Biosenta Inc.

Condensed Interim Consolidated Financial Statements
For the three and six months March 31, 2018 and 2017
(Unaudited, expressed in Canadian dollars)

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

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

Biosenta Inc.
May 29, 2018

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

	As at March 31 2018 $	As at September 30 2017 $
Assets		
Current assets		
Cash	**12,550**	**1,657**
Inventory *(note 5)*	**-**	**379**
Prepaid expenses	**2,178**	**2,253**
Total current assets	**14,728**	**4,289**
Intangible assets *(note 6)*	**1,606,500**	**1,606,500**
Equipment *(note 7)*	**100**	**580**
Total assets	**1,621,328**	**1,611,369**
Equity and Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (*notes 8 and 10*)	**500,632**	**454,852**
Loans and advances *(note 8)*	**33,477**	**68,693**
Payable from Restructuring Proposal (*notes 8*)	**254,092**	**254,092**
Joint Venture advances	**100,000**	**-**
Secured loan *(note 9)*	**-**	**565,682**
Total current liabilities	**888,202**	**1,343,319**
Convertible debentures (*note 11*)	**26,309**	**23,975**
Total liabilities	**914,511**	**1,367,294**
Shareholders' Equity (Deficiency)		
Share capital *(note 12)*	**9,144,029**	**9,102,363**
Equity reserve *(note 13)*	**49,810**	**49,810**
Equity component of convertible debentures *(note 11)*	**30,983**	**30,983**
Deficit	**(8,939,005)**	**(8,939,081)**
Total shareholders' equity	**706,817**	**244,075**
Total liabilities and shareholders' equity	**1,621,328**	**1,611,369**

Nature of Operations and Going Concern (note 1)
Commitments and Contingencies (note 14)

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

Approved by the Board of Directors

Signed "Dene Rogers" Director *Signed "Ed Korhonen"* Director

Biosenta Inc.

Consolidated Statements of Operations and Comprehensive Income (Loss)

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

	Three months ended March 31		**Six months ended March 31**	
	2018	2017	**2018**	2017
	$	$	**$**	$
Sales	**-**	1,415	**1,167**	14,820
Cost of Sales	**-**	601	**412**	8,019
Gross profit	**-**	814	**755**	6,801
Administrative expense				
Professional fees	**31,685**	29,320	**61,967**	62,728
Salaries, management, and consulting fees *(note 10)*	**28,445**	26,339	**46,931**	48,220
Office and general	**7,535**	12,937	**14,900**	27,511
Insurance	**2,702**	3,690	**8,122**	10,326
Product development costs	**-**	7,097	**4,826**	13,991
Stock transfer fees	**8,422**	2,270	**11,122**	5,130
Sales and marketing	**-**	2,490	**905**	9,555
Travel	**240**	240	**480**	240
Amortization	**80**	1,164	**480**	2,330
Total administrative expense	**79,109**	85,547	**149,733**	180,031
Net loss before other items	**(79,109)**	(84,733)	**(148,978)**	(173,230)
Other items				
Gain from settlement of debts (*notes 9)*	**574,580**	-	**574,580**	-
Interest and accretion expense (*notes 9 and 11*)	**(2,325)**	(4,621)	**(4,526)**	(1,402)
Net loss and comprehensive loss for the period	**493,146**	(80,112)	**421,076**	(171,828)
Basic and diluted loss (income) per share	**(0.04)**	(0.01)	**(0.03)**	(0.01)
Weighted average number of common shares outstanding – basic and diluted	**12,969,270**	12,387,283	**12,863,035**	12,387,283

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(A)	Share Capital	Treasury Shares	Warrant Reserve	Equity Reserve	Equity Component of Debenture	Deficit	Total Equity (Deficiency)
	#	$	$	$	$	$	$	$
Balance, September 30, 2016	**12,152,283**	**9,322,863**	**(240,000)**	**-**	**201,652**	**30,983**	**(8,056,554)**	**1,258,944**
Common shares issued for services *(note 12 (i))*	243,714	19,500	-	-	-	-	-	19,500
Expired options	-	-	-	-	(43,356)	-	43,356	-
Net loss for the period	-	-	-	-	-	-	(171,828)	(171,828)
Balance, March 31, 2017	**12,395,997**	**9,342,363**	**(240,000)**	**-**	**158,296**	**30,983**	**(8,185,026)**	**1,106,616**
Expired options	-	-	-	-	(108,486)	-	108,486	-
Reclassification	-	(240,000)	240,000	-		-	-	-
Net loss for the period	-	-	-	-	-	-	(862,541)	(862,541)
Balance, September 30, 2017	**12,395,997**	**9,102,363**	**-**	**-**	**49,810**	**30,983**	**(8,939,081)**	**244,075**
Common shares issued for debt *(note 12 (ii))*	1,666,666	41,666	-	-	-	-	-	41,666
Net income for the period	-	-	-	-	-	-	421,076	421,076
Balance, March 31, 2018	**14,062,663**	**9,144,029**	**-**	**-**	**49,810**	**30,983**	**(8,518,005)**	**706,817**

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)

	Six months December 31 2018 $	2017 $
Cash flow from operating activities		
Net Income (loss) for the period	**421,076**	(171,828)
Items not involving cash:		
Gain from settlement of debt	**(574,580)**	-
Accretion	**2,334**	2,334
Amortization	**480**	2,330
	(150,690)	(167,164)
Changes in non-cash working capital:		
Amounts receivable	**-**	(9,529)
Inventory	**379**	4,928
Prepaid expenses	**75**	1,571
Accounts payable, accrued liabilities and advances	**61,129**	69,710
Total cash used in operating activities	**(89,107)**	(100,484)
Cash flow from financing activities		
Advances from Joint Venture	**100,000**	112,824
Total cash provided by financing activities	**100,000**	112,824
Decrease in cash	**10,893**	12,340
Cash, beginning of period	**1,657**	10,420
Cash, end of period	**12,550**	22,760

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 listed on the Canadian Securities Exchange ("CSE") under the symbol "ZRO". The Company's registered address is 18 Wynford Drive, Suite 794, Toronto, Ontario, M3C 3S2. 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 the development for commercial applications of its technology to produce an anti-microbial Tri-Filler product.

During the six months ended March 31, 2018, the Company reported net income of $421,076 and a working capital deficit of $873,474.

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 represents material uncertainties, cast significant doubt over the ability of the Company to continue as a going concern. These Condensed Interim consolidated 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 six months ended March 31, 2018 from existing cash reserves, secured loans and advanced. 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 March 31, 2018, the Company has a working capital deficiency and accumulated losses. These matters represent material uncertainties which 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 interim consolidated 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, 2017. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements.

The accounting policies noted above have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

The Board of Directors of the Company authorized these condensed interim consolidated financial statements for issuance on May 29, 2018.

Basis of preparation and presentation

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

Basis of consolidation

These consolidated 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. These consolidated financial statements include all assets, liabilities, expenses, and cash flows of the Company and its subsidiary after eliminating inter-company balances and transactions.

3. 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 October 1, 2018 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.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is 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, 2018. Earlier adoption is permitted. IFRS 16 – Leases ("IFRS 16") was issued in January 2017 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

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

IAS 12 – Income Taxes ("IAS 12") was amended in January 2017 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

4. Amounts receivable

	As at March 31 2018 $	As at September 30 2017 $
Accounts receivable	**86,078**	86,078
Provision for impairment	**(86,078)**	(86,078)
	-	-

5. Inventory

	As at March 31 2018 $	As at September 30 2017 $
Finished goods	**-**	**379**
Raw materials	**-**	**-**
	-	**379**

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

6. Intangible assets

The intangible assets are comprised as follows:

	Total
Balance, March 31, 2018 and September 30, 2017	**$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 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 as amended, the Company issued fully paid and non-assessable Class A shares of the Company to the Licensors valued at $1,606,500. 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%, based on gross margin as a percentage, actually received by the Company on the sale of the licensed.

The escrowed shares were released in fiscal 2015 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. If the Company had failed to obtain adequate funding to build the Parry Sound production facility by December 31, 2015, the patents could revert to the licensors, however as at September 30, 2015, management believes this requirement has been met as the plant was finished such that material was produced from the plant for testing by prospective customers. As at September 30, 2017, the Company had written-off the value of equipment and machinery at the plant as a result of change in production methods and will no longer produce material with this plant (note 7).

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

7. Equipment

Equipment consists of the following:

Cost	Furniture & Equipment	Leasehold Improvements	Computer Equipment	Total
Balance, September 30, 2016	**506,304**	**259,476**	**9,739**	**$775,519**
Write down	(496,957)	(259,476)	-	(756,433)
Balance, September 30, 2017	**$9,347**	**$ -**	**$9,739**	**$19,086**
Write down	-	-	-	-
Balance, March 31, 2018	**$9,347**	**$ -**	**$9,739**	**$19,086**

Accumulated Amortization	Furniture & Equipment	Leasehold Improvements	Computer Equipment	Total
Balance, September 30, 2016	**$6,967**	**-**	**$9,739**	**$16,706**
Additions	1,800	-	-	1,800
Balance, September 30, 2017	**$8,767**	**-**	**$9,739**	**$18,506**
Additions	480	-	-	480
Balance, March 31, 2018	**$9,247**	**-**	**$9,739**	**$18,986**

Net book value at September 30, 2017	**$ 580**	**$ -**	**$ -**	**$ 580**
Net book value at March 31, 2018	**$ 100**	**$ -**	**$ -**	**$ 100**

During the year ended September 30, 2017, the Company wrote-off the production assets and leasehold improvements located at the Parry Sound facility as a result of changing the method in production.

8. Accounts Payable, Accrued Liabilities, Loans and Advances Payable, and Payable from Restructuring Proposal

Accounts payable and accrued liabilities consist of the following:

	As at March 31 2018	As at September 30 2017
Trade payables	**$326,980**	$302,242
Payroll taxes payable	**30,908**	19,852
Sales tax (recoverable) payable	**(4,388)**	(3,607)
Accrued liabilities and other	**141,079**	136,365
Total	**$500,632**	$454,852

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

Loans and advances payable consist of the following:

	As at March 31 2018	As at September 30 2017
Advance (i)	**-**	$50,000
Loans (ii)	**33,477**	18,693
Total	**$33,477**	$68,693

(i) In January 2013 the Company announced that it had entered into a non-binding contract with New South Biolabs ("Biolabs") pursuant to which Biolabs will pay Biosenta royalties on all products sold and a $600,000 non-refundable fee, of which $350,000 has been received to date. Of this amount, $300,000 was reflected as revenue and the remaining $50,000 is an advance of the remaining fee which will be earned upon obtaining approval to sell the product in the United States.

(ii) Loans to the Company from related parties are unsecured, non-interest bearing with no fixed terms of repayment which has been forgiven.

Payable from Restructuring Proposal

On June 13, 2016, the Company announced it had completed the Restructuring Proposal as approved by the Ontario Courts. The financial impact of the Restructuring Proposal transaction is reflected in the consolidated financial statements for the period ended March 31, 2018, which are summarized as follows:

i. The settlement of $3.8 million of debt was completed through the issuance of 6,607,762 common shares (pre-consolidation 99,116,431) of the Company. The fair market value of the common shares which was based on the quoted market price of the Company's shares at the December 7, 2015 meeting, including costs for issuing the shares, was $991,164. The difference between the book value of the debt and the fair market value of the common shares issued was included in the Gain on Debt Settlement from Restructuring Proposal in fiscal 2016;

ii. The settlement of approximately $725,000 of debt was completed through the cash settlement option of the Restructuring Proposal. The cash option only paid a portion of the debt outstanding at the time of the settling of the debt, and in return the vendor had to forgive 50% of the balance, which was included in the Gain on Debt Settlement from Restructuring Proposal for fiscal 2016. The outstanding payables for these vendors was reflected on the consolidated statements of financial position – Payable from Restructuring Proposal. This debt is only payable by the Company upon there being sufficient cash flow over an undefined period of time. The balance of this payable as of March 31, 2018 is $254,092 (September 20, 2017 - $254,092). There have been no payments made on this balance since inception; and

iii. Other debt that was not supported by an eligible claim or claims without merit were approved by the Court to be written down to nil. Since the settlement amount is nil, the full amount of such debt was included in Gain on Debt Settlement from Restructuring Proposal for fiscal 2016.

9. Secured Loan

From the Restructuring Proposal process that was completed in fiscal 2016, secured creditors had invested $566,246 under the terms of a Grid Note. The Grid Note is on a secured basis and the Company has entered into a general security agreement, which include all assets of the Company as security.

The terms of the Grid Note include an interest rate of one per-cent (1%) per annum, calculated daily, paid semi-annually starting April 1, 2017. In fiscal 2016, a portion of the Grid Note was mandatorily converted into Class A shares of the Company, based on the same conversion ratio as applied to unsecured creditors, immediately following the Company giving full effect to the Proposal to Creditors with the final court approval in fiscal 2016. As part of the Restructuring Proposal only $201,894 of the secured debt was converted to common shares.

On February 23, 2018, the Company announced that it had signed a five year Joint Venture (JV) agreement with the secured creditors to develop, market, and grow the sales of its dry product Tri-Filler. The JV is based in Parry Sound, Ontario and is owned 51% by the investors and 49% by Biosenta. The investors will contribute funds to operate the JV and provide expertise to launch Tri-Filler and in return, Biosenta will license the intellectual property that pertains to Tri-Filler.

Initially, the investors are to receive 60% of operating profits until the amounts already invested by the investors have been repaid. After the amounts already invested by the investors have been repaid, the operating profits will be split 51% to the investors and 49% to Biosenta. In addition, the outstanding debt of $566,246 was repaid through the issue of 1,666,666 shares in the Company which is about 11.9% of total outstanding shares. The number of shares were based on the value of the shares of the Company on the date of the Restructuring Proposal. The fair market value of the shares issued is based on the trading price of the common shares on February 23, 2018 which had a value of $41,666 and resulted on a gain on $524,580 from settling the secured debt.

10. Related Party Transactions and Balances

The Company had the following related party transactions for the six months ended March 31, 2018 and 2017. These transactions were in the normal course of operations and were measured at the exchange amount, which are the amounts agreed to by the related parties.

(i) Included in accounts payable and accrued liabilities as at March 31, 2018 is $Nil (2017 - Nil) 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) Loans to the Company from related parties (director loans) are unsecured, non-interest bearing with no fixed terms of repayment (see note 8).

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

(iii) Compensation of key management personnel of the Company

The remuneration of directors and other key management personnel for the six months ended:

	March 31 2018	March 31 2017
Short-term compensation (i)	**-**	$19,500
Share-based payments (ii)	**-**	-
Total	**-**	$19,500

(i) Short-term compensation includes salaries, bonuses, and allowances, employment benefits, and directors' fees.
(ii) Share-based compensation represents the amount expensed by the Company for options issued.

(iv) Shares and units issued
Shares were issued in fiscal 2017 as per Note 12(i) to certain directors.

(v) Settlement of secured debt through the issuance of shares see Note 9 and Note 12(ii).

11. Convertible Debenture

The Company completed one convertible debenture financing for $60,000 in the year ended September 30, 2016. The debenture is non-interest bearing with a term of 5 years. It is convertible into common shares of the Company at a price $0.30 per share.

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") of $17,847 was computed as the present value of future principal and interest payments discounted at a rate of 25% per annum. The residual value $42,153 was attributed to the equity component. 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 23%.

	As at March 31 2018	**As at September 30 2017**
Face value of debentures	**$60,000**	$60,000
Equity component of debentures	**(42,153)**	(42,153)
Accumulated accretion	**8,462**	6,128
Balance	**$26,309**	$23,975

12. Shareholders' Equity

Authorized:

The Company is authorized to issue an unlimited number of:

Class A shares, voting and participating.

Class B shares, voting, redeemable at any time at the option of the Company 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.

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

Issued and outstanding: Class A Shares

	Number of shares	Amount
Balance, September 30, 2016	**12,152,283**	**$ 9,322,863**
Balance, September 30, 2017	**12,395,997**	**$ 9,102,363**
Balance, March 31, 2018	**14,062,663**	**$ 9,144,029**

i) On October 5, 2017, the Company issued 243,714 common shares to two directors as compensation for services provided to date. The value of shares was $19,500.

ii) On February 23, 2018 the Secured Debt was settled through the issue of 1,666,666 common shares at a fair market value of $41,666. See Note 9 for further details.

13. 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 six months ended March 31, 2018 and year ended September 30, 2017 are summarized as follows:

	March 31, 2018		September 30, 2017	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Balance, beginning of the period	13,333	$3.00	76,667	$3.00
Expired/Cancelled	-	-	(63,334)	$3.00
Balance, end of period	13,333	$3.00	13,333	$3.00

Options to purchase common shares outstanding at March 31, 2018 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
January 29, 2019	3.00	13,333	13,333	0.81	0.82

During the six months ended March 31, 2018, the Company did not grant any new options (year ended September 30, 2017 – nil).

14. Commitments and Contingencies

Employment Agreements

The Company has an employment agreement with the provision of termination and change of control benefits with an officer of the Company. The agreement for the officer provides 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 annual base salary and an additional one month's salary and bonus for each additional full year of employment after the second year plus $24,000 compensation for loss of benefits. The change of control provision entitles the officer to 24 months' salary plus two additional months of salary for each full year of employment after three years plus $48,000 and $2,000 for each year of employment after three years as compensation for loss of benefits and a lump sum of two times the greater of 1) average payments made under the bonus plan in each of the two preceding years and 2) target bonus under the bonus plan for the fiscal year terminated. The additional commitments total approximately $1,322,000. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements.

Other Contingencies

The Company is party to various claims and proceedings arising in the normal course of business.

15. 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 March 31, 2018, the Company had a cash balance of $12,550 (September 30, 2017 - $1,657) to settle current liabilities of $888,202 (September 30, 2017 - $1,343,319). The Company does not have sufficient cash reserves to fund its product development programs, administrative costs and other obligations for the coming fiscal year. 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.

16. Capital Management

Capital is defined as share capital, 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.