Biosenta Inc.

Condensed Consolidated Interim Financial Statements
For the three and nine months ended June 30, 2015 and 2014
(Unaudited, expressed in Canadian dollars)

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor, McGovern, Hurley, Cunningham, LLP, has not performed a review of these condensed consolidated interim financial statements, in accordance with standards established by the Institute of Chartered Professional Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

Biosenta Inc.
August 31, 2015

Biosenta Inc.

Consolidated Statements of Financial Position

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

	As at June 30 2015 $	As at September 30 2014 $
Assets		
Current assets		
Cash	**22,742**	302,067
Amounts receivable *(note 5 and 10)*	**188,896**	170,339
Inventory *(note 6)*	**76,888**	58,967
Prepaid expenses	**52,450**	124,178
Total current assets	**340,976**	655,551
Intangible assets *(note 7)*	**1,606,500**	1,606,500
Equipment *(note 8)*	**761,754**	665,354
Total assets	**2,709,230**	2,927,405
Equity and Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (*note 9*)	**1,591,135**	688,550
Director loan *(note 10)*	**23,000**	-
	1,614,135	688,550
Convertible debentures *(note 11)*	**2,230,377**	1,346,937
Total liabilities	**3,844,512**	2,035,487
Shareholders' Equity (Deficiency)		
Share capital *(note 12)*	**8,415,699**	8,415,699
Treasury shares *(note 12)*	**(240,000)**	(240,000)
Warrant reserve *(note 13)*	**224,961**	387,182
Equity reserve *(note 14)*	**270,265**	603,125
Equity component of convertible debentures *(note 11)*	**563,614**	307,714
Deficit	**(10,369,821)**	(8,581,802)
Total shareholders' equity (deficiency)	**(1,135,282)**	891,918
Total liabilities and shareholders' equity (deficiency)	**2,709,230**	2,927,405

Nature of Operations and Going Concern (note 1)
Commitments and Contingencies (note 15)
Subsequent Events (note 18)
The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

Signed " Ed Korhonen" Director *Signed " David Butler"* Director

Biosenta Inc.

Consolidated Statements of Operations and Comprehensive Loss

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

	Three months ended June 30		Nine months ended June 30	
	2015	2014	**2015**	2014
	$	$	**$**	$
Sales of Zeromold™	**22,700**	78,637	**87,000**	79,765
Cost of Sales of Zeromold™	**15,756**	75,206	**51,160**	80,794
Gross margin Zeromold™	**6,944**	3,431	**35,840**	(1,029)
Administrative expense				
Salaries, management and consulting fees	**179,226**	640,356	**797,898**	1,960,600
Professional fees	**57,490**	26,887	**286,750**	202,183
Product development costs	**11,143**	(82,184)	**268,030**	229,916
Investor relations	**-**	24,000	**21,000**	64,000
Office and general	**27,393**	48,933	**123,273**	142,784
Travel	**12,241**	(14,957)	**54,015**	34,091
Insurance	**16,908**	5,226	**30,697**	35,124
Sales and marketing	**36,619**	75,496	**114,636**	117,773
Stock transfer fees	**3,137**	6,859	**13,987**	21,669
Amortization	**487**	603	**1,459**	2,683
Total administrative expense	**344,644**	731,219	**1,711,745**	2,810,823
Net loss before other items	**(337,700)**	(727,788)	**(1,675,905)**	(2,811,852)
Other				
Interest and Accretion expense	**(160,327)**	(47,055)	**(447,195)**	(48,978)
MVB Settlement amount	**(160,000)**	-	**(160,000)**	-
Net loss and comprehensive loss for the period	**(658,027)**	(774,843)	**(2,283,100)**	(2,860,830)
Basic and diluted loss per share	**(0.01)**	(0.01)	**(0.03)**	(0.04)
Weighted average number of common shares outstanding – basic and diluted	**83,767,821**	85,347,287	**83,767,821**	75,580,113

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

Biosenta Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

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

	Share Capital #	Share Capital $	Treasury Shares $	Warrant Reserve $	Equity Reserve $	Equity Component of Debenture $	Deficit $	Total Equity $
Balance, September 30, 2013	58,427,327	6,492,066	-	898,965	654,029	-	(6,508,517)	1,536,543
Common shares and warrants issued from private placement October 2014 *(note 12(i))*	6,522,892	822,394	-	156,040	-	-	-	978,434
Common shares and warrants issued as compensation to finders *(note 12(i))*	248,334	31,074	-	6,182	-	-	-	37,256
Common shares and warrants issued from private placement Jan 2014 *(note 12(ii))*	6,294,870	731,666	-	212,564	-	-	-	944,230
Common shares and warrants issued from private placement May 2014 *(note 12(iii))*	2,499,999	175,000	-	-	-	-	-	175,000
Common shares issued from private placement May 2014 (note 12(iii))	2,674,399	334,147	-	63,048	-	-	-	397,195
Common shares issued for services *(note 12(iv))*	8,000,000	400,000	(240,000)	-	-	-	-	160,000
Common shares issued as compensation to management *(note 12(v))*	3,600,000	180,000	-	-	-	-	-	180,000
Exercise of options *(note 12(vi))*	300,000	60,000	-	-	-	-	-	60,000
Reallocation of exercised options *(note 12(vi))*	-	46,043	-		(46,043)	-	-	-
Expired warrants	-	-	-	(195,703)	-	-	195,703	-
Common shares cancelled for license agreement *(note 7)*	(9,500,000)	(1,453,500)	-	-	-	-	1,453,500	-
Common shares issued as compensation to management and debt settlement *(note 12(viii))*	4,700,000	658,000	-	-	-	-	-	658,000
Share based payments	-	-	-	-	52,939	-	-	52,939
Share issue costs	-	(61,191)	-	-	-	-	-	(61,191)
Net loss for the period	-	-	-	-	-	-	(2,860,830)	(2,860,830)
Balance, June 30, 2014	83,767,821	8,415,699	(240,000)	1,141,096	660,925	-	(7,720,144)	2,257,576
Expired options *(note 14)*	-	-	-	-	(92,027)	-	92,027	-
Expired warrants	-	-	-	(703,262)	-	-	703,262	-
Tax effect of expired warrants	-	-	-	-	-	-	(119,113)	(119,113)
Cancelled warrants	-	-	-	(50,652)	-	-	50,652	-
Share based payments *(note 14)*	-	-	-	-	34,227	-	-	34,227
Equity component of debenture *(note 11)*	-	-	-	-	-	639,119	-	639,119
Transaction costs allocated to equity component of convertible debenture *(note 11)*	-	-	-	-	-	(100,405)	-	(100,405)
Tax effect of convertible debentures	-	-	-	-	-	(231,000)	-	(231,000)
Net loss for the period	-	-	-	-	-	-	(1,588,486)	(1,588,486)
Balance, September 30, 2014	**83,767,821**	**8,415,699**	**(240,000)**	**387,182**	**603,125**	**307,714**	**(8,581,802)**	**891,918**
Equity component of debenture *(note 11)*	-	-	-	-	-	259,900	-	259,900
Transaction costs allocated to equity component of convertible debenture *(note 11)*	-	-	-	-	-	(4,000)	-	(4,000)
Expired warrants	-	-	-	(162,221)	-	-	162,221	-
Expired options *(note 14)*	-	-	-	-	(332,860)	-	332,860	-
Net loss for the period	-	-	-	-	-	-	(2,283,100)	(2,283,100)
Balance, June 30, 2015	**83,767,821**	**8,415,699**	**(240,000)**	**224,961**	**270,265**	**563,614**	**(10,369,821)**	**(1,135,282)**

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

Biosenta Inc.

Consolidated Statements of Cash Flows

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

	Nine months ended June 30	
	2015	**2014**
	$	**$**
Cash flow from operating activities		
Net loss for the period	(2,283,100)	(2,860,831)
Items not involving cash		
Reduction in intellectual property	-	1,453,000
Share based payments	-	52,939
Accretion *(note 11)*	324,740	-
Amortization *(note 8)*	1,459	2,683
	(1,956,901)	(**1,352,209**)
Changes in non-cash working capital		
Amounts receivable	(18,557)	16,166
Inventory	(17,921)	58,969
Prepaid expenses	71,728	(397,300)
Accounts payable and accrued liabilities	925,585	(1,820,974)
Total cash used in operating activities	**(996,066)**	**(3,483,470)**
Cash flow from financing activities		
Proceeds from loan payable	-	1,220,137
Proceeds from convertible debenture financing *(note 11)*	853,000	-
Transaction costs for convertible debenture financing *(note 11)*	(38,400)	-
Proceeds from equity financings, net *(note 12)*	-	2,733,382
Total cash provided by financing activities	**761,600**	**3,953,519**
Cash flow from investing activities		
Expenditures on equipment *(note 8)*	(97,859)	-
Total cash used in investing activities	**(97,859)**	**-**
Increase (decrease) in cash	(279,325)	458,171
Cash, beginning of year	302,067	2,774
Cash, end of period	**22,742**	**460,945**

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

1. Nature of Operations and Going Concern

Biosenta Inc. (the "Company" or "Biosenta") 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, Canada, M3J 3H7. 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. The Company is currently engaged in developing sales for its Zeromold™ and *True* product lines and has commissioned a production facility for commercial applications of its technology to produce an anti-microbial filler product (the "Parry Sound Production Facility").

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 doubt over the ability of the Company to continue as a going concern. These condensed consolidated 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, 2015 through the use of existing cash reserves and convertible debenture financings for gross proceeds of $853,000. 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, as well as seeking new debt and equity financing to enable it to service the Company's liabilities and its ongoing administrative costs. As at June 30, 2015, the Company has a working capital deficiency and accumulated losses. These matters represent material uncertainties that may cast significant doubt with respect to the Company's ability to continue as a going concern. Management believes the Company will continue as a going concern due to the Company's history of successfully funding operations through the issuance of debt and equity instruments. There can be no assurance that the Company will be successful in these initiatives.

2. Basis of Presentation

Statement of Compliance

These condensed consolidated 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, 2014. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

The Board of Directors of the Company authorized these condensed consolidated interim financial statements for issuance on August 31, 2015.

Basis of preparation and presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Companies functional currency.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company, which is incorporated in Canada, and its wholly owned subsidiary, Biosenta U.S.A. Inc. which is incorporated in the United States. All inter-company balances and transactions are eliminated on consolidation. The condensed consolidated interim financial statements include all assets, liabilities, expenses and cash flows of the Company and its subsidiary after eliminating inter-company balances and transactions.

3. Significant Accounting Policies

Significant accounting judgments, estimates and assumptions

The preparation of condensed consolidated interim financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the condensed consolidated interim financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets' carrying values and impairment charges
- Share-Based Payments
- Commitments and contingencies
- Inventory Provision

4. Changes in Accounting Policies and Recent Accounting Pronouncements

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will 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. 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. 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, 2018. Earlier adoption is permitted.

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

IFRS 11 - Joint Arrangements ("IFRS 11") was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IAS 38 – Intangible Assets and IAS 16, Property, Plant and Equipment were amended in May 2014 to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") was issued by the IASB on May 28, 2014. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract based, five-step analysis of transactions to determine whether, how much, and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

5. Amounts receivable

	As at June 30 2015	As at September 30 2014
	$	$
Accounts receivable	**3,536**	339
Loan receivable from related party *(note 10(v))*	**170,000**	170,000
Sales tax receivable	**15,360**	-
	188,896	170,339

6. Inventory

	As at June 30 2015	As at September 30 2014
	$	$
Finished goods	**12,354**	3,765
Raw materials	**64,534**	55,202
	76,888	58,967

The inventory shown above is net of a provision for obsolescence of $14,100 (September 30, 2014 - $14,100). As at September 30, 2014 and June 30, 2015, all inventories are recorded at cost.

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

7. Intangible assets

The intangible assets are comprised as follows:

	Total
Balance, September 30, 2013	**$3,060,000**
Impairment of interim license	(1,453,500)
Balance, September 30, 2014	**1,606,500**
Impairment of interim license	**-**
Balance, June 30, 2015	**$1,606,500**

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 former 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 accrued the full amount as of September 30, 2013 and paid the full amount outstanding during the year ended September 30, 2014 by the issuance of units (See note 12(i)).

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 was subject to 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 deemed impaired as it was replaced by the License and therefore, the Company charged the balance of $150,000 to the statement of operations during the year ended September 30, 2013.

On June 23, 2014, the License was amended to effectively reduce the number of shares issued to acquire the License from 20,000,000 to 10,500,000 to be held in escrow. The escrowed shares were released in the three month period ended December 31, 2014 according to the conditions of the escrow agreement. Under the terms of the agreement, all patents, know-how and patent applications were assigned to the Company. All provisions of the License to which the Company is obligated to make payments to any of the licensors, including royalty payments are void and the parties acknowledge that no further payments will be made in respect of the License. A final termination payment of $50,000 was paid to Edward Pardiak and charged to the consolidated statement of operations and comprehensive loss during the year ended September 30, 2014. If the Company failed to obtain adequate funding to build the Parry Sound production facility by December 31, 2015, the patents could revert to the licensors.

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

8. Equipment

Equipment consists of the following:

Cost	**Furniture & Equipment**	**Leasehold Improvements**	**Computer Equipment**	**Total**
Balance September 30, 2013	**$356,411**	**$259,476**	**$8,978**	**$624,865**
Additions	52,034	-	761	52,795
Balance, September 30, 2014	**$408,445**	**$259,476**	**$9,739**	**$677,660**
Additions	97,859	-	-	97,859
Balance, June 30, 2015	**$506,304**	**$259,476**	**$9,739**	**$775,519**

Accumulated Amortization	**Furniture & Equipment**	**Leasehold Improvements**	**Computer Equipment**	**Total**
Balance September 30, 2013	**$3,817**	**-**	**$6,079**	**$9,896**
Additions	1,105	-	1,305	2,410
Balance, September 30, 2014	**$4,922**	**-**	**$7,384**	**$12,306**
Additions	664	-	795	1,459
Balance, June 30, 2015	**$5,586**	**-**	**$8,179**	**$13,765**

Net book value at September 30, 2013	**$ 352,594**	**$ 259,476**	**$2,899**	**$ 614,969**
Net book value at September 30, 2014	**$ 403,523**	**$ 259,476**	**$2,355**	**$ 665,354**
Net book value at June 30, 2015	**$ 500,718**	**$ 259,476**	**$1,560**	**$ 761,754**

9. Accounts Payable and Accrued Liabilities

Accounts payable and accruals consist of the following:

	As at June 30 2015	As at September 30 2014
Trade payables	**$595,345**	$510,871
Loans	**150,000**	50,000
Payroll Taxes payable	**55,700**	-
Sales tax payable	**-**	25,648
Accrued liabilities and other	**790,090**	102,031
Total	**$1,591,135**	$688,550

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

Accounts payable and accrued liabilities have increased because ongoing operational costs are being financed through short term debt for the current period. Loans to the Company from third parties have been made with no formal terms of repayment at this time.

10. Related Party Transactions

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") see Note 7. 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 were also directors of the Company. The remaining obligation of $250,000 for the interim license fee was accrued as of September 30, 2013 and subsequently settled by the issuance of units during the year ended September 30, 2014. Each unit consisting of one Class A share and one half of a Class A share purchase warrant.

On June 23, 2014, the License was amended to effectively reduce the number of shares issued to acquire the License from 20,000,000 to 10,500,000. Consequently, 9,500,000 shares at a value of $1,453,500 held by directors of the Company were cancelled.

(i) Included in accounts payable and accrued liabilities as at June 30, 2015 is $288,700 (September 30, 2014 - $694,365) owing to directors and companies controlled by directors of the Company. 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 for the three and nine months ended:

	June 30 2015	June 30 2014
Short-term compensation (i)	**$510,970**	$1,198,235
Share based payments (ii)	**-**	42,750
Total	**$510,970**	$1,240,985

(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.

(iii) Compensation for closing convertible debenture financing

Directors and companies controlled by directors were paid, during the nine months ended June 30, 2015, $17,400 for their efforts in closing the convertible debenture financing. For the year ended September 30, 2014, Directors and companies controlled by directors were paid $162,650 and issued 1,000,000 shares at a value of $140,000 for their efforts in closing the convertible debenture financing.

(iv) Shares and units issued
During 2014, directors and companies controlled by directors were issued 14,300,000 shares at a value of $638,000 as compensation and 1,000,000 shares at a value of $140,000 to settle outstanding debt.

As part of the private placements that closed during 2014, directors and companies controlled by directors were issued 8,993,766 units at a value of $1,349,065 and 666,667 shares at a value of $100,000. Each unit is comprised of one Class A common share and one half Class A common share purchase warrant.

(v) Loan Receivable
As at September 30, 2014 and June 30, 2015, there was an amount owing from a director of the Company totaling $170,000. This receivable is unsecured, non-interest bearing and due on demand.

(vi) Convertible Debentures and Loan payable to Director
As at June 30, 2015, there was an amount loaned from a director of the Company totaling $23,000. This payable is unsecured, non-interest bearing and due on demand. In addition, certain directors of the Company participated in the convertible debenture financing (Note 11) under the same terms as other debenture holders in the amount of $28,000.

11. Convertible Debentures

During the nine months ended June 30, 2015, the Company closed additional tranches of the Convertible Debentures (“Debentures”) for gross proceeds totaling $853,000 (for the year ended September 30, 2014 - $2,120,000). Total gross proceeds from the Debenture financing as of June 30, 2015 is $2,973,000. Each Debenture has a term of 2 years and bears interest at a fixed rate of 6% per year, payable quarterly. Under the terms of the 2 year Debentures, the Company has the option to convert the Debentures into common shares at a price of $0.50 per share, upon which the Company’s common shares have traded at $0.40 or higher for a period of thirty or more consecutive trading days. Upon conversion, for each share issued, a full warrant exercisable for one common share at a price of $1 per common shares with a term of two years from the date of conversion will be issued.

The Company used the residual value method to allocate the proceeds between the liability and equity components. Under this method, the fair value of the liability component (the "Debenture Liability") as of June 30, 2015 was $1,669,431 (September 30, 2014 - $1,147,831) was computed as the present value of future principal and interest payments discounted at a rate of 25% per annum. The residual value as at June 30, 2015 of $895,019 (September 30, 2014 -$639,119) was attributed to the equity component. The transaction costs totaling $371,450 as of June 30, 2015 (September 30, 2014 - $333,050) comprised of a cash commission and Class A shares issued as compensation were also allocated to the Debenture Liability and Equity Component of Convertible Debt. The resulting fair value of the liability component of the debentures is accreted to their face value through the recording of accretion expense until maturity using the effective interest rate of 33%.

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

Directors and companies controlled by directors were paid for their efforts in closing the convertible debenture financing during 2014 and for the nine months ended June 30, 2015. Refer to note 10 for additional information.

	As at June 30 2015	As at September 30 2014
	$	$
Face value of debentures	**2,973,000**	2,120,000
Equity component of debentures	**(895,019)**	(639,119)
Transactions costs allocated to debentures	**(371,450)**	(333,050)
Accumulated accretion	**523,846**	199,106
Balance	**2,230,377**	1,346,937

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: Class A Shares

	Number of shares	**Amount**
Balance, September 30, 2013	**58,427,327**	**$ 6,492,066**
Balance, September 30, 2014	**83,767,821**	**$ 8,415,699**
Balance, June 30, 2015	**83,767,821**	**$ 8,415,699**

(i) On October 10, 2013, the Company issued 6,522,892 units at $0.15 per unit for aggregate consideration of $978,434 with $734,185 of the total consideration used to offset existing debt. Each unit consisted 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 at an exercise price of $0.20 per warrant to the extent such warrant is exercised on or before the date that is 18 months from the closing of the Offering.

A fair value of $156,040 was estimated and assigned to the warrants. In connection with the issue and sale of certain Units in the Offering, the Company paid a finder's fee consisting of 248,334 Units valued at $37,256.

(ii) On January 28, 2014, the Company issued 6,294,870 units at $0.15 per unit for aggregate consideration of $944,230 with $626,231 of the total consideration used to offset existing debt. Each unit consisted 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 at an exercise price of $0.20 per warrant to the extent such warrant is exercised on or before the date that is 18 months from the closing of the Offering.

A fair value of $212,564 was estimated and assigned to the warrants.

(iii) On May 24, 2014, the Company issued 2,499,999 Class A shares at $0.07 per share for aggregate consideration of $175,000.

The Company also issued 666,667 Class A shares valued at $100,000 to the Chairman of the Company as compensation for 12 months of service and 157,733 Class A shares to settle existing debt of $23,660. In addition, the Company issued 1,749,999 units at $0.15 per unit for aggregate consideration of $262,500, each unit consisting of one Class A share and one half of a Class A share purchase warrant. Each whole warrant entitles the holder to purchase one additional Class A share at an exercise price of $0.20 per warrant to the extent such warrant is exercised on or before the date that is 18 months from the closing of the Offering.

A fair value of $63,048 was estimated and assigned to the warrants. In connection with the issue and sale of certain Units in the Offering, the Company issued 100,000 Class A shares at a value of $11,036 as compensation to finders and incurred cash share issue costs of $12,900.

(iv) On March 26, 2014, the Company issued 8,000,000 Class A shares to Bassett Financial Corp. at the market price of $0.05 per share for a total value of $400,000. The shares were issued as part of the fee for providing various financial and consulting services including completing three stages of funding. The shares were placed in escrow and released upon certain conditions being met. Upon the funding of a bridge loan in May 2014, 3,200,000 shares were released from escrow. The remaining shares were to be released upon completion of future financing. In October 2014, the agreement with Bassett Financial was cancelled. The remaining shares held in escrow have been classified as treasury shares as the second and third financing arrangements per the agreement were not completed. Refer to note 15 for additional information.

(v) On June 30, 2014, the Company issued 3,600,000 shares to the Chairman of the Company at the market price of $0.05 per share for a total value of $180,000 as compensation for financial and consulting services. The value was charged to the consolidated statement of operations as salaries, management and consulting fees.

(vi) During the year ended September 30, 2014, 300,000 stock options were exercised for gross proceeds of $60,000. The value of the options exercised was $46,043 and was reallocated to share capital.

(vii) On June 23, 2014 the Company amended its intangible asset License which included the cancellation of 9,500,000 Class A shares that were issued at $0.153. Refer to note 7 for additional information.

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

(viii) On June 26, 2014, the Company issued 3,700,000 Class A shares at a value of $518,000, based on the current market value, to management and directors of the Company for providing various financial and consulting services and 1,000,000 Class A shares at a value of $140,000, based on the current market value, to directors and officers of the Company in settlement of debt of $575,548. The Company realized a gain on settlement of debt of $435,548 during the year ended September 30, 2014.

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, 2015		September 30, 2014	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Balance, beginning of the year	6,658,049	$0.20	17,136,671	$0.29
Issued	-	-	7,408,049	0.20
Expired/Cancelled	(3,385,613)	$0.20	(17,886,671)	0.29
Balance, end of year	3,272,436	$0.20	6,658,049	$0.20

The exercise price, expiry date, and the outstanding warrants issued and outstanding as at June 30, 2015 are as follows:

Expiry Date	**Weighted Average Exercise Price $**	**Grant Date Fair Value $**	**Warrants Outstanding**	**Contractual Life (years)**
July 18, 2015	0.20	161,913	2,397,435	0.08
November 30, 2015	0.20	63,048	875,001	0.42
	0.20	224,961	3,272,436	0.17

The fair value of the warrants issued during the year ended September 30, 2014 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2014
Risk free interest rate	1.04%
Expected dividend yield	Nil
Expected volatility	141%
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.

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

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.

Share based payment activity for nine months ended June 30, 2015 and the year ended September 30, 2014 are summarized as follows:

	June 30, 2015		September 30, 2014	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Balance, beginning of the year	4,400,000	$0.21	4,930,000	$0.21
Granted	-	-	450,000	0.20
Exercised	-	-	(300,000)	0.20
Expired	(2,750,000)	0.22	(680,000)	0.20
Balance, end of year	1,650,000	$0.20	4,400,000	$0.21

Options to purchase common shares outstanding at June 30, 2015 carry exercise prices and remaining terms to maturity as follows:

Expiry Date	Exercise Price $	Options Outstanding	Options Exercisable	Grant Date Weighted Average Fair Value per option $	Weighted Average Remaining Contractual Life (years)
November 8, 2016	0.20	100,000	100,000	0.110	1.61
August 8, 2017	0.20	700,000	700,000	0.150	2.36
March 22, 2018	0.20	500,000	250,000	0.130	2.98
January 29, 2019	0.20	350,000	233,334	0.05	3.83
	0.20	1,650,000	1,283,334	0.128	2.08

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

During the nine months ended June 30, 2015, the Company did not grant any new options (year ended 2014 – 450,000) with a weighted-average price of $nil per share (2014 – $0.20). The fair value of the options issued during the year ended September 30, 2014 was estimated using the Black-Scholes option pricing model with the following assumptions:

	2014
Risk free interest rate	1.57%
Expected dividend yield	Nil
Expected volatility	141%
Expected life	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. Commitments and Contingencies

Operating Lease Commitments

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

Remainder of 2015	**$**	**17,030**
2016		**66,000**
2017		**16,012**
2018		**3,664**
2019		**305**
	$	**103,011**

The Company had an employment agreement with the provision of termination and change of control benefits with an officer of the Company. The agreement for the officer provided that in the event that their employment is terminated by the Company other than for cause, then the officer shall be entitled to a lump sum payment amount equal to the greater of (i) the annual base salary plus the annual bonus received by the Officer during the year multiplied by the number of remaining years of the then current term of the employment agreement and (ii) three times the annual compensation of the Officer plus continuation of employment benefits for the remainder of the term of the employment agreement in effect immediately prior to termination. The additional commitments total approximately $940,000. The officer resigned from the Company in the six month period ended March 31, 2015. As a result, these contingent payments are not payable and not reflected in these condensed consolidated interim financial statements.

Currently, the Company is seeking to void an advisory agreement signed in 2014. Compensation shares totaling 4,800,000 to be issued in accordance with this agreement are held in escrow as at June 30, 2015 and will not be released until the dispute is resolved.

16. 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.

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, 2015, the Company had a cash balance of $22,742 (2014 - $302,067) to settle current liabilities of $1,614,135 (2014 - $688,550). The Company does 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 debt and equity financing to enable it to service the Company’s liabilities and its ongoing administrative costs. The Company's accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk - Interest rate risk

The Company's current policy is to invest excess cash in investment-grade, short-term deposit certificates issued by its banking institutions. The convertible debentures bear fixed interest rates and therefore are not subject to interest rate risk. Currently, the Company does not hedge against interest rate risk.

17. Capital Management

Capital is defined as share capital, warrant reserve and equity reserve. 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 intellectual property in which the Company has acquired through a license agreement is currently in the development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurances that the Company will be able to continue raising equity capital in this manner. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major Canadian financial institutions

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

18. Subsequent event

Shares
In January 2015, certain directors who received shares from the Company as noted in Note 12 (viii) returned the shares for cancellation and return to Treasury. The cancellation will take place in the coming months.