Biosenta Inc.

Condensed Interim Financial Statements

For the three months and nine months ended June 30, 2014

(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 29, 2014

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

	As at June 30, 2014 $	As at September 30 2013 $
Assets	(unaudited)	(audited)
Current assets		
Cash	**460,945**	2,774
Amounts receivable *(note 5)*	**76,493**	92,659
Inventory	**87,627**	146,596
Prepaid expenses	**412,758**	15,458
Total current assets	**1,037,824**	255,587
Intangible assets *(note 7)*	**1,560,000**	3,060,000
Equipment *(note 8)*	**612,287**	614,969
Total assets	**3,210,111**	3,932,456
Equity and Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(note 9)*	**580,878**	2,395,913
Loan payable *(note 11)*	**551,829**	-
Total current liabilities	**1,132,707**	2,395,913
Convertible Debenture (non-current)	**665,000**	-
Total liability	1,797,707	2,395,913
Capital and Reserves		
Share capital *(note 12)*	**9,084,191**	6,492,066
Warrant reserve *(note 13)*	**897,458**	898,965
Equity reserve	**796,793**	654,029
Deficit	**(9,366,039)**	(6,508,517)
Total shareholders' equity	**1,412,404**	1,536,543
Total liabilities and shareholders' equity	**3,210,111**	3,932,456

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 June 30		Nine months ended June 30	
	2014	2013	**2014**	2013
	$	$	**$**	$
Licensing fee		50,000		350,000
Sales of Zeromold	**78,637**	3,255	**79.765**	36,864
Cost of Sales of Zeromold	**75,206**	24,158	**80,794**	51,242
Gross margin Zeromold	**3,431**	(20,903)	**(1,029)**	(14,378)
Administrative expense				
Sales and marketing expense	**37,969**	-	**66,639**	-
Management and consulting fees	**450,846**	205,635	**1,593,453**	574,693
Legal and accounting fees	**26,887**	87,525	**202,183**	312,421
Product development costs	**(82,184)**	9,248	**229,916**	96,810
Salaries and benefits	**151,542**	97,523	**300,504**	240,978
Rent and occupancy costs	**37,882**	31,558	**99,396**	91,990
Investor relations	**24,000**	15,000	**64,000**	45,380
Vehicle expense	**(22,342)**	14,230	**10,073**	49,622
Office and general	**11,051**	16,356	**43,388**	43,968
Travel and entertainment	**7,385**	8,539	**24,018**	16,765
Insurance	**5,226**	15,352	**35,124**	44,955
Advertising and promotion	**75,496**	19,560	**117,773**	57,454
Stock transfer fees	**6,859**	10,554	**21,669**	33,173
Interest and Other Expense	**47,055**	-	**48,978**	-
Amortization	**603**	1,040	**2,683**	3,120
Total administrative expense	**778,274**	532,120	**2,859,801**	1,611,329
Net loss and comprehensive loss for the period	**(774,843)**	(503,023)	**(2,860,830)**	(1,275,707)
Basic and diluted loss per share *(note 15)*	**(0.01)**	(0.01)	**(0.04)**	(0.02)
Weighted average number of common shares outstanding	**85,347,287**	58,427,327	**75,580,113**	56,741,665

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 $
Balance, September 30, 2012	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)
Balance, June 30, 2013	58,427,327	6,551,021	944,702	526,591	(5,665,049)	2,357,265
Common shares issued from private placement		(43,955)	43,955	-	-	-
Expired Warrants			89,962	(58,697)	148,389	-
Expired Options				(15,347)	15,347	-
Share based payments	-	-	-	201,482	-	201,482
Net income (loss) for the period	-	-	-	-	(1,007,204)	(1,007,204)
Balance, September 30, 2013	58,427,327	6,492,066	898,965	654,029	(6,508,517)	1,536,543
363 Common shares issued from private placement	31,173,826	3,317,275	194,196	-	-	3,511,471
Common shares cancelled	(4,800,000)	(720,000)				(720,000)
Expired warrants			(195,703)	195,703	-	-
Options Exercised	300,000	60,000				60,000
Share based payments	-	-	-	(52,939)	-	(52,939)
Share issue costs	-	(65,150)	-	-	-	(65,150)
Net income (loss) for the period	-	-	-	-	(2,860,830)	(2,860,830)
Balance, June 30, 2014	85,101,153	9,084,191	897,458	796,793	(9,369,039	1,409,095

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

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Biosenta Inc.

Condensed Interim Statements of Cash Flows

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

	Nine months ended June 30	
	2014	2013
	$	$
Cash flow from operating activities		
Net loss from operation	**(2,860,831)**	(1,275,707)
Items not involving cash		
Share based payments	**-**	77,872
Amortization	**2,683**	3,120
	(2,858,148)	(1,194,715)
Changes in non-cash working capital		
Amounts receivable	**16,166**	(29,800)
Inventory	**58,969**	(190,956)
Prepaid expenses	**(397,300)**	(56,567)
Accounts payable and accrued liabilities	**(1,815,035)**	175,072
	(4,995,348)	(1,296,966)
Cash flow from financing activities		
Increase in loan and debenture payable payable	**1,220,137**	(5,000)
Proceeds from issue of common shares, net	**2,733,382**	1,368,000
	3,953,519	1,363,000
Cash flow from investing activities		
Reduction in Intellectual Property Value	**1,500,000**	(74,432)
	1,500,000	(74,432)
Increase (decrease) in cash	**458,171**	(8,398)
Cash, beginning of period	**2,774**	19,536
Cash, end of period	**460,945**	11,138

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

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 2015.

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 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, 2014 through the use of existing cash reserves and two private placements of common shares and a bridge loan of $550,000. 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 and debenture 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, 2013. 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 29, 2014.

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.

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 currently assessing the impact of IFRS 9 on its results of operations and financial position.

IFRS 10 Consolidated Financial Statements
IFRS 10 Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company has not yet determined the impact of IFRS 10 on its financial statements.

IFRS 11 Joint Arrangements
IFRS 11 Joint Arrangements ("IFRS 11") replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

5. Amounts receivable

	As at June 30 2014	**As at September 30 2013**
	$	**$**
Accounts receivable	70.108	3,335
Sales tax receivable	6,385	89,324
	76,493	92,659

6. Loan receivable

All Loan Receivable by the Company were repaid during the fiscal year ending September 2012.

7. Intangible assets

The intangible assets are comprised as follows:

	MM license Agreement	Total
Balance September 30, 2012	**3,060,000**	**3,060,000**
Balance, September 30, 2013	**3,060,000**	**3,060,000**
Impairment of License	(1,500,000)	(1,500,000)
Balance, June 30, 2014	**$ 1,560,000**	**$ 1,560,000**

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 June 20, 2014, the License was amended to effectively reduce the number of shares issued to acquire the License from 20,000,000 to 10,000,000 and immediately following a settlement payment of 500,000 fully paid shares and $50,000 was paid to Mr. Pardiak following his resignation. This transaction resulted in a write-down, or impairment of $1,500,000 in the carrying value of the technology. As part of the same Agreement, the ownership of the technology covered by the License was transferred to Biosenta and the License was subsequently terminated including all future royalty payments that would otherwise have been due under the license.

The remaining 10,000,000 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:

Cost	**Furniture & equipment**	**Leasehold improvements**	**Computer Equipment**	**Total**
Balance September 30, 2012	**$238,367**	**$187,955**	**$8,978**	**$435,300**
Additions	**118,044**	**71,521**	**-**	**189,565**
Disposals	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
Balance September 30, 2013	**$356,411**	**$259,476**	**$8,978**	**$624,865**
Additions	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
Balance, June 30, 2014	**$241,278**	**$259,476**	**$8,978**	**$624,865**

Accumulated Amortization	**Furniture & equipment**	**Leasehold improvements**	**Computer Equipment**	**Total**
Balance September 30, 2012	**$2,617**	**-**	**$3,119**	**$5,736**
Additions	**1,200**	**-**	**2,960**	**4,160**
Disposals	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
Balance September 30, 2012	**$3,817**	**-**	**$6,079**	**$9,896**
Additions	**877**	**-**	**1,806**	**2,683**
Disposals	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
Balance, June 30, 2013	**$4,694**	**-**	**$7885**	**$12,579**

Net book value at September 30, 2012	**$ 235,750**	**$ 187,955**	**$ 5,859**	**$ 429,564**
Net book value at September 30, 2013	**$ 352,594**	**$ 259,476**	**$ 2,899**	**$ 614,969**
Net book value at June 30, 2014	**$ 351,717**	**$ 259,476**	**$1,093**	**$ 612,286**

Equipment purchased for the Parry Sound facility is considered construction in progress and is not being depreciated pending the start-up of the facility or future impairment.

9. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	As at June 30 2014 $	As at September 30 2013 $
Trade payables	201,390	$ 1,947,013
Accured payroll	26,061	60,546
Accrued liabilities other	1,018,427	130,104
Share subscription receipts received (i)	-	258,250
Total	1,245,878	$ 2,395,913

(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. On June 24, the Company announced the Amended License Agreement entered into in 2012 was terminated and replaced by a new Agreement that includes the following:

- _All patents, rights and know-how related to patent numbers WO 2013/053064 and WO 2014/036659 are assigned to Biosenta Inc. with the provision that such assignment can be revoked only if sufficient funding for the Parry Sound facility (expected to be approximately $5 million) has not been raised prior to December 31, 2015.
- _Marcus Martin will be employed by Biosenta and will continue to be involved in a new project team that will also include BFC that will work diligently to complete the development and construction of the Parry Sound facility on an organized and fast-track basis.
- _A net amount of 4,800,000 shares owned and in escrow pursuant to the Amended License will be immediately cancelled and payables to related parties totaling $625,000 would also be terminated.
- _The Royalties to be paid to all parties including insiders under the Amended License are terminated.

(i) Included in accounts payable and accrued liabilities as at June 30, 2014 is $9,587 (September 30, 2013 - $295,920) 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.

(ii) 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:

		2013		2012
Short-term compensation (i)	$	**108,000**	$	**519,975**
Stock-based compensation (ii)		**25,000**		46,558
	$	**133,000**	$	566,533

(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.

11. Short Term Loan Payable

	As at June 30 2014	**As at September 30 2013**
	$	**$**
Short Term Loan Payable	550,000	Nil
Accured Interest	1,829	
Total	551,829	Nil

On March 27, 2014 the Company was granted a loan from Bassett Financial Corporation in the amount of $550,000 to be repaid on or before September 30, 2014 and bearing an interest rate of 3% per month simple interest payable quarterly. The Loan is secured by receivables, inventory and intellectual property. At the same time, The Company issued 8,000,000 shares to Bassett Financial Corp. at the then market price of $0.06 per share on March 27, 2014, as a fee for providing various services including completing three stages of funding through the balance of 2014. These services also include advisory services to assist in stabilizing the company and its current balance sheet risks to provide a more stable platform to support sales and other development activities. The shares were escrowed and will be released 1/3 upon the funding of a bridge loan (this has been completed), 1/3 upon completion of a financing of $1 million or more of equity or acceptable equivalent by July 31, 2014 and 1/3 upon completion of a financing of $2 million or more of equity or acceptable equivalent by October 31, 2014, provided the company achieves certain agreed upon milestones.

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
Balance, September 30, 2012	**51,314,320**	**$ 5,515,506**
Balance, September 30 2013	**58,427,327**	**6,492,066**
Balance, June 30, 2014	**85,101,153**	**$ 9,084,191**

(ii) 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.

(iii) 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.

(iv) The Company closed a private placement for 6,522,892 units at a price of $0.15 cents per unit on October 10, 2013. The company issued 6,522,892 units, each unit consisting of one Class A share and one-half of one Class A share purchase warrant. Each whole warrant entitles the holder to purchase one additional Class A share in the capital of the company at an exercise price of $0.20 cents per warrant share to the extent such warrant is exercised on or before the date that is 18 months from October 10, 2013.

(v) The Company closed a private placement for 6,522,892 units at a price of $0.15 cents per unit on October 10, 2013. The company issued 6,522,892 units, each unit consisting of one Class A share and one-half of one Class A share purchase warrant. Each whole warrant entitles the holder to purchase one additional Class A share in the capital of the company at an exercise price of $0.20 cents per warrant share to the extent such warrant is exercised on or before the date that is 18 months from October 10, 2013.

(vi) The Company closed a private placement for units at a price of $0.15 cents per unit on Jan 28, 2014. The company issued 7,461,536 units, each unit consisting of one Class A share and one-half of one Class A share purchase warrant. Each whole warrant entitles the holder to purchase one additional Class A share in the capital of the company at an exercise price of $0.20 cents per warrant share to the extent such warrant is exercised on or before the date that is 18 months from Jan 28, 2014.

(vii) The Company issued 8,000,000 shares to Bassett Financial Corp. at the then market price of $0.06 per share on March 27, 2014, as a fee for providing various services including completing three stages of funding through the balance of 2013. These services also include advisory services to assist in stabilizing the company and its current balance sheet risks to provide a more stable platform to support sales and other development activities. The shares were escrowed and will be released 1/3 upon the funding of a bridge loan (this has been completed), 1/3 upon completion of a financing of $1 million or more of equity or acceptable equivalent by July 31, 2014 and 1/3 upon completion of a financing of $2 million or more of equity or acceptable equivalent by October 31, 2014, provided the company achieves certain agreed upon milestones.

(viii) The Company closed a private placement for 3,600,000 shares at a price of $0.15 cents per unit on March 27, 2014 to satisfy a debt by the company to a Director who had sold shares on behalf of the Company and reinvested the proceeds into the company. The private placement covers shares sold and the tax effect of replacing them.

(ix) On May 16, 2014 the Company announced several transactions aimed at reducing debts and increasing assets including:

 _Converted accounts payable totaling $60,000 owed to the ex CFO for prior services into shares with the ex CFO agreeing to use this payable to exercise 300,000 options previously awarded with a strike price of 20 cents per.

 _An error has been discovered whereby 1,333,333 warrants were issued when in fact 1,333,333 shares should have been issued. This was part of the private placement announced on January 28, 2014. The new corrected amounts that should have been disclosed in that press release is the Company issued 8,794,869 shares at an average price of 12.73 cents per Unit. The company is also cancelling 1,333,333 warrants that were previously issued. This private placement occurred after the date of the last financial statements issued and will not result in any restatement of financial statements.

 _Completed a private placement for 1,564,000 Units consisting of one common share at a price of $0.15 per share, and a half of one warrant with a strike price of 20 cents and an expiration date of November 30, 2015. The proceeds of $234,600 net of fees were used to repay certain accounts payable and to replenish working capital. All securities issued are subject to a four-month hold period.

 _Issued $100,000 worth of shares at 15 cents per share, to Bruce Lewis, now Chairman, in lieu of any cash salary for the twelve months commencing April 1, 2014.

 _Satisfaction of $33,660 of accounts payable to non-insider individuals in exchange for shares issued at 15 cents.

 _Negotiated full deferment of payables totaling $190,000 with existing suppliers whereby payment will be made as a 10% premium to be invoiced on future invoices.

 _Negotiated 6 to 12 month deferments of payables totaling $27,000 in exchange for long term payments totaling $1,000 per month until the principal value of the debt has been satisfied with no interest being added.

(x) On June 20, the company issued $665,000 of convertible debentures paying 6% per annum payable quarterly in arrears for a term of 2 years from the date of issue. The Debentures are convertible into Units at a conversion price equal to $0.40, Each Unit consisting of one Class A Common Share and one Warrant. Notwithstanding the foregoing, should the Common Shares trade at a price of $0.50 or higher for a period of 30 consecutive trading days on the CSE or any recognized Canadian stock exchange or over-the-counter market on which the Common Shares are then listed or quoted for trading, the Debentures shall be automatically converted into Units at the Conversion Price.

(xi)On June 24, the Company announced the Amended License Agreement entered into in 2012 was terminated and replaced by a new Agreement that includes the following:

- _All patents, rights and know-how related to patent numbers WO 2013/053064 and WO 2014/036659 are assigned to Biosenta Inc. with the provision that such assignment can be revoked only if sufficient funding for the Parry Sound facility (expected to be approximately $5 million) has not been raised prior to December 31, 2015.
- _Marcus Martin will be employed by Biosenta and will continue to be involved in a new project team that will also include BFC that will work diligently to complete the development and construction of the Parry Sound facility on an organized and fast-track basis.
- _A net amount of 4,800,000 shares owned and in escrow pursuant to the Amended License will be immediately payables to Martin and Pardiak totaling $625,000 would also be terminated.
- _The Royalties to be paid to all parties including insiders under the Amended License are terminated.

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, 2014		September 30, 2013	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Balance, beginning of the period	17,136,671	$0.30	13,217,500	$0.30
Issued	7,991,382	0.29	6,771,671	$0.29
Exercised	-	-	-	-
Expired	(9,491,336)	0.35	(2,852,500)	$0.35
Balance, end of period	19,024,171	$0.29	17,136,671	$0.29

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	.06
July 22, 2014	0.20	620,000	.06
August 7, 2014	0.20	458,668	.10
April 10, 2015	0.20	3,385,613	0.78
July 28, 2015	0.20	2,397,435	1.08
November 30, 2015	0.20	875,001	1.42
	0.25	15,636,717	0.45

The fair value of the warrants issued during the year ended September 30, 2013 and nine months ended June 30, 2014 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 - 289%
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.

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, 2014		September 30, 2013	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Balance, beginning of the period	4,930,000	$ 0.21	4,150,000	$ 0.22
Granted	950,000	0.20	1,080,000	0.20
Exercised	300,000	0.20		
Expired	-	-	(300,000)	-
Balance, end of period	5,580,000	$0.21	4,930,000	$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	1.79
August 16, 2016	0.20	1,750,000	1,750,000	2.18
November 8, 2016	0.20	100,000	66,666	3.36
August 8, 2017	0.20	700,000	666,666	3.11
February 4, 2018	0.20	580,000	290,000	3.60
March 22, 2018	0.20	500,000	250,000	3.73
January 28, 2019	0.20	950,000	475,000	4.58
	0.21	5,580,000	4,498,332	2.91

During the nine months ended June 30, 2014, the Company granted 950,000 new options with a weighted-average price of $0.20 per share. For the year ending September 30, 2013 the Company granted 1,080,000 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, 2013 and nine months ended June 30, 2014 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 289%
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.

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, 2014 of $2,860,830 (June 30, 2013 - $1,275,707) and the weighted average number of common shares outstanding of 75,580,113 (June 30, 2013 – 56,741,665). For the three months ended June 30, 2013, the calculation of basic and diluted loss per share is based on net loss of $774,843 (June 30. 2013 - $503,023) and the weighted average number of common shares outstanding of 85,347,287 (June 30, 1012 - 58,427,327). 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.

Balance of 2014		**23,150**
2015		**85,660**
2016		**53,307**
2017		**48,865**
	$	**210,982**

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, 2014, the Company had a cash balance of $460,945 (September 30, 2013 - $2,774) to settle current liabilities of $1,797,707 (September 30, 2013 - $2,395,913). 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. With the exception of the Loan Payable, 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.