Biosenta Inc.

Consolidated Financial Statements
For the years ended September 30, 2023 and 2022
(Expressed in Canadian dollars)

Biosenta Inc.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Independent Auditor's Report	1-3
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Operations and Comprehensive Loss	5
Consolidated Statements of Changes in Shareholders' Deficit	6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 33

Independent Auditor's Report

To the Shareholders of Biosenta Inc.

Opinion
We have audited the consolidated financial statements of Biosenta Inc. (the "Company"), which comprise the consolidated statement of financial position as at September 30, 2023 and 2022, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2023 and 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss in the past and currently has an accumulated deficit of $21,220,602. As stated in Note 1, these events or conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters
Key audit matters are those that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended September 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we did not provide a separate opinion on these matters.

Except for the matter described above in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to be communicated in our report.

Other Information
Management is responsible for the other information. The other information comprise:

- Management's Discussion and Analysis; and

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Nick Miseros.

MS Partners LLP

Licensed Public Accountants
Toronto, Ontario
January 29, 2024

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

	Note	September 30, 2023 $	September 30, 2022 $
ASSETS			
Current			
Cash		**5,883**	27,263
Inventory	5	**39,623**	45,177
Prepaid expenses		**26,040**	44,424
Other receivables		**20,486**	145,133
		92,032	261,997
Non-current			
Intangible assets	6	**1**	1
Property and equipment	7	**15,559**	—
Total assets		**107,592**	261,998
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	**2,090,386**	1,305,831
Payable from restructuring proposal	9	**254,092**	254,092
Loans and promissory notes payable	10	**323,437**	34,766
Joint venture advances	11	**—**	1,531,950
		2,667,915	3,126,639
Non-current			
CEBA loan	15	**60,000**	60,000
Promissory note payable	11	**5,235,448**	—
Total liabilities		**7,963,363**	3,186,639
SHAREHOLDERS' DEFICIT			
Share capital	16	**13,401,252**	12,058,002
Warrant reserves	17	**—**	833,030
Equity reserves	18	**1,811,697**	953,293
Loss on settlement of liabilities	16	**(1,848,118)**	(1,848,118)
Deficit		**(21,220,602)**	(14,920,848)
Total shareholders' deficit		**(7,855,771)**	(2,924,641)
Total liabilities and shareholders' deficit		**107,592**	261,998

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 19)
Subsequent events (Note 24)

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

Approved by the Board of Directors

Signed "Am Gill" CEO and President   *Signed "Ed Korhonen"* Director

Biosenta Inc.
Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars, unless otherwise stated)

	Note	**Year ended September 30, 2023 $**	Year ended September 30, 2022 $
Sales		**1,042**	**1,151**
Cost of sales		**615**	**423**
Gross profit		**427**	**728**
Administrative expenses			
Professional fees		**486,757**	245,711
Salaries, management and consulting fees	12	**671,302**	627,435
Share based compensation	12	**168,624**	112,355
Office and general		**50,071**	43,737
Insurance		**8,891**	37,375
Product development costs		**66,685**	103,052
Share transfer fees		**30,917**	21,425
Sales and marketing		**22,532**	10,237
Travel		**4,610**	7,697
Total expenses		**1,510,389**	1,209,024
Net loss from operations		**(1,509,962)**	(1,208,296)
Other (income) expenses			
Loss on termination of joint venture	11	**4,786,837**	—
Write-down of inventory		**3,463**	30,779
Interest expense	13	**64,365**	222,878
Exchange gain		**(1,385)**	7,820
National Research Council Canada grant	14	**(63,488)**	(11,512)
Total other expenses		**4,789,792**	249,965
Income tax expense (recovery)		**—**	—
Net loss and comprehensive loss		**(6,299,754)**	**(1,458,261)**
Loss per common share - basic and diluted		**(0.24)**	(0.07)
Weighted average number of common shares - basic and diluted		**26,147,113**	21,303,490

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

Biosenta Inc.

Consolidated Statements of Changes in Shareholders' Deficit

(Expressed in Canadian dollars, unless otherwise stated)

		Share Capital		Warrants	Equity	Loss on	Accumulated	
		Shares	Amount		reserve	settlement of liabilities	deficit	Total
	Note	#	$	$	$	$	$	$
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		—	—	—	112,355	—	—	112,355
Loss on settlement of liabilities		—	—	—	—	(1,848,118)	—	(1,848,118)
Net loss for the year		—	—	—	—	—	(1,458,261)	(1,458,261)
As at September 30, 2022		**23,006,591**	**12,058,002**	**833,030**	**953,293**	**(1,848,118)**	**(14,920,848)**	**(2,924,641)**
As at September 30, 2022		**23,006,591**	**12,058,002**	**833,030**	**953,293**	**(1,848,118)**	**(14,920,848)**	**(2,924,641)**
Shares issued to settle liabilities	16	**3,000,000**	**1,200,000**	—	—	—	—	**1,200,000**
Share based compensation	16,12	**400,000**	**143,250**	—	**25,374**	—	—	**168,624**
Expired warrants	17	—	—	**(833,030)**	**833,030**	—	—	—
Net loss for the year		—	—	—	—	—	**(6,299,754)**	**(6,299,754)**
As at September 30, 2023		**26,406,591**	**13,401,252**	—	**1,811,697**	**(1,848,118)**	**(21,220,602)**	**(7,855,771)**

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

Biosenta Inc.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars, unless otherwise stated)

	Notes	**Year ended September 30, 2023 $**	Year ended September 30, 2022 $
Operating activities			
Net loss and comprehensive loss for the year		**(6,299,754)**	(1,458,261)
Adjustments for items not affecting cash:			
Loss on termination of joint venture		**4,786,837**	—
Share based compensation		**168,624**	112,355
Write-down of inventory		**3,463**	30,779
other non-cash adjustment		**(421)**	—
Changes in working capital items:			
Inventory		**2,091**	1,150
Prepaid expenses		**18,384**	27,134
Other receivables		**(14,567)**	(142,016)
Accounts payable and accrued liabilities		**784,555**	924,426
Cash used in operating activities		**(550,788)**	(504,433)
Investing activities			
Purchase of property and equipment		**(15,559)**	—
Cash used in investing activities		**(15,559)**	—
Financing activities			
Proceeds from (repayment of) loans and promissory notes		**278,449**	(57,664)
Advances from joint venture		**266,518**	477,479
Cash provided by financing activities		**544,967**	419,815
Net decrease in cash		**(21,380)**	(84,618)
Cash beginning of the year		**27,263**	111,881
Cash end of the year		**5,883**	27,263
Supplementary information			
Non - Cash activities			
Issuance of shares and warrants		1,343,250	2,863,206
Settlement of Joint venture advances		1,805,572	—
Issuance of promissory note		6,500,000	—

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

1. Nature of Operations and Going Concern

Biosenta Inc. (the "Company" or "Biosenta") is a public company, incorporated and domiciled in Canada, whose shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "ZRO". The Company's registered address is 18 Wynford Drive, Suite 794, Toronto, Ontario, M3C 3S2. In 2011, the Company acquired the intellectual property rights to certain technology and processes relating to anti-microbial products with potential commercial and consumer applications. The Company is 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 year ended September 30, 2023, the Company reported net loss and comprehensive loss of $6,299,754 (September 30, 2022: $1,458,261) and a working capital deficit of $2,575,883 (September 30, 2022: $2,864,642).

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 value 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 year ended September 30, 2023 from existing cash and advances from joint venture (See Note 11). 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 the 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 consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The Board of Directors of the Company authorized these consolidated financial statements for issuance on January 29, 2024.

2. Basis of Presentation (continued)

Basis of preparation and presentation

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

Basis of consolidation

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

3. Significant Accounting Policies

Significant accounting judgments, estimates and assumptions

The preparation of these 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 audited consolidated financial statements and related notes.

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:

- <u>Assets' carrying values and impairment charges</u>
  In the determination of carrying values and impairment charges, management considers at the higher of recoverable amount or fair value less costs to sell in the case of assets, and at objective evidence of significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- <u>Income taxes and recoverability of potential deferred tax assets</u>
  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income is based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction.

3. Significant Accounting Policies (continued)

Significant accounting judgments, estimates and assumptions (continued)

The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized.
Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-based payments
  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Commitments and contingencies
  Refer to Note 19.

- Going Concern
  Refer to Note 1.

(a) Inventory

Inventory is valued at the lower of cost and net realizable value, based on the "first in, first out" principle. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any required provision for obsolescence.

(b) Property and Equipment

Items of equipment are measured at cost less accumulated depreciation and any recognized impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When components of equipment have different useful lives, they are accounted for as separate items of property and equipment.

The Company commences recognition of depreciation when the item of equipment is ready for its intended use. Depreciation is recognized on the following bases:

- Furniture and equipment 20%
- Computer equipment 45%
- Leasehold improvements - lesser of lease term or useful life, straight line

Depreciation methods and useful lives are reviewed at each reporting date.

3. Significant Accounting Policies (continued)

Significant accounting judgments, estimates and assumptions (continued)

(c) Intangible Assets

Intangible assets with indefinite lives are not amortized but are tested for impairment annually. Intangible assets which have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. The Company's perpetual, worldwide, exclusive license is classified as an indefinite life intangible asset.

(d) Impairment

None of the Company's non-financial assets generate independent cash inflows and therefore all non-financial assets are allocated to cash generating units ("CGU") for the purpose of assessing impairment. CGUs are defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Impairment losses are recognized when the carrying amount of a CGU exceeds the recoverable amount, which is the greater of the CGU's fair values less cost of disposal and its value in use. Value in use is the present value of the estimated future cash flows from the CGU discounted using a pre-tax rate that reflects current market rates and the risks inherent in the business of each CGU. If the recoverable amount of the CGU is less than its carrying amount, the CGU is considered impaired and is written down to its recoverable amount.

The impairment loss is allocated to reduce the carrying amount of the assets of the unit, allocated pro-rata on the basis of the carrying amount of each asset.

Impairment losses of continuing operations are recognized in the consolidated statements of operations. A previously recognized impairment loss for non-financial assets, excluding goodwill, is reversed if there has been a change in the assumptions used to determine recoverable amount since the previous impairment loss was recognized. The carrying amount after the reversal cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

(e) Foreign currency translation

The functional currency of the Company and is the Canadian dollar. Monetary assets and liabilities of the Company are translated into Canadian dollars at exchange rates in effect at the reporting dates and non-monetary items are translated at rates of exchange in effect when the assets were acquired, or obligations incurred. Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Foreign exchange gains and losses arising are included in net loss for the year.

3. Significant Accounting Policies (continued)

Significant accounting judgments, estimates and assumptions (continued)

(f) Income taxes

Current tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(g) Share capital

Shares issued by the Company are recorded in the amount of the proceeds received, net of the after-tax cost of issuance.

The Company, from time to time, may repurchase its shares. When shares are repurchased, the amount of the consideration paid which includes directly attributable costs and is net of any tax effects, is recognized as a deduction from share capital. Any repurchased shares will be cancelled.

3. Significant Accounting Policies (continued)

Significant accounting judgments, estimates and assumptions (continued)

(h) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period adjusted for its own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. The diluted EPS calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

(i) 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 consolidated statements of operations 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 consolidated statements of operations and comprehensive loss 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.

3. Significant Accounting Policies (continued)

Significant accounting judgments, estimates and assumptions (continued)

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in the consolidated statements of operations 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 there are no accounts receivable.

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 consolidated statements of operations 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 consolidated statements of operations 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. 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.

3. Significant Accounting Policies (continued)

(j) Share-based compensation

Share-based awards and payments
The Company grants stock options to directors, officers and employees. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. The grant date fair value of options is recognized as share-based payment expense, with a corresponding increase in equity, over the period that the individual becomes unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the number of share options for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of share options that do meet the related service and non-market performance conditions at the vesting date. Charges for options that are forfeited before vesting are reversed from share-based payment reserve. Upon the expiry of unexercised options or warrants, the amount expensed to the expiry date is transferred to retained earnings (deficit).

(k) 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.

(l) 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)

(m) 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 11).

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 statement of net loss and consolidated statement 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.

(n) Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. Leases are recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in net finance costs in the consolidated statements of operations and comprehensive loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on an index or a rate or subject to a fair market value renewal, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The Company allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components. The lease liability is net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the reasonably certain lease term, including renewal options that the Company is reasonably certain to exercise. Renewal options are included in a number of leases across the Company.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in the consolidated statements of operations and comprehensive loss. Short-term leases are leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index or a rate or are not subject to a fair market value renewal are expensed as incurred and recognized in consolidated statements of operations and comprehensive loss.

Right-of-use assets are measured at cost which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset.

3. Significant Accounting Policies (continued)

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

(o) Warrants

The fair value of warrants, as calculated as of the date of issue using an options pricing model, is included in the Company's warrants reserve. The fair value of warrants, which expire unexercised, is transferred from warrants reserve to equity reserve.

(p) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as an interest expense.

4. Recent Accounting Pronouncements

Standards, Amendments and Interpretations Issued but not yet adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending December 31, 2023, accordingly, have not been applied in preparing these 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 adoption of these amendments is not expected to have any potential impact on the Company's consolidated financial statements.

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.

(Expressed in Canadian dollars, unless otherwise stated)

4. Recent Accounting Pronouncements (Continued)

Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 – Statement of Cash Flows and IFRS 7 – Financial Instruments: Disclosures. The amendments add requirements to disclose information that allows users to assess how supplier finance arrangements affect an entity's liabilities, cash flows, and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The adoption of these amendments is not expected to have any potential impact on the Company's consolidated financial statements.

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International Tax Reform

In May 2023, the IASB issued amendments to IAS 12 – Incomes Taxes. The amendments require entities to disclose information relating to income taxes arising from implementation of Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development which are expected to be enacted in local tax jurisdictions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The adoption of these amendments is not expected to have any potential impact on the Company's consolidated financial statements.

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Lack of Exchangeability

In August 2023, the IASB issued amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates in relation to Lack of Exchangeability. The amendments require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency, and in determining the exchange rate to use and the disclosures to provide when it cannot. These amendments are effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted. The adoption of these amendments is not expected to have any potential impact on the Company's consolidated financial statements.

5. Inventory

Inventory is comprised of the following:

	As at September 30, 2023	As at September 30, 2022
	$	**$**
Raw materials and containers	**2,407**	2,407
Finished Goods	**37,216**	42,770
Closing balance	**39,623**	45,177

Included in other expenses was an amount of $3,463 (September 30, 2022: $30,779) which was written off against damaged inventory. The cost of inventory expensed and included in cost of sales was $615 during the year ended September 30, 2023 (September 30, 2022: $423).

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.

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.

(Expressed in Canadian dollars, unless otherwise stated)

7. Property and Equipment

	Furniture and equipment
	$
Cost	
As at September 30, 2022	**—**
Addition during the year	**15,559**
Disposals during the year	—
As at September 30, 2023	**15,559**
Depreciation	
As at September 30, 2022	**—**
Depreciation	**—**
Write-off	**—**
As at September 30, 2023	**—**
Net book value	
As at September 30, 2023	**15,559**
As at September 30, 2022	**—**

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	As at September 30, 2023	As at September 30, 2022
	$	$
Trade payables	**1,225,056**	752,698
Payroll taxes payable	**195,296**	169,174
Accrued liabilties and other	**670,034**	383,959
	2,090,386	1,305,831

9. 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.

(Expressed in Canadian dollars, unless otherwise stated)

9. Payable from Restructuring Proposal (Continued)

ii. 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;

iii. 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 September 30, 2023 is $254,092 (September 20, 2022 - $254,092). There have been no payments made on this balance since inception; and

iv. 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.

10. Loans and Promissory Notes Payable

Loans payable

Loans consist of the following:

	As at September 30, 2023	As at September 30, 2022
	$	**$**
Loans	**6,458**	29,442
Addition during the period	**283,449**	206,000
Interest accrued during the period	**7,316**	1,104
Settled during the period	**(5,000)**	(230,088)
Closing balance	**292,223**	6,458

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

During the year ended September 30, 2023, the Company received loans of $283,449 (September 30, 2022: $206,000) from related parties and are unsecured and have no fixed term of repayment. Loans of $145,000 carry an annual interest rate of 10% and the remaining loans are non-interest bearing.

Promissory Notes Payable

The promissory notes are unsecured, carry interest at the rate of Prime plus 5% and are fully due and repayable upon demand. The interest accrued on promissory notes for the year ended September 30, 2023 is $2,906 (September 30, 2022: $3,170).

(Expressed in Canadian dollars, unless otherwise stated)

10. Loans and Promissory Notes Payable (Continued)

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

	As at September 30, 2023	As at September 30, 2022
	$	**$**
Opening balance	**28,308**	62,988
Interest accrued during the period	**2,906**	3,170
Settled during the period	**—**	(37,850)
Closing balance	**31,214**	**28,308**

11. 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 the year ended September 2023, the advances received from investors was $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 $32,741 (September 30, 2022: $6,445) have been recorded in the consolidated statements of operations and comprehensive loss for the year ended September 30, 2023.

Joint Venture Termination

On July 17, 2023, the Company completed the transaction to terminate the joint venture agreement with 19443391 Ontario Inc.("194") pursuant to a termination of joint venture agreement dated June 23, 2023 and all indebtedness owing to 194 and related persons from the Company was extinguished. The Company issued 3,000,000 common shares at a deemed issue price of $0.40 per share and a non-transferable promissory note ("Note") in the principal amount of $6,500,000 as consideration. Interest on the Note will accrue at a rate of prime plus 3% per annum and will be payable quarterly subject to a 120-day interest holiday. The promissory note, at the time of issue, was fair valued at $5,131,408 using present value technique, by discounting the contractual cash flows using market interest rate of companies with similar credit risk. The difference between the principal amount of the promissory note and its fair value of $1,368,592, is recorded as day 1 gain / interest income. The effective interest applied to determine the discounted cash flows of the promissory note was 19.07%.

(Expressed in Canadian dollars, unless otherwise stated)

11. Joint venture advances (Continued)

The effective interest will be accreted to the promissory note as well as charged to the consolidated statement of operations and comprehensive loss over the period from date of issuance of the promissory note to its the maturity on December 31, 2025. The reconciliation of the Promissory note is as follows:

	As at September 30, 2023	As at September 30, 2022
Fair value of the Promissory note at the time of issuance	5,131,408	—
Interest accretion during the year	104,040	—
Carrying value of the promissory note	5,235,448	—

Unless otherwise agreed to as between the Company and 194, the amounts owing under the Note will be payable within 30 days of any public issuance by the Company of Common Shares for cash proceeds as follows: (a) until the Company has raised aggregate net proceeds of $5,000,000 from one or more of such Common Share issuances, 60% of the net proceeds of such issuance will be used to repay the Note; and (b) at and after the Company has raised aggregate net proceeds of $5,000,000 from one or more common share issuances, 50% of the net proceeds of any such issuance will be used to repay the Note. The Note will mature on December 31, 2025.

Pursuant to the Termination Agreement 194 has agreed, among other things, to release its security over Biosenta's patents (i) should the Company determine that release or discharge of such security is required in order to enter into any license or similar agreement with a third party in connection with commercialization of any product; or (ii) at any time $3,000,000 of the Note is repaid. The Company has recorded a loss on settlement of its debt and termination of the joint venture agreement in the amount of $4,786,837 in the consolidated statements of operations and comprehensive loss for the year ended September 30, 2023, as detailed below:

	$
Loss on termination of joint venture (Note 16)	6,051,389
Day 1 Gain on promissory note - Interest income	(1,368,592)
Accretion expense on promissory note	104,040
Total loss on termination of joint venture	4,786,837

12. Related Party Transactions and Balances

The Company had the following related party transactions for the years ended September 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.

(Expressed in Canadian dollars, unless otherwise stated)

12. Related Party Transactions and Balances (Continued)

Compensation of key management personnel of the Company

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

	For the year ended September 30, 2023	For the year ended September 30, 2022
	$	$
Short-term compensation	**275,000**	275,000
Share-based compensation	**25,374**	95,724
Total	**300,374**	370,724

Short-term compensation includes salaries, bonuses, and allowances, employment benefits, and directors' fees. Loans of $6,458 to the Company from related parties are unsecured and non-interest bearing with no fixed terms of repayment. During the year ended September 30, 2023, the Company received loans of $283,449 from related parties and are unsecured and have no fixed term of repayment. Loans of $145,000 carry an annual interest rate of 10% and the remaining loans are non-interest bearing.

As discussed in Note 11 above, the Company completed the transaction to terminate the joint venture agreement with 19443391 Ontario Inc.("194"). This transaction is considered a related party transaction.

During the year ended September 30, 2022, the Company in aggregate issued 3,625,315 common shares with a total fair value of $2,030,177 and 1,812,658 warrants with an estimated fair value of $833,030 expiring in 18 months from the date of issue to settle $1,015,088 of loans and accrued liabilities due to related parties and recorded a loss on settlement of liabilities of $1,848,118 under equity in its consolidated statements of changes in shareholders' deficiency. Refer Note 16.

13. Interest Expense

	For the year ended September 30, 2023	For the year ended September 30, 2022
Interest expense on Joint venture advances	26,296	217,343
Interest and penalties - Receiver general	26,025	—
Interest accrued on loans and promissory notes	10,222	4,274
Other charges	1,822	1,261
Total interest	64,365	222,878

(Expressed in Canadian dollars, unless otherwise stated)

14. National Research Council Canada Grant

During the year ended September 30, 2023, the Company received a government grant of $63,488 (September 30, 2022:$11,512) which is recorded as income in the consolidated statements of operations and comprehensive loss for the year ended September 30, 2023. The grant was under a Contribution Agreement from the Industrial Research Assistance Program (IRAP) offered by the National Research Council of Canada (NRC) providing a contribution up to a maximum of $75,000 for costs incurred by the Company during the project. The project is construction of a pilot scale unit for the production of uniform core-shell calcium hydroxide calcium carbonate biocidal particles. Under the contribution agreement, NRC reimbursed the Company for costs incurred related to the project. The contribution agreement terminates five years after the project completion date.

15. 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 January 18, 2024. Loan forgiveness of up to a third of the value of the loans to a maximum amount of $20,000 will be applicable if the loan balance is repaid on or before January 18, 2024. The Company has decided not to repay the loan on or before January 18, 2024. Any unpaid balance on January 19, 2024, will be converted to a two-year term loan carrying interest at the rate of 5% payable monthly. The full amount of the loan (including principal and interest) is due and payable on December 31, 2025.

16. 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 year	3,400,000	1,343,250
Balance, September 30, 2023	26,406,591	$ 13,401,252

	Number of shares	Amount
Balance, September 30, 2021	19,381,276	$ 10,027,826
Shares issued to settle liabilities	3,625,315	2,030,176
Balance, September 30, 2022	23,006,591	$ 12,058,002

(Expressed in Canadian dollars, unless otherwise stated)

16. Share Capital (Continued)

During the year ended September 30, 2023, the Company issued:

a) 400,000 common shares fair valued at market price prevalent at the time of issuance, in settlement of past services and recorded as share based compensation in the consolidated statements of operations and comprehensive loss for the year ended September 30, 2023.

b) 3,000,000 common shares at a deemed issue price of $0.40 per share as consideration for settlement of the debts of the Company owed to 19443391 Ontario Inc. in addition to a promissory note in the amount of $6,500,000 (Refer Note 11).

The Company has recorded a loss on settlement of its debt and termination of the joint venture agreement in the amount of $6,051,389 in the consolidated statements of operations and comprehensive loss for the year ended September 30, 2023.

During the year ended September 30, 2022 the Company in aggregate issued 3,625,315 common shares with a total fair value based on the share price as of the issuance date of $2,030,177 and 1,812,658 warrants expiring September 22, 2023 with an estimated fair value of $833,030 using the Black Scholes valuation model using the following assumptions: stock price of $0.56; expected maturity in 1.5 years; $nil dividends; 217.79% volatility; risk-free interest rate of 2.03%; and the exercise price of $0.56. The shares and warrants were issued to settle $1,015,088 of loans and accrued liabilities due to related parties and the Company recorded loss on settlement of liabilities of $1,848,118 under equity in its consolidated statements of changes in shareholders' deficit.

17. Warrant Reserves

During the year ended September 30, 2022, the Company issued 1,812,658 warrants with an estimated fair value of $833,030 expiring on September 22, 2023 to settle loans and accrued liabilities due to related parties (See Note 16). As the warrants expired on September 22, 2023, their value of $833,030 was reclassified from warrant reserves to equity reserves in the statement of equity. The following table shows the schedule of warrants for the year ended September 30, 2023:

	No. of warrants	**Amount**
	#	**$**
Balance at September 30, 2022	1,812,658	833,030
Warrrants expired during the year	(1,812,658)	(833,030)
Balance at September 30, 2023	—	—

	No. of warrants	**Amount**
	#	**$**
Balance at September 30, 2021	—	—
Warrants issued during the year	1,812,658	833,030
Balance at September 30, 2022	1,812,658	833,030

(Expressed in Canadian dollars, unless otherwise stated)

18. 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 year ended September 30, 2023, no stock options were granted under the Plan and the value of warrants which expired on September 22, 2023 of $833,030 was transferred from warrant reserves to equity reserves (Refer Note 17).

The following is a schedule of outstanding options:

	September 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

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

Expiration Date	**Stock options outstanding**	**Stock options exercisable**	**Remaining contractual life**
February 28, 2026	350,000	350,000	2.42
May 2, 2026	1,017,000	1,017,000	2.59
Total	**1,367,000**	**1,367,000**	

19. 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 fees. 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 September 30, 2023, the Company has $37,500 of outstanding commitments to the University of Calgary.

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. On September 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.

20. 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 promissory notes payable 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 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.

• 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.

(Expressed in Canadian dollars, unless otherwise stated)

20. Financial Risk Factors (continued)

Fair Value (continued)

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

	Carrying values			Fair values
Financial assets	**FVTPL**	**FVTOCI**	**Total**	**Total**
September 30, 2023	**$**	**$**	**$**	**$**
Cash	**5,883**	**—**	**5,883**	**5,883**
Other receivables	**20,486**	**—**	**20,486**	**20,486**
	26,369	**—**	**26,369**	**26,369**
September 30, 2022	$	$	$	$
Cash	27,263	—	27,263	27,263
Other receivables	145,133	—	145,133	145,133
	172,396	—	172,396	172,396

	Carrying			Fair values
Financial liabilities	**FVTPL**	**Amortised**	**Total**	**Total**
September 30, 2023	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	**—**	**2,090,386**	**2,090,386**	**2,090,386**
Payable from restructuring proposal	**—**	**254,092**	**254,092**	**254,092**
Promissory note payable	**—**	**5,235,448**	**5,235,448**	**5,235,448**
Loans and promissory notes payable	**—**	**323,437**	**323,437**	**323,437**
CEBA loan	**—**	**60,000**	**60,000**	**60,000**
	—	**7,963,363**	**7,963,363**	**7,963,363**
September 30, 2022	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	—	1,305,831	1,305,831	1,305,831
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
CEBA loan	**—**	60,000	60,000	60,000
	—	3,186,639	3,186,639	3,186,639

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.

20. Financial Risk Factors (continued)

Fair Value (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

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 September 30, 2023 and September 30, 2022 the maximum amount exposed to credit risks was $Nil 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 September 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.

21. 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.

(Expressed in Canadian dollars, unless otherwise stated)

21. Capital Management (Continued)

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.

22. Income Taxes

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (September 30, 2022 - 26.5%) were as follows:

	September 30, 2023 **$**	September 30, 2022 $
Loss before recovery of income taxes	(6,299,754)	(1,458,261)
Expected income tax (recovery) expense	(1,669,435)	(386,439)
Increase (decrease) in taxes resulting from:		
Tax benefits not realized	1,669,435	386,439
Deferred income tax (recovery) expense	—	—

b) Deferred Income Taxes Assets

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	September 30, 2023 **$**	September 30, 2022 $
Non-capital losses	19,476,747	13,170,810
Share issue costs	6,183	11,923

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company and its subsidiary will be able to utilize the benefits. As at September 30, 2023 non-capital losses will expire at various dates between 2034 through 2043. All other temporary differences can be carried forward indefinitely under certain circumstances.

23. Comparative information

Certain comparative information has been rearranged wherever necessary for the purpose of comparison. There was no change to total assets and liabilities, shareholders’ equity, net loss and comprehensive loss and cash flows.

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24. Subsequent Events

The Company has evaluated subsequent events through January 29, 2024 which is the date the consolidated financial statements were issued and determined the following events to report:

On December 27, 2023 the Company announced closing of its private placement for gross proceeds of $500,000 by issuing 1,250,000 units at a price of $0.40 per unit. Each unit consists of one common share and one half of one common share purchase warrant. Each warrant entitles its holder to acquire one common share at a price of $0.80 per share for a period of 18 months from the closing date of the offering. The securities issued pursuant to the offering will be subject to a four month plus one day hold period expiring April 29, 2024.

On January 8, 2024 the Company entered into an agreement with Oak Hill Financial Inc. to provide business and capital markets advisory services to the Company including investor relations activities. The agreement is for a period of three months and will be renewed for an additional one month and compensation totals $10,000 plus applicable taxes on the effective date and every month the agreement is in effect.