January 20, 2020

Notice of correction in the Financial Statements

These revised Condensed Interim Consolidated Financial Statements (the "**Revised Financials**") are being filed to correct and are intended to replace in their entirety the original Condensed Interim Consolidated Financial Statements filed for the three and six months ended March 31, 2019. The Revised Financials have been updated to include a comparative statement of changes in equity for the corresponding interim period in the immediately preceding financial year.

Biosenta Inc.

Revised Condensed Interim Consolidated Financial Statements
For the three and six months ended March 31, 2019 and 2018
(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, MS Partners 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.
July 30, 2019

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

	March 31 2019 $	September 30 2018 $
ASSETS		
Current		
Cash	**9,923**	11,377
Other receivables	**1,429**	6,565
	11,352	17,942
Intangible assets (Note 5)	**1**	1
Property and equipment (Note 6)	-	-
Total assets	**11,353**	17,943
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	**506,366**	383,510
Payable from restructuring proposal (Note 8)	**254,092**	254,092
Loans and advances (Note 9)	**33,477**	33,477
Joint venture advances (Note 10)	**340,000**	220,000
	1,133,935	891,079
Convertible debentures (Note 11)	**34,559**	30,769
Total liabilities	**1,168,494**	921,848
SHAREHOLDERS' DEFICIT		
Share capital (Note 12)	**9,144,029**	9,144,029
Equity reserves (Note 13)	**49,810**	49,810
Equity component of convertible debentures (Note 11)	**30,983**	30,983
Deficit	**(10,381,963)**	(10,128,727)
Total shareholders' deficit	**(1,157,141)**	(903,905)
Total liabilities and shareholders' deficit	**11,353**	17,943

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 14)

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

Approved by the Board of Directors
Signed "Dene Rogers" Director *Signed "Ed Korhonen"* Director

Biosenta Inc.

Condensed Interim Consolidated Statements of Operations

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

	Three months ended March 31, 2019	Three months ended March 31, 2018	**Six months ended March 31, 2019**	Six months ended March 31, 2018
	$	$	**$**	$
Sales	-	-	-	1,167
Cost of sales	-	-	-	412
Gross profit	-	-	-	755
Administrative expenses				
Professional fees	**35,378**	31,685	**43,315**	61,967
Salaries, management and consulting fees	**29,242**	28,445	**53,382**	46,931
Office and general	**27,844**	7,535	**50,018**	14,900
Insurance	-	2,702	**3,674**	8,122
Product and development costs	**42,348**	-	**42,348**	4,826
Stock transfer fees	**2,745**	8,422	**5,833**	11,122
Sales and marketing	**20,385**	-	**40,202**	905
Travel	-	240	-	480
Amortization	-	80	-	480
Total expenses	**157,942**	79,109	**238,772**	149,733
Net loss from operations	**(157,942)**	(79,109)	**(238,772)**	(148,978)
Other expenses (income)				
Interest and accretion expense	**9,722**	2,325	**13,107**	4,526
Foreign exchange loss	**(538)**	-	**1,357**	-
Gain from settlement of debts from restructuring proposal	-	(574,580)	-	(574,580)
Total other expenses (income)	**9,184**	(572,255)	**14,464**	(570,054)
Net (loss) Income	**(167,126)**	493,146	**(253,236)**	421,076
(Loss) Income per common share - basic and diluted	**-0.01**	0.04	**-0.02**	0.03
Weighted average number of common shares - basic and diluted	**14,062,663**	12,969,270	**14,062,663**	12,863,035

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

Biosenta Inc.

Condensed interim Consolidated Statements of Changes in Shareholders' Deficit

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

	Share Capital						
	Shares	Amount	Treasury Shares	Equity Reserve	Equity Component of Debenture	Accumulated Deficit	Total Equity (Deficiency)
	#	$	$	$	$	$	$
As at September 30, 2017	12,395,997	9,102,363	-	49,810	30,983	(8,939,081)	244,075
Common shares issued for debt	1,666,666	41,666	-	-	-	-	41,666
Net loss for the period	-	-	-	-	-	421,076	421,076
As at March 31, 2018	14,062,663	9,144,029	-	49,810	30,983	(8,518,005)	706,817
As at September 30, 2018	**14,062,663**	**9,144,029**	-	**49,810**	**30,983**	**(10,128,727)**	**(903,905)**
Net loss for the period	-	-	-	-	-	**(253,236)**	**(253,236)**
As at March 31, 2019	**14,062,663**	**9,144,029**	-	**49,810**	**30,983**	**(10,381,963)**	**(1,157,141)**

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

Biosenta Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Six months ended March 31, 2019 $	Six months ended March 31, 2018 $
Operating activities		
Net loss and comprehensive loss for the year	**(253,236)**	421,076
Adjustments for items not affecting cash:		
Accretion	**3,790**	2,334
Amortization	-	480
Gain from settlement of debts from restructuring proposal	-	(574,580)
Changes in working capital items:		
Inventory	-	379
Prepaid expenses	-	75
Other receivables	**5,136**	
Accounts payable and accrued liabilities	**122,856**	61,129
Cash used in operating activities	**(121,454)**	(89,107)
Financing activities		
Advances from joint venture (Note 10)	**120,000**	100,000
Cash provided by financing activities	**120,000**	100,000
Net increase (decrease) in cash	**(1,454)**	10,893
Cash and cash equivalents, beginning of period	**11,377**	1,657
Cash and cash equivalents, end of period	**9,923**	12,550

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

Going concern

During the three and six months ended March 31, 2019, the Company reported net loss of $167,126 and $253,236 respectively and a working capital deficit of $1,122,583.

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 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 three and six months ended March 31, 2019 from existing cash and advances from joint venture. 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. Management believes the Company will continue as a going concern due to the Company's ability to obtain funding through the issuance of debt and equity instruments.

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, 2018. These condensed interim consolidated 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 interim consolidated financial statements.

2. Basis of Presentation (continued)

The Board of Directors of the Company authorized these condensed interim consolidated financial statements for issuance on July 30, 2019.

Basis of preparation and presentation

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

Basis of consolidation

These condensed interim 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 condensed interim 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. Summary of Significant Accounting Policies

(a) Revenue

IFRS 15 specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company has applied IFRS 15 retrospectively and determined that there is no change to the comparative periods or transitional adjustments required as a result of the adoption of this standard. The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

- Identifying the contract with a customer
- Identifying the performance obligations within the contract
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized when the Company transfers control of the good to the customer. In some cases, judgement is required in determining whether the customer is a business or the end consumer. This evaluation was made on the basis of whether the business obtains control of the product before transferring to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms.

The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive taking into account any variation that may result from rights of return.

The pattern and timing of revenue recognition under the new standard is consistent with prior year practice. There were no adjustments recognized on the adoption of IFRS 15 for the period ended March 31, 2019.

3. Summary of Significant Accounting Policies

(b) Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized in the Balance Sheets when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net loss.

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

a) amortized cost ("AC");
b) fair value through profit or loss ("FVTPL"); and
c) fair value through other comprehensive income ("FVTOCI").

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTOCI.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL.

Financial instruments are classified into one of the following categories: FVTPL; financial assets at amortized cost, financial liabilities at amortized cost, and financial assets at FVTOCI.

3. Summary of Significant Accounting Policies (continued)

Impairment of financial instruments

For accounts receivable, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all accounts receivable, trade based on the Company's historical default rates over the expected life of the accounts receivable, trade and is adjusted for forward-looking estimates. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

All individually significant loan receivables are assessed for impairment. All individually significant loans receivable found not to be specifically impaired are then collectively assessed for impairment. Loans receivables not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the statements of comprehensive loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive income.

4. Recent Accounting Pronouncements

Adoption of new accounting pronouncements

IFRS 9 - Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39").

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income ("OCI") instead of Net Income, unless this would create an accounting mismatch.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVTOCI") and FVTPL. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale.

4. Recent Accounting Pronouncements (continued)

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

The Company adopted IFRS 9 effective from January 1, 2018. The adoption did not result in any material change.

IFRS 15: Revenue from Contracts with Customers:

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company has adopted IFRS 15 from incorporation date.

IFRS 7, Financial instruments: Disclosure

IFRS 7, Financial instruments: Disclosure, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

Changes in accounting standards not yet effective

IFRS 16: Leases (“IFRS 16”):

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16"), which replaces IAS 17 – Leases, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

Insurance Contracts

In May 2017, the International Accounting Standards Board (“IASB”) issued IFRS 17 - Insurance Contracts (“IFRS 17”), that replaces IFRS 4 - Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue and claims-related expenses. IFRS 17 is effective for annual

periods beginning on or after January 1, 2021; however, based on recent IASB meetings, an upcoming amendment to

4. Recent Accounting Pronouncements (continued)

IFRS 17 and a deferral of the transition date by one year is anticipated. Early adoption is permitted. The Company is assessing the potential impact of this standard.

IFRIC 23, Uncertainty Over Income Tax Treatments

IFRIC 23 was issued in June 2017 and is effective for years beginning on or after January 1, 2019, to be applied retrospectively. IFRIC 23 provides guidance on applying the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered together or separately based on which approach better predicts resolution of the uncertainty. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements and plans to adopt the requirements in 2019.

5. Intangible assets

The intangible assets are comprised as follows:

	As at March 31, 2019 $	As at September 30, 2018 $
Opening balance	**1**	1,606,500
Less: Impairment loss during the year	-	(1,606,499)
	1	1

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 co-licensors. Marcus Martin and Edward Pardiak, control 2320696 Ontario Inc. and 2262554 Ontario Inc, respectively 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, actually received by the Company on the sale of the licensed goods.

The shares were released in fiscal 2015. Under the terms of the license 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

5. Intangible assets (continued)

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 the corresponding equipment and leasehold improvements associated with this agreement.

As at September 30, 2018, management, based on its assessment of the recoverability of the carrying value of the intangible assets associated with this agreement, decided to write-down the asset value to $1 from $1,606,500. The impairment loss arising as a result of this, has been reported on the Statement of Operations and Comprehensive loss.

6. Property and equipment

Property and equipment consist of the following:

	Furniture and equipment	Leasehold improvement	Computer equipment	Total
	$	$	$	$
Cost				
As at September 30, 2017	9,347	-	9,739	19,086
Write-off	(9,347)	-	(9,739)	(19,086)
As at September 30, 2018	-	-	-	-
Additions	-	-	-	-
As at March 31, 2019	-	-	-	-
Depreciation				
As at September 30, 2017	8,767	-	9,739	18,506
Depreciation	580	-	-	580
Write-off	(9,347)	-	(9,739)	(19,086)
As at September 30, 2018	-	-	-	-
Depreciation	-	-	-	-
As at March 31, 2019	-	-	-	-
Net book value				
As at September 30, 2018	-	-	-	-
As at March 31, 2019	-	-	-	-

During the year ended September 30, 2018, 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.

7. Accounts Payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	As at March 31, 2019	As at September 30, 2018
	$	$
Trade payables	**351,794**	223,526
Payroll taxes payable	**24,335**	34,470
Sales tax recoverable	**(6,397)**	(6,389)
Accrued liabilities and other	**136,634**	131,903
	506,366	383,510

8. Payable from restructuring proposal

On June 13, 2016, the Company announced it had completed the Restructuring Proposal as approved by the Ontario Court. The financial impact of the Restructuring Proposal transaction is reflected in the accompanying consolidated financial statements, and is 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, 2019 is $254,092 (September 30, 2018 - $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. Loans and advances

Loans to the Company amounting to $33,477 as at March 31, 2019 (September 30, 2018: $33,477) are from related parties and are unsecured, non-interest bearing with no fixed terms of repayment.

10. Joint venture advances

On February 23, 2018, the Company announced that it had signed a five-year agreement with certain secured creditors to promote, advertise, market, and grow the sales of its dry product Tri-Filler. The entity is based in Parry Sound, Ontario and is owned 51% by the creditors and 49% by the Company. The creditors will contribute funds to operate the entity and provide expertise to launch Tri-Filler, and, in return, the Company 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. Thereafter, the operating profits will be split 51% to the investors and 49% to the Company. The investors make monthly advances to the Company of $20,000, until the entity is able to distribute profits. These advances shall be repaid to the investors, once the Company's share of profits exceeds $20,000 per month. As at March 31, 2019, the advances from investors received was $340,000 (September 30, 2018 - $220,000).

11. Convertible Debentures

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, 2019	As at September 30, 2018
	$	$
Face value of debentures	**60,000**	60,000
Equity component of debentures	**(42,153)**	(42,153)
Accumulated accretion	**16,712**	12,922
Balance	**34,559**	30,769

12. Share Capital

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.

Issued and outstanding: Class A Shares

	Number of shares	Amount
Balance, September 30, 2018	14,062,663	$ 9,144,029
Balance, March 31, 2019	**14,062,663**	**$ 9,144,029**

i) 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.

13. Equity Reserves

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 the period ended March 31, 2019 and the year ended September 30, 2018 are summarized as follows:

	March 31, 2019		September 30, 2018	
	Number Outstanding	**Weighted Average Exercise Price**	Number Outstanding	Weighted Average Exercise Price
Balance, beginning of the period	**13,333**	**$3.00**	13,333	$3.00
Expired/Cancelled	**13,333**	**$3.00**	13,333	$3.00
Balance, end of period	-	-	-	-

13. Equity Reserves (continued)

During the three and six months ended March 31, 2019, the Company did not grant any new options (September 30, 2018 - 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 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 financial instruments mainly comprise of cash, accounts payable and accrued liabilities, payable from restructuring proposal, loans and advances and joint venture advances.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

15. Financial Risk Factors (continued)

• Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

• Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

	Carrying values				Fair values
Financial assets	**FVTPL**	**FVTOCI**	**AC**	**Total**	**Total**
Financial assets		**$**	**$**	**$**	**$**
March 31, 2019					
Cash	**9,923**	-	-	**9,923**	**9,923**
Other receivables	**1,429**	-	-	**1,429**	**1,429**
	11,352	-	-	**11,352**	**11,352**
September 30, 2018					
Cash	11,377	-	-	11,377	11,377
Other receivables	6,565	-	-	6,565	6,565
	17,942	-	-	17,942	17,942

	Carrying values			Fair values
	FVTPL	**AC**	**Total**	**Total**
Financial assets	**$**	**$**	**$**	**$**
March 31, 2019				
Accounts payable an accrued liabilities	-	**506,366**	**506,366**	**506,366**
Payable from restructuring proposal	-	**254,092**	**254,092**	**254,092**
Loans and advances	-	**33,477**	**33,477**	**33,477**
Joint venture advances	-	**340,000**	**340,000**	**340,000**
	-	**1,133,935**	**1,133,935**	**1,133,935**
September 30, 2018				
Accounts payable an accrued liabilities	-	383,510	383,510	383,510
Payable from restructuring proposal	-	254,092	254,092	254,092
Loans and advances	-	33,477	33,477	33,477
Joint venture advances	-	220,000	220,000	220,000
	-	891,079	891,079	891,079

The Company's financial instruments are classified as Level 2 under the hierarchy. The Company has determined that there have been no transfers between levels in the hierarchy by re assessing categorization at the reporting date.

15. Financial Risk Factors (continued)

The company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no changes to the Company's exposure to risks in respect of its financial instruments, and there have been no changes in respect of management's objectives, policies and processes in the management of its financial instruments from that of prior reporting period.

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, 2019, the Company had a cash balance of $9,923 (September 30, 2018 - $11,377) to settle current liabilities of $1,133,935 (September 30, 2018 - $891,079). 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 (See Note 1).

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. Interest rate risk is the risk that the value of financial instruments will fluctuate due to change in market interest rates. As at March 31, 2019, all of the company's financial instruments are either non-interest bearing or bear interest at fixed rate

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.