Company for options issued.

## **Biosenta Inc.**

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months and nine months ended June 30, 2013

---

### **11. 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.

### **12. 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
<b>Balance, September 30, 2011</b>	<b>36,772,503</b>	<b>\$ 2,204,574</b>
<b>Balance, September 30 2012</b>	<b>51,314,320</b>	<b>\$ 5,515,506</b>
<b>Balance, June 30, 2013</b>	<b>58,427,327</b>	<b>\$ 6,551,021</b>

- (i) The Company entered into an exclusive license agreement (the “RX License Agreement”) with RX110 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 based on the fair market value of \$0.02 per Class A shares 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.

The Company announced that it had received notice of revocation of the RX License Agreement from RX. The Company announced that they had not received any prior notice of any breach of default under the RX License Agreement. 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 of 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

## **Biosenta Inc.**

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months and nine months ended June 30, 2013

---

Defendants from selling, encumbering or otherwise dealing with any shares of the Company in their possession or control. The injunction was subsequently extended by the court until further notice.

On March 7, 2012, the Company announced that it had reached a binding settlement of this litigation in respect of the 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 8,412,506 Class A shares for cancellation. During 2012, 8,398,359 of these shares were cancelled.

- (ii) In December 2011, 854,824 Class A shares were purchased for cancellation for consideration of \$30 cash and cancellation of the \$100,000 loan receivable to current directors of the Company.
- (iii) In November 2011, the Company issued and sold 62,500 units at \$0.20 per unit 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.
- (iv) On February 22, 2012, the Company issued and sold 1,830,000 units at \$0.20 per unit for aggregate consideration of \$366,000, 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.

In connection with the issue and sale of certain of the Units in the Offering, the Company paid a finder's fee consisting of 57,500 Units valued at \$11,500.

- (v) On April 2, 2012, the Company issued and sold 1,782,500 units at \$0.20 per unit for aggregate consideration of \$356,500, 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 consisting of 62,500 Units valued at \$12,500.

- (vi) On November 28, 2012, the Company issued and sold 6,313,003 units at \$0.20 per unit for aggregate consideration of \$1,262,600, 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 February 4, 2013, the Company completed the first tranche of a private placement. The Company issued 800,004 units at a price of \$0.15 per unit for gross proceeds of \$120,006. Each unit consists of one Class A Share and one half of one Class A Share purchase warrant. Each whole warrant will entitle the holder to purchase one additional Class A Share in the capital of the Corporation at an exercise price of \$0.20 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.

## Biosenta Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months and nine months ended June 30, 2013

### 13. Warrant Reserve

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

	June 30, 2013		September 30, 2012	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Balance, beginning of the period	13,217,500	\$0.30	9,422,500	\$0.30
Issued	6,771,671	0.29	3,795,000	\$0.30
Exercised	-	-	-	-
Expired	(965,000)	0.35	-	-
Balance, end of period	19,024,171	\$0.29	13,217,500	\$0.30

The exercise price, expiry date, and the outstanding warrants issued and outstanding as at June 30, 2013 are as follows:

Expiry Date	Weighted Average Exercise Price \$	Warrants Outstanding	Contractual Life (years)
July 22, 2014	0.30	7,900,000	1.06
July 22, 2014	0.20	620,000	1.06
August 17, 2013	0.30	1,887,500	0.13
October 2, 2013	0.30	1,845,000	0.26
May 30, 2014	0.30	6,313,003	0.92
August 7, 2014	0.20	458,668	1.10
	0.29	19,024,171	0.84

The fair value of the warrants issued during the year ended September 30, 2012 and nine months ended June 30, 2013 were estimated using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1.07 to 1.49%
Expected dividend yield	Nil
Expected volatility	80 - 105%
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.

## Biosenta Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months and nine months ended June 30, 2013

### 14. Equity 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, 2013		September 30, 2012	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Balance, beginning of the period	4,150,000	\$0.21	2,750,000	\$ 0.22
Granted	580,000	0.20	1,400,000	0.20
Expired	-	-	-	-
Balance, end of period	4,730,000	\$0.21	4,150,000	\$0.21

Options to purchase common shares outstanding at June 30, 2013 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	2.79
August 16, 2016	0.20	1,750,000	875,000	3.18
November 8, 2016	0.20	100,000	33,333	3.36
August 8, 2017	0.20	1,000,000	333,333	4.11
August 23, 2017	0.20	300,000	100,000	4.15
February 4, 2018	0.20	580,000	145,000	4.60
	0.21	4,730,000	2,486,666	3.52

During the nine months ended June 30, 2013, the Company granted 580,000 new options with a weighted-average price of \$0.20 per share. For the year end September 30, 2012 the Company granted 1,400,000 new options with a weighted-average exercise price of \$0.20 per share. The fair value of the options issued during the year ended September 30, 2012 and nine months ended June 30, 2013 were estimated using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1.12-1.31%
Expected dividend yield	Nil
Expected volatility	80.0 to 105%
Expected life	1-5 years



## **Biosenta Inc.**

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months and nine months ended June 30, 2013

---

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.

### **15. Income (Loss) per Share**

The calculation of basic and diluted loss per share is based on the net loss for the nine months ended June 30, 2013 of \$1,275,707 (June 30, 2012 - \$1,348,633) and the weighted average number of common shares outstanding of 56,741,665 (June 30, 2012 - 35,247,866). For the three months ended June 30, 2013, the calculation of basic and diluted loss per share is based on net loss of \$503,023 (June 30, 2012 - \$463,588) and the weighted average number of common shares outstanding of 58,427,327 (June 30, 2012 - \$49,698,959). Diluted loss per share did not include the effect of share purchase options and warrants as they are anti-dilutive.

### **16. Commitments**

#### **Operating Lease Commitments**

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

<b>Balance of 2013</b>	<b>22,150</b>
<b>2014</b>	<b>85,660</b>
<b>2015</b>	<b>53,307</b>
<b>2016</b>	<b>48,865</b>
	<hr/>
	<b>\$ 209,982</b>
	<hr/>

### **17. 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, 2013, the Company had a cash balance of \$11,138 (September 30, 2012 - \$19,536) to settle current liabilities of \$1,728,123 (September 30, 2012 - \$1,558,051). 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

## **Biosenta Inc.**

Notes to the Unaudited Condensed Interim Financial Statements  
*For the three months and nine months ended June 30, 2013*

---

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. The Company's current policy is to invest excess cash in investment-grade, short-term deposit certificates issued by its banking institutions.

## **18. 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.

## **19. Segmented Information**

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