Biosenta Inc.

Condensed Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2023 and 2022
(Expressed in Canadian dollars)
(Unaudited)

MANAGEMENT’S RESPONSIBILITY STATEMENT

The management of Biosenta Inc. (the "Company"), is responsible for preparing the condensed interim consolidated financial statements, the notes to the condensed interim consolidated financial statements and other financial information contained in these condensed interim consolidated financial statements (the “condensed interim consolidated financial statements”).

Management prepares the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”). The condensed interim consolidated financial statements are considered by management to present fairly the Company's financial position and results of operations.

The management, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that management assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the condensed interim consolidated financial statements.

Am Gill, Chief Executive Officer
August 28, 2023

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, if an auditor has not performed a review of condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements (unaudited) of Biosenta Inc. (the “Company”) have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

The Company’s independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants (CPA) of Canada for a review of condensed interim financial statements by an entity’s auditors.

Biosenta Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	Notes	**June 30, 2023 $**	September 30, 2022 $
ASSETS			
Current			
Cash		**28,307**	27,263
Inventory	5	**41,166**	45,177
Prepaid expenses		**30,636**	44,424
Other receivables		**156,646**	139,214
		256,755	256,078
Non-current			
Intangible assets	6	**1**	1
Total assets		**256,756**	256,079
LIABILITIES			
Current			
Accounts payable and accrued liabilities	7	**1,777,622**	1,299,912
Payable from restructuring proposal		**254,092**	254,092
Loans and promissory notes payable	8	**188,559**	34,766
Joint venture advances	9	**1,805,572**	1,531,950
		4,025,845	3,120,720
Non-current			
CEBA loan	11	**60,000**	60,000
Total liabilities		**4,085,845**	3,180,720
SHAREHOLDERS' DEFICIT			
Share capital	12	**12,201,252**	12,058,002
Warrant reserves	13	**833,030**	833,030
Equity reserves	14	**978,667**	953,293
Loss on settlement of liabilities		**(1,848,118)**	(1,848,118)
Deficit		**(15,993,920)**	(14,920,848)
Total shareholders' deficit		**(3,829,089)**	(2,924,641)
Total liabilities and shareholders' deficit		**256,756**	256,079

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 15)
Subsequent events (Note 18)

See accompanying notes.

Approved by the Board of Directors

Signed "Am Gill" CEO and President

Signed "Ed Korhonen" Director

Biosenta Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian dollars)

	Notes	**Three months ended June 30, 2023 $**	Three months ended June 30, 2022 $	**Nine months ended June 30, 2023 $**	Nine months ended June 30, 2022 $
Sales		**197**	**633**	**665**	**925**
Cost of sales		**83**	**184**	**382**	**350**
Gross profit		**114**	**449**	**283**	**575**
Administrative expenses					
Professional fees		**123,863**	61,414	**354,653**	191,768
Salaries, management and consulting fees	10	**194,851**	171,578	**480,183**	464,500
Share based compensation	10, 12	**143,250**	15,191	**168,624**	96,997
Office and general		**9,863**	11,450	**30,754**	29,712
Insurance		**1,252**	8,047	**7,014**	34,494
Product development costs		**8,657**	2,638	**20,481**	63,977
Share transfer fees		**6,834**	5,670	**18,037**	17,145
Sales and marketing		**6,179**	249	**13,817**	7,142
Travel		**1,503**	433	**2,056**	7,367
Total expenses		**496,252**	276,670	**1,095,619**	913,102
Net loss from operations		**(496,138)**	(276,221)	**(1,095,336)**	(912,527)
Other (income) expenses					
Write-down of inventory		**3,463**	—	**3,463**	—
Interest expense		**13,915**	2,808	**33,095**	217,976
Exchange gain		**(2,475)**	3,387	**(3,752)**	1,738
Loss from settlement of liabilities		**—**	—	**—**	1,848,118
National Research Council Canada grant		**(16,582)**	—	**(55,070)**	—
Total other (income) expenses		**(1,679)**	6,195	**(22,264)**	2,067,832
Income tax expense (recovery)		**—**	—	—	—
Net loss and comprehensive loss		**(494,459)**	**(282,416)**	**(1,073,072)**	**(2,980,359)**
Loss per common share - basic and diluted		**(0.02)**	(0.01)	**(0.05)**	(0.13)
Weighted average number of common shares - basic and diluted		**23,059,348**	23,006,591	**23,059,348**	23,006,591

See accompanying notes.

Biosenta Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

(Unaudited - Expressed in Canadian dollars)

		Share Capital		Warrants	Equity	Loss on	Accumulated	
		Shares	Amount		reserve	settlement of liabilities	deficit	Total
	Notes	#	$	$	$	$	$	$
As at September 30, 2021		19,381,276	10,027,826	—	840,938	—	(13,462,587)	(2,593,823)
Shares issued to settle liabilities		3,625,315	2,030,176	—	—	—	—	2,030,176
Warrants issued to settle liabilities		—	—	833,030	—	—	—	833,030
Share based compensation		—	—	—	96,997	—	—	96,997
Net loss for the period		—	—	—	—	—	(2,980,359)	(2,980,359)
As at June 30, 2022		**23,006,591**	**12,058,002**	**833,030**	**937,935**	**—**	**(16,442,946)**	**(2,613,979)**
As at September 30, 2022		**23,006,591**	**12,058,002**	**833,030**	**953,293**	**(1,848,118)**	**(14,920,848)**	**(2,924,641)**
Share based compensation		**400,000**	**143,250**	**—**	**25,374**	—	**—**	**168,624**
Net loss for the period		**—**	—	**—**	**—**	—	**(1,073,072)**	**(1,073,072)**
As at June 30, 2023		**23,406,591**	**12,201,252**	**833,030**	**978,667**	**(1,848,118)**	**(15,993,920)**	**(3,829,089)**

See accompanying notes.

Biosenta Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	Notes	**Nine months ended June 30, 2023 $**	Nine months ended June 30, 2022 $
Operating activities			
Net loss and comprehensive loss for the period		**(1,073,072)**	(2,980,359)
Adjustments for items not affecting cash:			
Share based compensation		**168,624**	96,997
Loss on settlement of liabilities		**—**	1,848,118
Changes in working capital items:			
Inventory		**4,011**	780
Prepaid expenses		**13,788**	21,663
Other receivables		**(17,432)**	(111,787)
Accounts payable and accrued liabilities		**477,710**	744,019
Cash used in operating activities		**(426,371)**	(380,569)
Financing activities			
Proceeds from (repayment of) loans andpromissory notes	**8**	**153,793**	(58,277)
Advances from joint venture	**9**	**273,622**	389,242
Cash provided by financing activities		**427,415**	330,965
Net increase (decrease) in cash		**1,044**	(49,604)
Cash beginning of the period		**27,263**	111,881
Cash end of the period		**28,307**	62,277
Supplementary information			
Non - Cash activities			
Issuance of shares and warrants		143,250	2,863,206

See accompanying notes.

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 engaged in developing sales for *True* product lines and the development for commercial applications of its technology to produce an anti-microbial Tri-Filler product.

Going concern

During the period ended June 30, 2023, the Company reported net loss of $1,073,072 and a working capital deficit of $3,769,090.

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 period ended June 30, 2023 from existing cash and advances from joint venture (See Note 9). 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 years ended September 30, 2022 and 2021. 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.

The Board of Directors of the Company authorized these condensed interim consolidated financial statements for issuance on August 28, 2023.

2. Basis of Presentation (continued)

Basis of preparation and presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. 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.

Covid-19 Pandemic

As disclosed in Note 2 to the Company's audited consolidated financial statements for the years ended September 30, 2022 and 2021, the Coronavirus ("COVID-19") pandemic continues to give rise to heightened uncertainty as it relates to accounting estimates and assumptions and increases the need to apply judgments when evaluating the economic environment and its impact on significant estimates.

There is significant uncertainty regarding the extent and duration of the impact that the COVID-19 pandemic will have on Company's operations. The extent to which the impacts of COVID-19 pandemic affect the judgments and estimates described in Note 2 to the Company's audited consolidated financial statements for the years ended September 30, 2022 and 2021, depend on future developments. COVID-19 may impact assumptions relating to the impairment analysis of the Company's assets.

The changes in assumptions and inputs during the period ended June 30, 2023 did not impact these unaudited condensed interim consolidated financial statements. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these unaudited condensed interim consolidated interim financial statements.

There are no other changes in the significant accounting judgements and estimates in the unaudited condensed interim consolidated financial statements for the three and nine months ended June 30, 2023 and 2022 as discussed in the Company's last annual audited financial statements.

3. Significant Accounting Policies

Significant accounting judgments, estimates and assumptions

The preparation of these unaudited condensed interim consolidated 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 unaudited condensed interim consolidated financial statements and related notes.

3. Significant Accounting Policies (continued)

Significant accounting judgments, estimates and assumptions (continued)

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:

a) Revenue recognition policy

IFRS 15 – Revenue from contracts with customers ("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'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.

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.

In determining the appropriate time of sale, the Company takes into consideration a) the Company's right to payment for the goods or services; b) customers legal title; c) transfer of physical possession of the goods; and d) timing of acceptance of goods.

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.

b) Related party transactions

A party is related to an entity if the party directly or indirectly controls, is controlled by or is under common control with the entity; or if it has an interest in the entity that gives it significant influence over the entity; or if it has joint control over the entity or is an associate or a joint venture of the entity. In addition, members and dependents of the key management personnel of the entity (Board of Directors and Executive Management Board) are also considered related parties.

3. Significant Accounting Policies (continued)

c) Joint Venture advances

Joint ventures advances comprise money received from one or more unaffiliated entities. The Company invests these advances under terms requiring unanimous consent of all the parties (See Note 9).

The Company's interests in joint ventures are classified as obligation relating to investments in joint ventures and is accounted for using the equity method, with the Company's share of net losses and net liabilities separately disclosed in the condensed interim consolidated statements of loss and comprehensive loss and condensed interim consolidated statements of financial position, in accordance with IFRS 11 'Joint Arrangements'.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

d) Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized 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 the condensed interim consolidated statements of loss and comprehensive 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 the the condensed interim consolidated statements of loss and comprehensive loss in the period that the asset is derecognized or impaired.

3. Significant Accounting Policies (continued)

d) Financial instruments (continued)

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 the condensed interim consolidated statements of loss and comprehensive loss 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.

Impairment of financial instruments – Expected credit losses ("ECL")

For all financial assets recorded at amortized cost, 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 receivables based on the Company's historical default rates over the expected life of the accounts receivable 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.

ECL are calculated as the product of the probability of default, exposure at default and loss given default over the remaining expected life of the receivables. No ECL has been recorded by the Company as all receivables are expected to be collected and are not significant.

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 condensed interim consolidated statements of loss and 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 condensed interim consolidated statements of loss and comprehensive loss.

Impairment of non-financial assets

At each financial reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is an indication that those assets have suffered an impairment loss.

3. Significant Accounting Policies (continued)

d) Financial instruments (continued)

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

4. Recent Accounting Pronouncements

The Standards, Amendments and Interpretations Issued but not yet effective

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending December 1, 2023 and, accordingly, have not been applied in preparing these unaudited condensed interim consolidated financial statements.

Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 – Leases ("IFRS 16") relating to sale leaseback transactions for seller-lessees. The amendment adds a requirement that measuring lease payments or revised lease payments shall not result in the recognition of a gain or loss that relates to the right-of-use asset retained by the seller-lessee. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company is assessing the potential impact of these amendments.

Non-current Liabilities with Covenants

In October 2022, the IASB issued amendments to IAS 1 – Presentation of Financial Statements, which specifies that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require disclosure of information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company is assessing the potential impact of these amendments.

(Unaudited - Expressed in Canadian dollars)

5. Inventory

Inventory is comprised of the following:

	As at June 30, 2022	As at September 30, 2022
	$	$
Raw materials and containers	**2,408**	2,407
Finished Goods	**38,758**	42,770
Closing balance	**41,166**	45,177

The cost of inventory expensed and included in cost of sales was $83 (June 30, 2022 $215) and $382 (June 30, 2022: $350) during the three and nine months ended June 30, 2023 respectively.

6. Intangible assets

On June 7, 2011, the Company entered into an exclusive world-wide 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 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.

(Unaudited - Expressed in Canadian dollars)

6. Intangible assets (Continued)

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, was reported on the Statement of Operations and Comprehensive Income (loss) during the year ended September 30, 2018.

7. Accounts Payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	As at June 30, 2023	As at September 30, 2022
	$	**$**
Trade payables	**1,066,916**	752,698
Payroll taxes payable	**145,941**	169,174
Sales tax recoverable	**(20,740)**	(5,919)
Accrued liabilties and other	**585,505**	383,959
	1,777,622	1,299,912

8. Loans and Promissory Notes payable

Loans consist of the following:

	As at June 30, 2023	As at September 30, 2022
	$	**$**
Loans	**6,458**	29,442
Addition during the period	**148,000**	206,000
Interest accrued during the period	**3,654**	1,104
Settled during the period	**—**	(230,088)
Closing balance	**158,112**	6,458

Loans of $6,458 to the Company from related parties are unsecured, non-interest bearing with no fixed terms of repayment.

Loans of $148,000 to the Company from related parties are unsecured, at an annual interest rate of 10% with no fixed terms of repayment.

(Unaudited - Expressed in Canadian dollars)

8. Loans and Promissory Notes payable (Continued)

Promissory Notes Payable

Thes promissory notes are unsecured, carry interest at the rate of Prime rate plus 5% and are fully due and repayable on demand. The interest accrued on promissory notes during the period ended June 30, 2023 is $2,139 (June 30, 2022: $2,557).

The following table summarizes the promissory notes outstanding as at June 30, 2023:

	As at June 30, 2023	As at September 30, 2022
	$	**$**
Opening balance	**28,308**	**62,988**
Interest accrued during the period	**2,139**	3,170
Settled during the period	**—**	(37,850)
Closing balance	**30,447**	**28,308**

9. 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 June 30, 2023, the advances received from investors were $1,805,572 (September 30, 2022: $1,531,950).

In December 2021, the Company agreed to pay interest at the rate of 8% per annum compounded from the date of advancement of funds by the investors, to finance the day to day operations of the Company. Accordingly, interest charges amounting to $26,296 (June 30, 2022: $2,519) have been recorded in the condensed interim consolidated statements of operations and comprehensive loss for the period ended June 30, 2023.

(Unaudited - Expressed in Canadian dollars)

9. Joint venture advances (Continued)

The Company to proceed with the proposal to issue shares from treasury and issue warrants in return for three tranches of cash funding, to be paid over a period of three months, as follows:

- The subscription is set at a fixed price of $0.1 per share or 500,000 shares at for the first of three $50,000 tranches, with one half of a warrant for each share subscribed to at $0.20 per shares with an expiry date of 18 months from the closing of the tranche.
- The second 50,000 tranche would be identical to the first except for the closing and expiry dates of the warrants which are to be 24 months from the closing of the tranche.
- The third tranche $50,000 will have the same subscription price of $0.10 and warrant expiry date, except that the price of the warrant will be $0.25 per share for the remaining 250,000 shares.

The proposal will be effective after the Company shares trading will be active in the exchange.

As explained in detail in Note 18 (Subsequent events), on June 23, 2023, the Company announced reaching an agreement with 19443391 Ontario Inc. and its shareholders to terminate the Joint venture agreement and issuing certain securities in settlement of its indebtedness to 19443391 Ontario Inc. The JV agreement was terminated subject to the satisfaction of closing conditions which were completed subsequent to the reporting date.

10. Related Party Transactions and Balances

The Company had the following related party transactions for the period ended June 30, 2023 and 2022. These transactions were in the normal course of operations and are measured at the exchange amount, which are the amounts agreed to by the related parties.

Compensation of key management personnel of the Company

The remuneration of directors and other key management personnel is as follows:

	For the three months ended June 30, 2023	For the three months ended June 30, 2022	**For the nine months ended June 30, 2023**	**For the nine months ended June 30, 2022**
	$	**$**		
Short-term compensation	**74,038**	74,038	**211,538**	211,538
Share-based compensation	**—**	13,021	**25,374**	82,560
Total	**74,038**	87,059	**236,912**	294,098

Short-term compensation includes salaries, bonuses, and allowances, employment benefits, and directors' fees. As at June 30, 2023 the Company owes $151,654 (June 30, 2022: $Nil) to the President and CEO of the Company. The principal amount of the loan is $148,000 which is unsecured with an interest rate of 10% and no fixed terms of repayment.

Refer Note 18 for termination of Joint Venture Agreement with related party.

(Unaudited - Expressed in Canadian dollars)

11. CEBA loan

In 2020, the Company availed the RBC Canada Business Account revolving credit line, to a maximum of $60,000 under the Canada Emergency Business Account (CEBA) program funded by the Government of Canada. The loan is unsecured and non-interest bearing with no required repayment until December 31, 2023. Any unpaid balance at December 31, 2023, will be converted to a two year term loan at 5% interest payable monthly. Loan forgiveness of 33% (upto $20,000) will apply when 75% of the maximum loan balance is repaid by December 31, 2023. The full amount of the loan (including principal and interest) is due and payable on December 31, 2025.

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, 2022	23,006,591	$ 12,058,002
Shares issued during the period	400,000	143,250
Balance, June 30, 2023	23,406,591	$ 12,201,252

During the period ended June 30, 2023, 400,000 common shares were issued, fair valued at market price prevalent at the time of issuance, in settlement of past services and recorded as share based compensation in the condensed interim consolidated statement of loss and comprehensive loss with a corresponding credit to share capital.

(Unaudited - Expressed in Canadian dollars)

13. Warrant Reserves

The following table shows the schedule of warrants as at June 30, 2023:

	No. of warrants	Amount
	#	$
Balance at September 30, 2022	1,812,658	833,030
Balance at June 30, 2023	1,812,658	833,030

The following table summarizes the warrants outstanding as at June 30, 2023:

Expiration Date	Warrants outstanding	Weighted average exercise price	Remaining contractual life
September 2023	1,812,658	$0.56	0.23
Total	**1,812,658**		**0.23**

14. 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.

During the period ended June 30, 2023, no stock options were granted under the Plan. The following is a schedule of outstanding options:

	June 30, 2023		September 30, 2022	
	No. of options	**Weighted average exercise price**	No. of options	Weighted average exercise price
	#	$	#	$
Opening balance	1,367,000	0.68	1,367,000	0.68
Closing balance	**1,367,000**	**0.68**	1,367,000	0.68

(Unaudited - Expressed in Canadian dollars)

14. Equity Reserves (Continued)

The following table summarizes the stock options outstanding as at June 30, 2023:

Expiration Date	Stock options outstanding	Weighted average exercise price	Stock options exercisable	Remaining contractual life
February 2026	350,000	$1.06	325,706	2.67
May 2026	1,017,000	$0.55	1,017,000	2.84
Total	**1,367,000**	$0.68	**1,342,706**	

15. Commitments and Contingencies

Commitments

The Company has a rent agreement in Canada with Barracuda Wellsite Management on a monthly rental of $1,500 per month. This rental agreement is based on a month to month basis.

On September 14, 2020, the Company finalized a strategic royalty bearing licensing partnership with Kleen Bee Labs, a corporation formed under the laws of California. This license will give the rights for distribution of DualXtiv, a broad spectrum anti-microbial disinfectant to club level, mass grocery and retail chains across North America. The distributor will cover all costs associated with marketing, warehousing, transportation logistics, and retail space fee. In consideration of rights granted to the Licensee, the Licensee will pay the Licensor a running royalty equivalent to no less than forty cents (US $0.40) per gallon of Licensed product supplied by the Approved manufacturer to the Licensee plus Taxes. The Royalties will be adjusted for inflation on an annual basis.

On September 24, 2020, the Company entered into a four year research partnership with the University of Calgary Research Group and AMPAK Inc. from Toronto, Ontario. The goal of the partnership is to standardize the production process of the Company's patented two-part, food-grade nanoparticles called Tri-filler which not only has the attributes of being anti-microbial, but also strength enhancement and fire-retardant capabilities.

Under the terms of the agreement, the following contributions will be payable to the University:

- $37,500 upon execution of the Agreement and issuance of invoice by the University
- $37,500 upon issuance of an invoice no earlier than September 15, 2021
- $37,500 upon issuance of an invoice no earlier than September 15, 2022; and
- $37,500 upon issuance of an invoice no earlier than September 15, 2023

As at June 30, 2023, the Company has $37,500 of outstanding commitments to the University of Calgary.

15. Commitments and Contingencies (Continued)

The Company has also entered into a Revenue sharing agreement with the University of Calgary through its innovation transfer and business incubation center UTI Limited Partnership (ULP). Pursuant to the Research agreement, the Company will own Research Results arising from the Project and in consideration for the University assigning its rights in the Research Results to the Company, the Company will pay ULP :

- Revenue sharing payments equal to one and one-half percent (1.5%) of Net Sales; plus
- Revenue sharing payments equal to ten percent (10%) of Licensing Revenue.

Other Contingencies

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At June 30, 2023, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates are an adverse party or have a material interest adverse to the Company's interest.

16. Financial Risk Factors

The Company’s financial instruments mainly comprise of cash and other receivables, accounts payable and accrued liabilities, payable from restructuring proposal, loans 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 utilize the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which there is sufficient data with unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the condensed interim consolidated financial statements are categorized within the fair value hierarchy.

(Unaudited - Expressed in Canadian dollars)

16. Financial Risk Factors (Continued)

Fair Value (Continued)

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.

• 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**	**Total**	**Total**
June 30, 2023	**$**	**$**	**$**	**$**
Cash	**28,307**	—	**28,307**	**28,307**
Other receivables	**156,646**	—	**156,646**	**156,646**
	184,953	—	**184,953**	**184,953**
September 30, 2022	$	$	$	$
Cash	27,263	—	27,263	27,263
Other receivables	139,214	—	139,214	139,214
	166,477	—	166,477	166,477

	Carrying values			Fair values
Financial liabilities	**FVTPL**	**Amortised cost**	**Total**	**Total**
June 30, 2023	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	—	**1,777,622**	**1,777,622**	**1,777,622**
Payable from restructuring proposal	—	**254,092**	**254,092**	**254,092**
Loans and promissory notes payable	—	**188,559**	**188,559**	**188,559**
Joint venture advances	—	**1,805,572**	**1,805,572**	**1,805,572**
	—	**4,025,845**	**4,025,845**	**4,025,845**
September 30, 2022	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	—	1,299,912	1,299,912	1,299,912
Payable from restructuring proposal	—	254,092	254,092	254,092
Loans	—	34,766	34,766	34,766
Joint venture advances	—	1,531,950	1,531,950	1,531,950
	—	3,120,720	3,120,720	3,120,720

16. Financial Risk Factors (Continued)

Fair Value (Continued)

There were no transfers between levels in the hierarchy. For financial assets and liabilities not measured at fair value, their carrying value approximates fair value due to their short-term nature and market terms.

The Company is exposed to credit risk, liquidity risk and interest rate risk. The Company's management oversees the management of these risks. The Company's management is supported by the members that advise on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite.

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

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and other receivables. To address its credit risk arising from cash, the Company ensures to keep these balances with financial institutions of high repute. The Company has not recorded an ECL as all amounts are considered to be recoverable and are immaterial. The Company is not significantly exposed to its other receivables. As at June 30, 2023 and September 30, 2022 the maximum amount exposed to credit risks was $156,646 and $139,214 respectively.

Liquidity risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members, third parties and joint venture. As at June 30, 2023, all accounts payable and accrued liabilities are due within a year.

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 June 30, 2023, all of the Company's financial instruments are either non-interest bearing or bear interest at fixed rates.

17. 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.

18. Subsequent Events

The Company has evaluated subsequent events through August 28, 2023 which is the date the condensed interim consolidated financial statements were issued, and has determined the following events to report:

On June 23, 2023, the Company announced reaching an agreement with 19443391 Ontario Inc. (“194”) and its shareholders to terminate the existing joint venture agreement (“the JV Agreement”) between the Company and 194 and issue certain securities as consideration. Pursuant to the agreement, the exclusive license in favour of 194 will be terminated allowing the Company to license its technology to other potential licensees.

Pursuant to the agreement, the JV Agreement (announced on February 28, 2018) will be terminated and all indebtedness owing to 194 and related persons will be extinguished. As consideration, the Company will issue (i.) 3,000,000 common shares at an issue price of $0.40 for an aggregate subscription price of $1,200,000 and (ii.) a non-transferable promissory note in the principal amount of $6,500,000 carrying interest at a rate of prime plus 3% per annum payable quarterly subject to a 120 day interest free period. The Note will mature on December 31, 2025.

This transaction will be recorded during Q4 2023, as all related closing conditions were met and completed on July 17, 2023.