

Management's Discussion and Analysis

For the Quarter Ending
December 31, 2009

The following discussion and analysis is the responsibility of management and should be read in conjunction with the Company's unaudited interim consolidated financial statements and notes included herewith, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) for interim financial statements, together with the Company's annual audited consolidated financial statements and management's discussion and analysis of financial condition and results of operations for the fiscal year ended June 30, 2009, which can be found on SEDAR (www.SEDAR.com). This review was prepared by management from information available as at February 12, 2010.

To the extent any statements made in this document contain information that is not historical, these statements are considered forward-looking and are subject to risks and uncertainties. Actual results, levels of activity, performance, or achievements could differ materially from those projected herein and depend on a number of factors, including the successful and timely completion of research and clinical trials, the uncertainties related to the regulatory process, and the commercialization of the Company's therapeutic products thereafter.

The cautionary statements made in this report should be read as applying to all related forward-looking statements wherever they appear in this report. The Company's future results could differ materially from those discussed here. Factors that could cause or contribute to these differences include those discussed under "Risks and Uncertainties". All amounts are in Canadian dollars unless otherwise indicated.

This management's discussion and analysis is current as of February 12, 2010. Where "we", "us", "our", "Bioniche" or the "Company" are utilized, these mean Bioniche Life Sciences Inc. unless otherwise indicated. All percentages reflected herein are calculated on whole amounts as contained in the Company's financial records and financial statements, and not on the rounded amounts as disclosed herein.

On July 10, 2009, the Company announced the signing of a license, development and supply agreement with Endo Pharmaceuticals Inc. ["Endo"], a major pharmaceutical company. Under the agreement, the Company received an up-front cash payment of US\$20M along with the potential for up to US\$110M in additional payments linked to the achievement of future clinical, regulatory, and commercial milestones. In addition, Bioniche will manufacture the licensed product and receive a transfer price for supply. Further discussion on both the going concern uncertainty and the partnering agreement are provided in the sections, "Liquidity, Financing, and Capital Resources", "Licensing Development and Supply Agreement with Endo Pharmaceuticals Inc.", and in note [10] of the Financial Statements.

Subsequent to the end of the second quarter, the Company announced that Endo has elected to exercise its option for exclusive rights to develop and market *Urocidin*TM globally. As a result of this decision, Endo will assume all external development expenses for the product.

At the same time, the Company announced that it had met the obligations associated with two milestones under the licensing agreement with Endo, triggering a total payment of US\$8M to Bioniche from Endo.

GLOBAL OVERVIEW

Bioniche is a research-based, technology-driven Canadian biopharmaceutical company that develops, manufactures, and markets proprietary products for human and animal health markets worldwide. The Company employs 189 people and has three operating business units: Human Health, Animal Health, and Food Safety. Corporate headquarters are located in Belleville, Ontario, Canada.

Key Assets in the Human Health Business Unit

The human health business unit of the Company operated through Bioniche Therapeutics, which has research and production facilities and a clinical trial group in Montréal, Québec, Canada. This unit develops novel human cancer therapies, with a focus on the research and development of the Company's Mycobacterial Cell Wall-DNA Complex ["MCC"] technology platform for the treatment of bladder and other cancers, and its oligonucleotides, which show pre-clinical promise in the treatment of leukemia and other cancers. The Company's strategy is to develop its therapies through Phase II clinical trials and then to establish alliances to complete final clinical trials and achieve regulatory approvals for marketing.

The MCC technology, trademarked *Urocidin*TM for bladder cancer, is currently in Phase III clinical testing in patients with non-muscle-invasive bladder cancer that is refractory (unresponsive) to the standard therapy. The Phase III clinical program is being carried out in partnership with Endo Pharmaceuticals Inc. ["Endo"] as part of the license, development, and supply agreement dated July 10, 2009.

Key Assets in the Animal Health Business Unit

The Company's Animal Health business unit develops, manufactures and markets animal health biopharmaceutical products worldwide. The animal health business unit has product development, manufacturing and marketing facilities in Belleville, Ontario, Canada; marketing and production facilities in Athens, Georgia, U.S.A.; Pullman, Washington, U.S.A.; and Armidale, New South Wales, Australia. The Company has progressively grown by using biotechnology to provide the animal health market with innovative solutions to meet the changing needs of the animal health industry.

The revenues from the Animal Health business unit, which has a history of generating positive earnings before interest, taxes, depreciation and amortization ["EBITDA"]¹ before research and development expenditures, have traditionally supported the Company's key research and development projects.

The Company has a product portfolio of more than sixty products, which can be categorized primarily in the following groups: Reproduction and embryo transfer products; products based on hyaluronans; immunostimulant products; polyclonal antibodies; vaccine products; and nutraceuticals. These products are marketed directly to veterinarians in Canada, the United States, Australia and Europe, and through selected distributors in the rest of the world.

Key Assets in the Food Safety Business Unit

The food safety business unit of the Company – Bioniche Food Safety - was established in July, 2001. The unit is responsible for researching, developing, manufacturing and marketing veterinary biopharmaceutical products to help improve the safety of food and water supplies. The lead initiative for this division is the development and commercialization of a cattle vaccine, *Econiche*TM, used to reduce the spread of the deadly *E. coli* O157 organism. This vaccine was developed to reduce the burden of the pathogenic bacterium *E. coli* O157 in cattle and their manure, thereby reducing contamination of the environment, ground water, and cattle processing plants. The vaccine has been shown to reduce the amount of bacteria shed by cattle, and to reduce the number of animals in which the bacteria colonize. The fewer bacteria reproducing in the cow, the fewer bacteria will be shed in its manure, affecting the environment and the carcass during food processing.

The vaccine is now available in very limited quantities and its first sales were recorded during Fiscal 2008 under a *Permit to Release Veterinary Biologics* granted by the Canadian Food Inspection Agency ["CFIA"] in December, 2006.

1. Please refer to "Non-GAAP and Other Measures" section

On October 27, 2008, the Company announced that *Econiche*TM, which is the world's first vaccine developed to reduce the shedding by cattle of *Escherichia coli* (*E. coli*) O157, had received full licensing approval from the CFIA for sale in Canada. Sales have been constrained to date, due in part to limited production capacity and the need to provide vaccine for regulatory purposes and market-related studies.

The Company, in partnership with the Vaccine and Infectious Diseases Organization ["VIDO"] at the University of Saskatchewan and Natural Science and Engineering Research Canada, has sponsored two research positions - *Natural Science and Engineering Research Canada* ["NSERC"]/*Bioniche Industrial Research Chairs* - in vaccines to reduce food and water contamination. Dr. Andrew Potter (Senior Chair) and Dr. Wolfgang Köster (Associate Chair) were appointed to these positions. The Research Chairs were established to undertake research leading to the development of additional food safety vaccines to fight infectious diseases of animals, including *Salmonella enteritidis* and *Campylobacter jejuni* and *Listeria*.

CORPORATE GOALS AND OBJECTIVES

The Company's goal is to execute its business strategy:

1. Take existing proprietary technologies and continue, through the product development program, to enhance their proven therapeutic value for human and animal use.
2. Work to develop these technologies to the point of commercialization, either alone or with strategic marketing partners.
3. Manufacture as many products emerging from the product development program as possible to increase profit margins, protect the integrity of the Company's products, and enhance long-term shareholder value.

Fiscal 2010 Objectives	Status
<ul style="list-style-type: none"> • Complete Phase III clinical trial with <i>Urocidin</i>TM in patients with non-muscle-invasive bladder cancer that is refractory (unresponsive) to the standard therapy. 	<ul style="list-style-type: none"> • The Company is meeting this objective. All patients participating in the first Phase III clinical trial will have completed their treatment by April, 2010.
<ul style="list-style-type: none"> • Progress <i>Urocidin</i>TM development activities to achieve milestone revenue incentives as outlined in the agreement with Endo. 	<ul style="list-style-type: none"> • Milestone incentives under the agreement total up to US\$110M. These are linked to the achievement of future clinical, regulatory, and commercial milestones. The Company achieved the first milestone of \$6.4M [US\$6.0M] in October, 2009, and announced the achievement of two additional milestones in February, 2010.
<ul style="list-style-type: none"> • Secure a marketing partnership for the Company's bladder cancer technology outside North America or for the rest of the world. 	<ul style="list-style-type: none"> • Endo had an option to acquire the licensing rights to market and distribute <i>Urocidin</i>TM outside North America until July 10, 2010. Subsequent to the end of the quarter, the Company announced that Endo has elected to exercise its option for exclusive rights to develop and market the product globally.
<ul style="list-style-type: none"> • Progress to a U.S. conditional license for the <i>Econiche</i>TM cattle vaccine. 	<ul style="list-style-type: none"> • In February, 2008, the vaccine was granted eligibility for a conditional license in the U.S. In order to be granted this license, several steps had to be undertaken, including the production of three consecutive commercial batches of vaccine that are filled in an approved U.S. manufacturing facility and are proven to meet required specifications. • The Company has met these requirements, and expects that a conditional license may be granted in coming months.

Fiscal 2010 Objectives	Status
<ul style="list-style-type: none"> Develop new banking relationships and establish credit facilities responsive to future credit requirements. 	<ul style="list-style-type: none"> Last year, due to financial market conditions, Valens U.S. informed the Company that it would like to end the existing revolving credit facility. In July, 2009, the Company repaid the outstanding credit facility with Valens U.S. and associated fees, a total of \$5.8M [US\$5.2M]. The Company is now assessing its future credit requirements with respect to planned operations and ongoing research and development efforts. The Company expects to establish appropriate new credit facilities by the end of Fiscal 2010.
<ul style="list-style-type: none"> Develop, build and enhance the product line for the Animal Health business unit. 	<ul style="list-style-type: none"> This unit has provided the core sources of revenue and cash flow for the Company for many years. New technologies and markets are continuously emerging and, consequently, some of the Company's products require updates to remain competitive. In addition, the Company is making investments to realize new market opportunities for both existing and new products.

LIQUIDITY AND GOING CONCERN

The Company has incurred significant losses and has an accumulated deficit of \$99.4M as at December 31, 2009.

The Company had a cash position, inclusive of the restricted cash at the end of December, 2009, of \$14.5M. This strong cash position resulted from year-to-date cash generated by operations of \$16.0M, which includes the \$22.3M [US\$20M] up-front payment related to the License, Development and Supply Agreement as explained above, repayment of the revolving credit facility and associated fees of \$5.8M [US\$5.2M], selling the U.S. licensing rights to an animal health product in July, 2009 for \$0.9M [US\$0.8M], accounting for working capital variations, and repaying of all overdue outstanding payables. In addition, in October, 2009, the Company earned the first milestone under the License, Development and Supply Agreement of \$6.4 M [US\$6.0M].

In the past, the Company has financed its cash requirements primarily through the issuances of shares, product sales, investment tax credits, the sale of businesses or business units, royalties, government incentives, long-term debt issuances, and a revolving credit facility.

The Company expects to finance its future expenditures by receiving certain payments from its licensing partner on accomplishing milestones related to the conduct of the Urocidin™ clinical program. Although the Company is confident that it will achieve these milestones, that it will successfully replace its revolving credit facility, and that it will maintain a strong EBITDA¹ before research and development expenditures in the Animal Health business unit, these events are dependent upon certain factors outside of the Company's control. If not achieved, the Company may be required to obtain additional financing or curtail its development activities and operations.

LICENSE, DEVELOPMENT AND SUPPLY AGREEMENT WITH ENDO PHARMACEUTICALS INC.

On July 10, 2009, Bioniche announced that it had accomplished its goal of securing a strategic partnership to undertake the commercialization of *Urocidin*™. This strategic partnership was struck with Endo of Chadds Ford, Pennsylvania, a publicly-listed company (ENDP – NASDAQ). Endo is a speciality pharmaceutical company engaged in the research, development, sale and marketing of branded and generic prescription pharmaceuticals used to treat and manage pain, overactive bladder and prostate cancer, among

¹ Please refer to "Non-GAAP and Other Measures" section

other categories. The history of Endo can be traced back as far as 1920. Endo re-commenced operations as a division of Dupont Merck in 1994, became independent via a 1997 management buy-out from the Dupont Merck Pharmaceutical Company, and went public in 2000. Since that time, Endo has increased revenues by ten-fold. Endo markets its branded pharmaceutical products to physicians in pain management, urology, neurology, surgery, oncology, endocrinology and primary care. More information, including past press releases, is available at www.endo.com.

Under the License, Development and Supply Agreement [the “Agreement”], Endo licensed from Bioniche rights to develop and market *Urocidin*[™] (now also known as EN3348), for the treatment of non-muscle-invasive bladder cancer. The territories licensed consist of the United States, Mexico and, subject to co-marketing rights, Canada. The Agreement also includes a 12-month option to expand the territory to comprise global marketing rights.

Upon signing the Agreement, Bioniche received an up-front cash payment of US\$20M. The Company also has the potential to receive a further US\$110M in additional payments linked to the achievement of future clinical, regulatory and commercial milestones some of which are near-term. In addition to the above payments, Bioniche has retained exclusive product manufacturing rights and will receive a net-sales-related transfer price for supplying Endo with commercial product, following regulatory approval. Bioniche believes the Agreement will provide overall economics that are superior to most biotech-pharma partnership agreements and that Endo represents an optimal development and commercialization partner due to its market and industry expertise. Endo was also granted a right of first negotiation for other clinical indications of MCC technology, where such clinical indications relate to urology or pelvic disease. Should Endo not elect to enter such negotiations and the parties conclude them to mutual satisfaction within a set period, the Company shall have no further obligations and Endo no further rights.

Subsequent to the end of the quarter, on February 12, 2010, the Company announced that Endo has elected to exercise its option for exclusive rights to develop and market *Urocidin*[™] globally. As a result of this decision, Endo will assume all external development expenses for the product. Bioniche believes the development funding and milestone packages may be adequate to cover its non-capital expenditure costs through to the first approval date of *Urocidin*[™] in the United States. In any event, the Company will be seeking third-party, non-equity funding to build-out sufficient commercial production capacity for *Urocidin*[™].

OTHER CORPORATE HIGHLIGHTS FOR FISCAL 2010

The following section is a summary of certain corporate highlights that are not specifically referred to in other sections of this Management Discussion and Analysis. Scientific highlights and other corporate news are presented below under “Segmented Performance”.

Bioniche Reports Achievement of First Milestone Under Licensing Agreement

On November 6, 2009, the Company reported that it has now met the obligations associated with the first milestone, triggering a US\$6M payment from Endo.

Bioniche Repays Revolving Credit Facility

On July 20, 2009, the Company reported that it had repaid its credit facility with Valens U.S. and associated fees, a total of \$5.8M [US\$5.2M].

Valens financed the Company through a challenging time of corporate development, helping the Company to advance its bladder cancer technology to Phase III clinical testing and its E. coli O157 vaccine – Econiche[™] – to full Canadian license.

Bioniche Sells U.S. Licensing Rights to Ketamine

On July 22, 2009, the Company sold its U.S. rights to Ketamine, an animal health product, to Bioniche Teoranta, for proceeds of US\$800K.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, a summary of the Interim Consolidated Statements of Loss.

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(expressed in millions of Canadian dollars)

	2010			2009		
	Q2	YTD		Q2	YTD	
For the three and six-months ended December 31		\$	%		\$	%
Revenues	13.8	20.9	100%	8.5	16.6	100%
Expenses						
Cost of sales	3.3	6.1	29%	3.5	7.2	43%
Administration	1.6	3.4	16%	1.6	3.1	19%
Marketing and selling	1.5	2.9	14%	1.7	3.4	21%
EBITDA* before Research and Development	7.4	8.5	40%	1.8	2.9	17%
Net Research and Development	4.0	10.8	52%	2.7	6.0	36%
Interest, taxes, depreciation, amortization	0.8	1.7	8%	1.4	2.5	15%
Net income (loss) and comprehensive income (loss)	2.7	(4.1)	-20%	(2.4)	(5.7)	-34%

*EBITDA means "Earnings before interest, taxes, depreciation and amortization". For more information please refer to the section "Non-GAAP & other measures" below

QUARTER-ENDED DECEMBER 31, 2009 AS COMPARED TO THE QUARTER ENDED ENDED DECEMBER 31, 2008

Consolidated Revenue

The Company's consolidated revenues for the quarter-ended December 31, 2009 were \$13.8 as compared to \$8.5M for the same period in Fiscal 2009. This represents a 62% increase in revenues and is the result of the recognition of the first milestone payment from Endo in relation to the agreement for the development, marketing and supply of *UrocidinTM* of \$6.4M (US \$6.0M) offset by lower animal health sales, still being affected by promotions in the last quarter of Fiscal 2009 as well as recessionary conditions in all markets.

GEOGRAPHIC DISTRIBUTION OF CONSOLIDATED REVENUES BY BUSINESS UNITS

(expressed in millions of Canadian dollars)

	2010		2009	
	Q2	YTD	Q2	YTD
For the three and six-months ended December 31	\$	\$	\$	\$
Animal Health - Canada	1.9	3.4	2.0	4.1
Animal Health - USA	3.5	6.4	4.9	8.8
Animal Health - Australia	1.2	2.0	1.0	2.7
Animal Health - Eu	0.4	1.1	0.6	1.0
<i>Sub total - Animal Health</i>	7.0	12.9	8.5	16.6
Gain on sale of intangible assets	-	0.9	-	-
Licensing	6.8	7.1	-	-
Total reported revenues	13.8	20.9	8.5	16.6

Expenses Other than Research and Development

EXPENSES OTHER THAN RESEARCH AND DEVELOPMENT

(expressed in millions of Canadian dollars)

	2010			2009		
	Q2	YTD		Q2	YTD	
For the three and six-months ended December 31	\$	\$	%	\$	\$	%
Revenues	13.8	20.9	100%	8.5	16.6	100%
Expenses						
Cost of sales	3.3	6.1	29%	3.5	7.2	43%
Administration	1.6	3.4	16%	1.6	3.1	19%
Selling and Marketing	1.5	2.9	14%	1.7	3.4	21%
Sub total	6.4	12.4	60%	6.7	13.7	84%
Non cash and other items						
Amortization	0.5	1.0	5%	1.1	2.0	12%
Interest	0.2	0.3	2%	0.2	0.3	2%
Foreign Exchange	0.1	0.3	1%	(0.0)	(0.0)	
Sub total	0.8	1.6	8%	1.3	2.3	14%
Total Expenses	7.2	14.1	67%	8.0	16.0	98%

Cost of Goods Sold

For the quarter ended December 31, 2009, gross profit totaled \$3.7M, compared to \$5.1M for the same quarter last year. Gross profit as a percentage of product sales totaled 53.0% compared to 59.5% in Q2, Fiscal 2009.

Results of Operations

(expressed in millions of Canadian dollars)

For the three and six-months ended December 31

	2010		2009	
	Q2	YTD	Q2	YTD
	\$	\$	\$	\$
Revenues				
Product revenues	7.0	12.9	8.6	16.6
Ketamine license sale	-	0.9	-	-
Licensing	6.8	7.1	-	-
	13.8	20.9	8.6	16.6
Cost of Sales	3.3	6.1	3.5	7.2
Gross profit	10.5	14.8	5.1	9.4
GM % on product	53.0%	53.1%	59.5%	56.5%

Administration, Sales and Marketing

For the quarter ended December 31, 2009, administration, sales and marketing expenses totaled \$3.1M compared to \$3.2M in the same period in Fiscal 2009. Management expects administration and marketing costs to increase over the remainder of Fiscal 2010 to sustain and grow the business.

Research and Development

For the quarter ended December 31, 2009, research and development expenses totaled \$4.8M, compared to \$3.2M for the same period in Fiscal 2009. The majority of these costs can be attributed to the ongoing Phase III clinical program for the Company's *Urocidin*TM bladder cancer treatment and to an increased focus on the development of animal health reproduction products and vaccines.

GROSS RESEARCH & DEVELOPMENT

(expressed in millions of Canadian dollars)

For the three and six-months ended December 31

Key Areas	Q2	2010		Q2	2009	
		YTD			YTD	
	\$	\$	%	\$	\$	%
Animal Health	0.8	1.4	17%	0.4	0.9	13%
Food Safety	0.4	0.7	9%	0.4	0.9	13%
Human Health	3.6	6.1	75%	2.4	5.2	74%
Research and Development, Gross	4.8	8.2	101%	3.2	7.0	100%

Consolidated Net Loss and Comprehensive Loss

For the quarter ended December 31, 2009, the basic and fully-diluted net income per share totaled \$0.04, compared to a loss per share of (\$0.04) for the corresponding period in Fiscal 2009. Total Common Shares outstanding at December 31, 2009 were 72,120,814 as compared to 71,160,544 for the corresponding period in Fiscal 2009.

EBITDA* Before Research and Development Expenditures

Calculation of EBITDA				
<i>(expressed in millions of Canadian dollars)</i>				
For the three and six-months ended December 31	2010		2009	
	Q2	YTD	Q2	YTD
	\$	\$		\$
Income (loss) before research and development	6.6	6.8	0.5	0.5
Add (deduct):				
Amortization	0.5	1.0	0.5	1.2
Financial expenses	0.2	0.4	0.8	1.2
Foreign exchange	0.1	0.3	(0.0)	0.0
EBITDA before research and development	7.4	8.5	1.8	2.9

For the quarter ended December 31, 2009, EBITDA before research and development totaled \$7.4M, compared to \$1.8M for the same period in Fiscal 2009.

LAST EIGHT (8) QUARTERS CONSOLIDATED RESULTS AT A GLANCE

LAST EIGHT (8) QUARTERS CONSOLIDATED RESULTS AT A GLANCE								
<i>(expressed in millions of Canadian dollars)</i>								
	2010		2009				2008	
	\$	\$	\$	\$	\$	\$	\$	\$
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	13.8	7.1	9.2	7.4	8.5	8.1	7.9	7.2
Income (loss) before research & development	6.6	0.2	0.7	0.0	0.5	0.1	(0.2)	(0.2)
Net Income (loss)	2.7	(6.8)	(1.8)	(3.0)	(2.4)	(3.3)	(3.7)	(4.6)
Basic and fully diluted net income (loss) per share	0.04	(0.09)	(0.03)	(0.04)	(0.03)	(0.05)	(0.06)	(0.07)

Fluctuations in Consolidated Operating Results

The Company's consolidated results of operations are likely to fluctuate significantly from period to period in the future. It is anticipated that the quarterly and annual results of operations will be impacted for the foreseeable future by several factors including the timing of clinical trials, the timing of regulatory approvals to market products, the progress and timing of expenditures related to commercialization efforts, and the timing of revenues from product sales and, most significantly, the achievement of milestones. Due to these fluctuations, the Company presently believes that the period-to-period comparisons of its consolidated operating results are not a good indication of future performance, particularly with the closing of the partnership transaction described above.

CONSOLIDATED BALANCE SHEET HIGHLIGHTS

Assets

The Company's current assets at December 31, 2009 totaled \$28.1M, as compared to \$16.9M reported at June 30, 2009. The increased level of assets results primarily from the Company's signing of a partnership transaction for *UrocidinTM*, described above. Cash and cash equivalents, including restricted cash totaled \$14.5M at December 31, 2009, as compared to \$7.2M at June 30, 2009.

Long-term assets at December 31, 2009 were \$18.0M, as compared to \$17.8M reported at June 30, 2009.

Liabilities and Shareholders' Equity

At December 31, 2009, the Company's net working capital¹ totaled \$19.4M, excluding the current portion of non-refundable deferred licensing revenue, as compared to negative working capital of \$0.5M at June 30, 2009. Shareholders' equity at December 31, 2009 totaled \$5.3M, as compared to \$9.1M at June 30, 2009.

Long-term liabilities at December 31, 2009 totaled \$10.6M, excluding non-refundable deferred licensing revenue of \$20.1M, which compares to \$8.2M reported at June 30, 2009. The increase reflects the long-term portion of the required repayment of government assistance to the Industrial Technologies Office (ITO, formerly TPC) of \$3.1M, less repayments of capital leases and long-term debt. The up-front payment related to the licensing agreement with Endo is reflected as non-refundable deferred licensing revenue, the current portion being \$1.5M and the long-term portion being \$20.1M. The total revenue received was \$22.3M, which will be brought into income over the next 15 years.

CASH FLOW STATEMENT HIGHLIGHTS

The Company's cash flow provided by operations for the six months ended December 31, 2009 was \$16.0M, as compared to cash used in operations of \$2.6M in the same period in Fiscal 2009. This decrease was primarily supported by the achievement of the first milestone under the License, Development and Supply Agreement with Endo Pharmaceuticals, amounting to \$6.4M [US\$6.0M], and the up-front payment of \$22.3M [US\$20.0M] under the same agreement.

The Company's investing activities used cash of \$0.7M during the six months ending December 31, 2009, primarily on construction costs of \$1.9M for the Vaccine Manufacturing Centre in Belleville, Ontario, offset by government assistance and cash previously restricted for construction purposes totaling \$0.6M and proceeds from the sale of a product license.

SEGMENTED PERFORMANCE

Segmented financial information analyzes the operations of the Company according to its business segments:

Human Health Segment

During the quarter, important efforts were made by the Company to advance its Phase III clinical program, which is being conducted in partnership with Endo over the next several years.

For the three and six months ended December 31, 2009, licensing revenue of \$0.4M and \$0.7M respectively was recognized, reflecting the amortization of the up-front payment by Endo upon signing of the *Urocidin*TM development, marketing and supply agreement. The total received, \$22.3M, will be recognized over the next 15 years. Milestone revenue of \$6.4M (US\$6.0M) earned under the same agreement was also recognized during the current quarter. Subsequent to the quarter, on February 12, 2010, the Company announced that it has met the obligations associated with two further milestones under its licensing agreement with Endo, triggering a total payment of \$8.4M (US\$8.0M) to Bioniche from Endo.

Gross research and development expenses for the three and six months ended December 31, 2009 totaled \$3.6M and \$6.0M respectively, compared to \$2.4M and \$5.2M reported in the same periods in Fiscal 2009. The year-to-date increase of \$0.8M, or 15%, is primarily attributed to the ongoing Phase III bladder cancer registration program.

The signing of a license, development and supply agreement for *Urocidin*TM on July 10, 2009 triggered the requirement to make annual cash payments of \$0.96M for five years, commencing no earlier than June, 2010. The fair value of this repayment has been reported separately as repayable government assistance in the amount of \$3.9M.

Government incentives for the three and six months ended December 31, 2009 totaled \$0.5M and \$1.1M respectively, which compares to \$0.4M and \$0.7M recorded in the same periods in Fiscal 2009.

1. Please refer to "Non-GAAP and Other Measures" section

Animal Health Segment

Animal Health product sales were \$7.0 and \$12.9M for the three and six months ended December 31, 2009, as compared to \$8.6M and \$16.7M for the same periods in Fiscal 2009. This 23% decrease is the result of sales promotions in the last quarter of Fiscal 2009, recessionary conditions in all markets, and the increase in the value of the Canadian dollar versus the U.S. dollar in the first half of the year. In the first quarter, the Animal Health segment realized a gain on the sale of a regulatory registration in the United States for *Ketamine* for proceeds of \$0.9M.

Expenses incurred in the three and six months ended December 31, 2009 totaled \$4.9M and \$9.1M respectively, compared to \$5.1M and \$10.8 reported in the same periods in Fiscal 2009. This is the result of lower sales levels translating to lower cost of sales and to a reduction in marketing and selling expenses due to personnel changes.

Gross research and development expenses in the three and six months ended December 31, 2009 totaled \$0.8M and \$1.4M respectively, as compared to \$0.4M and \$0.9M in the same periods in Fiscal 2009. This increase is the result of increased focus on reproduction products and vaccines.

Food Safety Segment

The Company continues its marketing efforts and is receiving strong indications of support, particularly in the Canadian provinces of Ontario and Québec. The Company is continuing with its plans to build a vaccine manufacturing facility to accommodate large-scale manufacturing production of *EconicheTM* and other food safety and animal health vaccines. The facility is expected to be completed by early 2011.

Funding for the vaccine plant expansion comes in part from the Ontario Ministry of Economic Development and Trade's Advanced Manufacturing Investment Strategy program, which is contributing \$10.0M in the form of a loan based on a percentage of eligible expenditures incurred. At December 31, 2009, \$2.9M was advanced under this program. The Department of Agriculture and Agri-Food (Canada)'s Agri-Opportunities Program is also contributing \$5M in the form of a loan based on a percentage of eligible expenditures incurred. At December 31, 2009, \$0.5M was advanced under this program. The Industrial Technologies Office (ITO) of Industry Canada is providing funding of \$5M in the form of a repayable loan. A further \$5M has been secured in the form of a loan from the Business Development Bank of Canada, however, disbursement in excess of \$1.75M will be made only if the Company makes certain qualifying expenditures.

Expenses incurred in the three and six months ended December 31, 2009 totaled \$0.4M and \$0.9M respectively, as compared to \$0.6M and \$1.0M in the same periods in Fiscal 2009. The Company is continuing its education and awareness program focused on the dangers of *E. coli* O157 and the importance of food and environmental safety. Assistance with funding for market development related to the Company's *E. coli* O157 cattle vaccine continues to come from the Rural Economic Development ["RED"] Program in the form of a \$2.0M grant based on eligible expenditures. As at December 31, 2009, the Company has recognized \$1.6M of this grant, less a 10% holdback receivable that has been discounted using a discount rate of 5.69%. The eligible amount less the discount has been netted against the related marketing expenses.

This segment incurred gross research and development expenses of \$0.4M and \$0.7M for the three and six months ended December 31, 2009, as compared to \$0.4M and \$0.9M in the same periods in Fiscal 2009. The Company has continued to pursue its development efforts while awaiting product approval from the U.S. regulator.

LIQUIDITY AND CAPITAL RESOURCES

Financial Position and Cash Flow

At December 31, 2009, the Company had approximately \$14.5M in cash and cash equivalents, balances primarily provided by year-to-date operations, including the up-front payment of US\$20M from Endo. In the past, the Company has financed its expenditures primarily through public and private placements of Common Shares, the issuance of debt instruments, and the receipt of government incentives earned on

eligible scientific expenditures. The operations of the Company's commercial division (Animal Health) have been financed through this division's own internally generated cash flows, through the use of commercial banking facilities, and through capital leases with equipment vendors. The Company will continue to use these sources of financing as provided by operations or as new credit lines and long-term debt facilities become available. Funding from operations includes anticipated milestone revenues over the next several months, which will be used to finance ongoing development commitments related to the Phase III clinical program in bladder cancer. As the milestones and debt facilities are dependent on a number of factors outside of management's control, there is uncertainty concerning the Company's ability to continue as a going concern.

Treasury Operations and Restricted Cash

The Company's treasury policy is to invest cash that is not required immediately into short-term instruments with an investment strategy based on capital preservation. Such investments are primarily made in guaranteed investment certificates (GICs) and high interest savings accounts, both of which are issued by Canadian chartered banks. As at December 31, 2009, approximately \$8.0M was held in high-interest savings accounts.

The Company had \$0.2M in restricted cash at December 31, 2009. This funding was received in connection with the government assistance loan agreements referred to above. The government agencies in question agreed to accelerate disbursements under the agreements in advance of claims submitted. The advance disbursements may only be used for expenditures related to the construction of the vaccine facility in Belleville, Ontario.

Related Party Transactions

On June 3, 2005, the Company entered into a ten-year lease for a facility located at 275 Labrosse Avenue in Pointe-Claire, Québec. The facility is leased to the Company from a company owned and controlled by Graeme McRae, the Company's Chairman, President, and Chief Executive Officer. Under the terms of the amended lease, the Company had the option to purchase the facility by May 28, 2010 by assuming the balance of the loan outstanding.

This transaction was recorded as a capital lease obligation as disclosed in note 10 of the Company's annual consolidated financial statements. The facility consists of 14,000 square feet and is expected to be used for additional manufacturing space in the future. This facility will allow the Company to expand the production capacity of its existing MCC manufacturing to meet the projected eventual demand for *UrocidinTM* for the North American market.

During the quarter, a total of \$26K was paid to directors with respect to consulting services provided.

Off-Balance Sheet Arrangements

To date, the Company has not had any relationships with unconsolidated entities or financial partnerships, such as, those referred to as "structured finance" or "special purpose" entities, which are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Other than the Company's operating leases and the commitments disclosed therein, the Company has no other off-balance sheet transactions.

Outstanding Common Shares

The Company has total Common Shares outstanding at February 12, 2010 of 72.3M. In addition, the Company has 1.7M outstanding Warrants and 5.6M outstanding Options, exchangeable for one Common Share upon exercise. The preferred shares Series II with conversion rights are exchangeable for a maximum of 6.5M Common Shares. On a fully diluted basis, the equivalent number of Common Shares outstanding would be 85.9M.

CRITICAL ACCOUNTING ESTIMATES

The Company's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). The Company has identified the following accounting policies that it believes require application of management's most subjective judgments, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. The actual results could differ from these estimates and such differences could be material.

The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including cash requirements, by assessing planned research and development activities and general and administrative requirements, the retention of key personnel, required clinical trial activity, market need for its drug candidates, and other major business assumptions.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts related to its accounts receivable. Accounts receivable are reviewed on a regular basis to determine if any receivables have a high risk of being uncollectible, and these are included in the allowance. Based on the information available, the Company believes the allowance for doubtful accounts is appropriate; however, actual write-offs might exceed the recorded allowance.

Provision for Inventory Obsolescence

Provisions for inventory are charged against income when it is determined that specific inventory items do not meet the defined quality and regulatory requirements for sale. The Company does not take general provisions for inventory obsolescence. The Company regularly reviews its inventories for obsolescence and valuation issues. Should selling prices and demand for inventory decline, additional provisions for obsolescence and valuation may be necessary. Provisions for inventory obsolescence require the Company to make a number of estimates. Inventory is reviewed on a product-by-product basis, and any valuation allowances are written off to cost of sales.

Inventories are valued at the lower of cost and net realizable value, with cost being determined on a weighted average basis. Cost is comprised of direct materials, direct labour and an overhead allocation.

Refundable Investment Tax Credits

The Company incurs research and development expenditures which are eligible for refundable provincial investment tax credits. The investment tax credits recorded are based on estimates of amounts expected to be recovered and are subject to audit by the taxation authorities. Accordingly, these amounts may vary. The amount of refundable investment tax credits receivable as at December 31, 2009 was \$0.3M (June 30, 2009 - \$0.1M).

Valuation Allowance on Future Tax Assets

The Company recorded a valuation allowance on all future tax assets related primarily to operating losses, as well as research and research expense carry-forwards. The related tax benefits are not likely to be realized based upon the Company's historic results and estimated future taxable income and tax planning strategies in the related jurisdictions. However, the implementation of future tax planning strategies or the generation of future taxable income in these jurisdictions could result in the recognition of a portion or all of these carry-forwards, which could result in a material increase in the Company's results of operations through the recovery of future income taxes.

Stock-Based Compensation

The Company has a stock-based compensation plan for directors, executives, employees and consultants and has applied the fair value method of accounting. The fair value of Stock Options granted is determined at the measurement date using the Black-Scholes option pricing model, and expensed over the vesting

period of the options, with a corresponding increase to additional paid-in capital. Assumptions that affect the application of the fair value method include the determination of the volatility of our share price and the expected life of the options issued.

Assessment of Impairment of Goodwill and Long-lived Assets

The assessment of the impairment of goodwill and long-lived assets requires the use of careful judgment and significant estimates including those related to unit sales, gross margins, cost of sales, market size and penetration, sales and marketing costs, etc., and their expected timing. Goodwill is tested annually, and long-lived assets are tested when indicators of impairment are present. During the years ended June 30, 2009 and 2008, the Company did not record any long-lived asset or goodwill impairment losses.

CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

In February, 2008, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 3064, *Goodwill and Intangible Assets*, Section 3064, which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*, and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for the Company’s interim and annual financial statements beginning on July 1, 2009. Application of these new pronouncements has not had any impact in the Company’s financial statements.

In May, 2009, the CICA amended Section 3862, *Financial Instruments – Disclosures*, to improve disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The amendments to Section 3862 are effective for the Company’s interim and annual financial statements beginning on July 1, 2010.

The CICA issued Handbook Sections 1582, *Business Combinations*, which replaces Section 1581, *Business Combinations*; 1601, *Consolidations*; 1602, *Non-controlling Interests*; and 1625, *Comprehensive Revaluation of Assets and Liabilities*. These standards are effective for the Company’s interim and annual financial statements beginning on July 1, 2011, with earlier application permitted.

The suite of business combinations standards (CICA 1582, 1601 and 1602) were harmonized with the converged IASB and the FASB standards on business combinations and with their guidance on accounting for non-controlling interests. In conjunction with these changes, amendments were made to CICA 1625 and CICA 3251 to remove guidance no longer applicable and to make these standards consistent with the suite of business combinations standards.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The CICA will converge Canadian GAAP with International Financial Reporting Standards [“IFRS”] over a transition period to end in 2011. Beginning in Fiscal 2012, the Company will fully adopt IFRS including restated comparatives for 2011.

As at December 31, 2009, with the assistance of external experts in IFRS, the Company has completed a diagnostic study of the conversion of its consolidated financial statements to IFRS. This study and resulting report identifies the principal differences in the Company’s records between existing Canadian GAAP and IFRS standards and evaluates their impact on business processes and information systems. It also assesses the complexity of preparations and implementation, and identifies resource requirements in support of the conversion.

While the Company expects a reasonable degree of impact in many areas related to reporting, the following areas are considered to be of the highest priority in its planning and implementation efforts:

1. Financial statement presentation and disclosures;
2. Matters relating to first-time adoption of IFRS, including transition reconciliation;
3. Asset impairment considerations and measurement methods;
4. Property, plant and equipment;
5. Revenue; and
6. Leases.

Now that the diagnostic study is complete, the Company will prepare a detailed conversion plan in the third quarter of Fiscal 2010 and thereafter begin execution of this plan. It is currently not possible to fully determine the impact of conversion to IFRS on the consolidated financial statements and any potential business impacts, as the conversion plan is not complete and as accounting standards and related interpretations continue to change. Going forward, in future quarterly and annual reports, the Company will provide updates on its IFRS activities, including a summary of its plan, outlines of key differences between current practice and IFRS, and, when possible, illustrative disclosures and financial statement account reconciliations.

NON-GAAP & OTHER MEASURES

The following measures included in the MD&A do not have a standardized meaning under Canadian Generally Accepted Accounting Principles (GAAP) and, therefore, are unlikely to be comparable to similar measures presented by other companies:

EBITDA: Means “Earnings before Interest, Taxes, Depreciation, Amortization and foreign exchange”. The Company considers EBITDA to be an effective measure of each segment’s contribution to the Company on an operational basis. It is management’s view that this measure is used by analysts and shareholders to evaluate the financial performance of the Company’s operations.

Burn Rate: Means consolidated cash flow used in operations. This information can be found in the Consolidated Statements of Cash Flows, under Operating Activities. It shows the cash flow used in operations (before change in non-cash working capital balances related to operations).

Net Working Capital: Means current assets minus current liabilities, excluding the current portion of non-refundable deferred licensing revenues. The non-refundable deferred licensing revenue amount is not a liability to the Company.

EFFECTIVENESS OF DISCLOSURE CONTROLS

In accordance with National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings [“National Instrument 52-109”], the Company is responsible for establishing and maintaining internal control over financial reporting of the Company, which is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s consolidated financial statements in accordance with Canadian GAAP. Due to the inherent limitations in any control system, internal control over financial reporting may not prevent or detect all material misstatements. Also, any conclusions on the effectiveness of a system of internal control in the future are subject to risk as the system may be or become inadequate for many reasons, including due to changes in business conditions, personnel changes and/or the impact of other risks and uncertainties on internal controls.

Management has used the framework of the Committee of Sponsoring Organizations of the Treadway Commission [“COSO”] to evaluate the effectiveness of the Company’s internal control over financial reporting.

The Chairman, President and Chief Executive Officer and the Chief Financial Officer, together with management, expect to complete the evaluation of the effectiveness of the Company's disclosure controls and procedures ["DCP"] and internal controls over financial reporting ["ICFR"] by March 31, 2010. As at December 31, 2009, the evaluation has not been completed.

The Company plans to continue to review and make the necessary changes to its ICFR policies and procedures, including policy development and implementation, the hiring of additional resources in the accounting and finance department and implementation of upgrades to the accounting systems. These new resources, combined with changes in the Company's financial condition, should result in improvements in its review and approval process, particularly the financial statement close process. The Company expects to complete the evaluation of its ICFR in the next three months and will keep investors apprised of the continued progress on this evaluation and in its remediation efforts in its future interim reports.

During the first six months of the fiscal year ended June 30, 2010, the Company has established more formal communication and internal certification processes as well as improvements to accounts payable processes. These changes were adopted to ensure all matters of financial significance are brought to the attention of accounting and reporting staff on a timely basis.

RISKS AND UNCERTAINTIES

Before making an investment decision with respect to the Company's common shares, investors should carefully consider the following risk factors, in addition to the other information included or incorporated by reference into this report and the annual report for the fiscal year ended June 30, 2009. The risks as set out in the annual report remain unchanged. The primary risks that may affect the Company during this fiscal year are summarized below. If any of the risks and uncertainties occurs, the business, financial condition, prospects, or results of operations for the Company would likely suffer.

SUMMARY OF RISKS AND UNCERTAINTIES

If any of the following risks occur, the Company's business, results of operations or financial condition could be materially adversely affected.

- The Company expects to continue to experience losses as a result of its ongoing research. It is difficult to estimate the timing and future costs of its research and development programs and the timing of the achievement of milestone revenues.
- The Company may be unable to achieve certain milestones associated with the external partnership, which could curtail future development and negatively impact the Company's share price.
- The Company is indirectly subject to price regulation in certain countries and this could affect its gross margin.
- The Company does not currently have backup manufacturing capacity for some of its key products.
- The loss of a key supplier of certain raw materials could have a material adverse effect on the Company's business and financial condition.
- The Company may not achieve its projected development goals in the timeframes it announces and expects.
- Rapid technological change could make the Company's products obsolete.
- The Company faces uncertainties related to regulatory approval which could result in delays in product commercialization in certain territories.
- Even if the Company obtains marketing approval, its products will be subject to ongoing regulatory review.
- The Company's products, if approved, may fail to achieve market acceptance.
- Development of drugs can be costly and require years of research and development activities.
- If the Company cannot raise additional capital on acceptable terms, it may delay or be unable to pursue further development of its product portfolio, obtain regulatory approvals or commercialize its product candidates.

- If the Company is unable to protect its intellectual property rights, its competitors may develop and market products with similar features that may reduce demand for its products and the effective commercialization of its products may be inhibited.
- The Company may become involved in lawsuits with respect to collaborations or protection or enforcement of its patents that would be expensive and time consuming.
- If third-party manufacturers of the Company's products fail to devote sufficient time and resources to its concerns, or if their performance is substandard, clinical trials and product introductions may be delayed and its costs may rise.
- The Company may not be able to manufacture its products in commercial quantities, which would prevent it from marketing its products.
- The Company may not be able to successfully achieve its goals.
- The Company has international operations that expose it to additional business risks.
- The Company may incur losses associated with foreign currency fluctuations.
- The Company is subject to the risk of product liability claims, for which it may not have, or be able to obtain, adequate insurance coverage.
- Some of the Company's products involve may use hazardous materials and, as a result, it is exposed to potential liability claims and to costs associated with complying with laws regulating hazardous waste.
- Future sales of common shares by the Company or its existing lenders or shareholders may cause its share price to fall.
- The Company has never paid dividends on its Common Shares, and it does not anticipate paying any cash dividends in the foreseeable future.

OTHER INFORMATION ABOUT THE COMPANY

Additional information relating to the Company, including the Annual Information Form (AIF), is available on SEDAR at www.sedar.com.

Brian D. Ford, CA,
Chief Financial Officer
 February 12, 2010

Bioniche Life Sciences Inc.
Amalgamated under the laws of Ontario

INTERIM CONSOLIDATED BALANCE SHEETS

[Unaudited – see going concern uncertainty - note 1]

	As at December 31, 2009 \$	As at June 30, 2009 \$
<i>(thousands of Canadian dollars)</i>		
ASSETS		
Current		
Cash and cash equivalents	14,350	5,950
Accounts receivable	5,038	3,720
Inventories <i>[note 3]</i>	6,563	5,408
Prepaid expenses and deposits	1,918	569
Income and other taxes recoverable	6	—
Restricted cash	190	1,227
	28,065	16,874
Long-term		
Property, plant and equipment	10,098	9,494
Intangible assets <i>[note 4]</i>	6,361	6,792
Goodwill	456	456
Long-term accounts receivable	1,089	1,025
	46,069	34,641
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Revolving credit facility <i>[note 5]</i>	—	4,448
Accounts payable and accrued liabilities	7,087	11,607
Income and other taxes payable	—	321
Deferred government assistance <i>[note 6]</i>	48	342
Current portion of long-term debt and obligations under capital leases	611	635
Current portion of repayable government assistance <i>[note 6]</i>	926	—
Current portion of non-refundable licensing revenue <i>[note 10]</i>	1,486	—
	10,158	17,353
Long-term		
Long-term debt	1,016	1,149
Obligations under capital leases	1,169	1,225
Repayable government assistance <i>[note 6]</i>	5,646	2,476
Deferred government incentives	2,729	3,335
Non-refundable deferred licensing revenue <i>[note 10]</i>	20,096	—
	40,814	25,538
Shareholders' equity <i>[note 7]</i>		
Share capital	96,025	95,855
Other paid-in capital	8,649	8,540
Deficit	(99,419)	(95,292)
	5,255	9,103
	46,069	34,641

See accompanying notes

Bioniche Life Sciences Inc.

**INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS),
COMPREHENSIVE INCOME (LOSS), AND DEFICIT**

[Unaudited – see going concern uncertainty - note 1]

For the three and six months ended December 31

<i>(thousands of Canadian dollars, except share and per share amounts)</i>	Current Quarter 2009 \$	Last Year Quarter 2008 \$	Current Year to Date 2009 \$	Last Year to Date 2008 \$
REVENUE,				
Sales	7,029	8,551	12,935	16,595
Gain on sale of intangible assets <i>[note 9]</i>	—	—	883	—
Licensing <i>[note 10]</i>	6,757	—	7,090	—
	13,786	8,551	20,908	16,595
EXPENSES				
Cost of sales (excluding amortization) <i>[note 3]</i>	3,294	3,463	6,065	7,213
Administration	1,646	1,579	3,431	3,098
Marketing and selling	1,469	1,755	2,950	3,425
Financial expenses <i>[note 11]</i>	164	760	352	1,227
Amortization of property, plant and equipment	260	338	567	676
Amortization and writedown of intangible assets	189	194	431	408
Foreign exchange loss (gain)	144	(30)	264	37
	7,166	8,059	14,060	16,084
Income before research and development expenses and other items	6,620	492	6,848	511
Research and development expenses, gross	4,754	3,185	8,154	7,030
Repayable government assistance <i>[note 6]</i>	—	—	3,884	—
Less: government incentives, net	(790)	(490)	(1,193)	(1,006)
Income (loss) before income taxes	2,656	(2,203)	(3,997)	(5,513)
Provision for income taxes	—	162	130	177
Net income (loss) and comprehensive income (loss) for the period	2,656	(2,365)	(4,127)	(5,690)
Transition adjustment due to change in accounting policy	—	—	—	(39)
Deficit, beginning of period	(102,075)	(88,116)	(95,292)	(84,752)
Deficit, end of period	(99,419)	(90,481)	(99,419)	(90,481)
Basic and diluted net income (loss) per share	0.04	(0.04)	(0.06)	(0.08)
Weighted-average number of common shares outstanding	72,008,694	71,018,609	71,941,789	69,106,748
Weighted-average fully-diluted number of common shares	72,108,797	71,018,609	72,041,922	69,106,748

See accompanying notes

Bioniche Life Sciences Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

[Unaudited – see going concern uncertainty - note 1]

For the three and six months ended December 31

	Current Quarter 2009	Last Year Quarter 2008	Current Year to Date 2009	Last Year to Date 2008
<i>(thousands of Canadian dollars)</i>	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net income (loss) for the period	2,658	(2,365)	(4,128)	(5,690)
Add (deduct) non-cash items:				
Amortization	449	532	946	1,084
Unrealized foreign exchange loss (gain)	(1)	460	(25)	367
Change in unrealized loss on foreign currency embedded derivatives	—	—	—	60
Accreted interest on discounted receivables and interest-free loans and amortization of financial expenses	103	597	211	947
Stock-based compensation	49	63	109	125
Employee share ownership plan	137	163	137	340
Government assistance obligation	—	—	3,884	—
Amortization of deferred government incentive	(667)	—	(844)	—
Licensing revenue	(371)	—	(704)	—
Write-off of intangible assets	—	—	52	—
Gain on sale of intangible assets	—	—	(883)	—
Deemed government assistance	(15)	—	(74)	—
	2,342	(550)	(1,319)	(2,767)
Decrease in restricted cash	911	—	1,037	—
Net change in non-cash working capital balances	(1,034)	764	(6,028)	196
Net change in non-refundable deferred licensing revenue	—	—	22,286	—
Cash provided by (used in) operating activities	2,219	214	15,976	(2,571)
INVESTING ACTIVITIES				
Government incentives received on account of property, plant and equipment	51	53	51	53
Proceeds on sale of intangible assets	—	—	606	—
Proceeds on disposal of property, plant and equipment	6	—	6	—
Purchases of property, plant and equipment	(1,136)	(385)	(1,375)	(523)
Cash used in investing activities	(1,079)	(332)	(712)	(470)
FINANCING ACTIVITIES				
Proceeds from deferred government incentives	—	102	—	102
Proceeds from repayable government assistance <i>[note 6]</i>	—	143	54	776
Payment of financing fees – revolving credit facility	—	(11)	(2,117)	(11)
Proceeds from revolving credit facility	—	8,591	—	16,976
Repayment of revolving credit facility	—	(7,147)	(4,416)	(13,266)
Repayment of capital lease obligations	(151)	(71)	(235)	(130)
Repayment of senior and other long-term debt	(141)	(138)	(150)	(171)
Cash provided by (used in) financing activities	(292)	1,469	(6,864)	4,276
Net increase in cash and cash equivalents during the period	848	1,351	8,400	1,235
Cash and cash equivalents, beginning of period	13,502	4,283	5,950	4,399
Cash and cash equivalents, end of period	14,350	5,634	14,350	5,634

See accompanying notes

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

*[thousands of Canadian dollars or other currencies, except
where noted and for share and per share amounts]*

Unaudited

1. NATURE OF THE BUSINESS, GOING CONCERN UNCERTAINTY AND BASIS OF PRESENTATION

Nature of the business

Bioniche Life Sciences Inc. [“the Company”] is a Canadian biopharmaceutical company engaged in the research, development, manufacturing and commercializing of human and animal health products and technologies worldwide. The Company’s common stock is traded on the Toronto Stock Exchange [TSX: “BNC”].

Going concern uncertainty

The Company’s interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles [“GAAP”] on a going concern basis, which presumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business for the foreseeable future. The use of these principles may not be appropriate.

At December 31, 2009, the Company has incurred significant losses and had an accumulated deficit of \$99,419. The Company’s committed cash obligations and expected level of expenses for the year exceed its committed sources of funds at December 31, 2009. The Company expects to finance its future expenditures by receiving certain payments on accomplishing milestones, along with receiving reimbursements for certain costs associated with the conduct of the *UrocidinTM* clinical programs, from its licensing partner. If the Company is unable to accomplish the milestones or receive reimbursements on a timely basis, which is outside of management’s control, the Company may be required to obtain additional financing and curtail the Company’s development activities and operations.

These interim consolidated financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities which might be necessary should the Company not be successful in its efforts to obtain additional financing, or to receive significant funds on entering into research collaborations. Such adjustments could be material.

Basis of presentation

These interim consolidated financial statements do not contain all disclosures required by GAAP for annual financial statements and, accordingly, these financial statements should be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended June 30, 2009. These unaudited interim consolidated financial statements follow the same accounting policies and methods of their application as outlined in the most recent annual consolidated financial statements, except as described in note 2 below.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

*[thousands of Canadian dollars or other currencies, except
where noted and for share and per share amounts]*

Unaudited

2. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Effective July 1, 2009, the Company adopted Handbook Section 3064, *Goodwill and Intangible Assets*. Section 3064, which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*, establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new section is the Canadian equivalent to International Financial Reporting Standard IAS 38, *Intangible Assets*. The adoption of this section had no impact on the Company's consolidated financial statements.

In May 2009, the CICA amended Section 3862, *Financial Instruments – Disclosures*, to improve disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The amendments to Section 3862 are effective for the Company's interim and annual financial statements beginning on July 1, 2010.

The CICA issued Handbook Sections 1582, *Business Combinations*, which replaces Section 1581, *Business Combinations*; 1601, *Consolidations*; 1602, *Non-controlling Interests*; and 1625, *Comprehensive Revaluation of Assets and Liabilities*. These standards are effective for the Company's interim and annual financial statements beginning on July 1, 2011, with earlier application permitted.

The suite of business combinations standards (CICA 1582, 1601 and 1602) were harmonized with the converged IASB and the FASB standards on business combinations and with their guidance on accounting for non-controlling interests. In conjunction with these changes, amendments were made to CICA 1625 and CICA 3251 to remove guidance no longer applicable and to make these standards consistent with the suite of business combinations standards.

3. INVENTORIES

	December 31, 2009	June 30, 2009
	\$	\$
Raw materials	1,348	1,002
Work in process	1,749	1,875
Finished goods	3,466	2,531
	6,563	5,408

During the three and six month periods ended December 31, 2009, inventories in the amount of \$3,109 and \$5,630 respectively [2009 - \$3,289 and \$6,846 respectively] were recognized as cost of sales, including provisions for write-downs to net realizable value of \$17 and \$79 [2009 - nil] and the reversal of previously recorded writedowns of \$14 and \$58 as a result of a reassessment of the potential market [2009 - nil]. As at December 31, 2009, inventories in the amount of \$30 [2009 - \$38] are carried at their net realizable value.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

[thousands of Canadian dollars or other currencies, except
where noted and for share and per share amounts]

Unaudited

4. INTANGIBLE ASSETS

During the six months ended December 31, 2009, the Company wrote off a license with a carrying value of \$52 for a product it will not market.

5. REVOLVING CREDIT FACILITY

On July 15, 2009, the balance of this revolving credit facility of \$3,686 [US \$3,308] as well as all outstanding financing fees totaling \$2,117 [US \$1,900] were paid in cash from the proceeds received from the strategic partnership for *Urocidin*TM.

6. GOVERNMENT INCENTIVES AND ASSISTANCE

Industrial Technologies Office ["ITO"]

The signing of a license, development and supply agreement for *Urocidin*TM on July 10, 2009 triggered the requirement to make annual cash payments of \$960 for five years, commencing no earlier than June 2010. The total amount of this obligation was recorded at its estimated fair value of \$3,884 using a discount rate of 7.5% as repayable government assistance with an offsetting expense of \$3,884. The discount is being amortized over the term of the loan using the effective interest method.

The Company and the Industrial Technology Office are negotiating changes to the agreement which may result in significant changes to the nature and/or terms of the obligation.

The following table summarizes transactions for the six months ended December 31, 2009 related to each of the government programs under which the Company has received assistance:

	ITO	MEDT \$	Agri-Ops \$	Total \$
Opening balance	—	2,253	223	2,476
Government assistance repayable	4,800	—	—	4,800
Government assistance loans received	—	—	54	54
Less: interest-free discount	(916)	(29)	(52)	(997)
Accretion of interest	146	77	16	239
	4,030	2,301	241	6,572
Less: current portion	926	—	—	926
Total long-term repayable government assistance	3,104	2,301	241	5,646
Opening balance		283	59	342
Government assistance related to interest free discount		29	52	81
Deemed government assistance netted against research and development expenses		(48)	(26)	(74)
Deemed government assistance netted against property, plant and equipment		(216)	(85)	(301)
Deferred government assistance		48	—	48

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

*[thousands of Canadian dollars or other currencies, except
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Unaudited

7. SHAREHOLDERS' EQUITY

Share compensation

During the six-month period ended December 31, 2009, the Company issued 278,495 Common Shares [2009 – 161,672] as directors' remuneration totalling \$103 [2009 - \$113]. During the three-month period ended December 31, 2009 and 2008, no shares were issued.

Employee share ownership plan

On November 5, 2009, the Company's shareholders' approved a resolution to amend the Company's employee share ownership plan. This amendment changes the total number of Common Shares available to be issued under the plan from a maximum of 4,000,000 to a maximum of 7,000,000.

During the three-months ended December 31, 2009, the Company reinstated the plan and issued 161,172 Common Shares [2009 – 356,694] totalling \$66 [2009 - \$169]. During the six-months ended December 31, 2009, the Company issued 161,172 Common Shares [2009 – 651,313] totalling \$66 [2009 - \$348].

Stock Options

On November 5, 2009, the Company's shareholders' approved a resolution to amend the Company's Stock Option plan. This amendment changes the total number of Common Shares available to be issued under the plan from a maximum of 6,000,000 to a maximum of 10% of the Company's issued and outstanding Common Shares. As at December 31, 2009, the maximum number of Common Shares available to be issued under the plan cannot exceed 7,195,964.

The changes in the number of Options granted by the Company and their weighted-average exercise prices, for the six-month period ended December 31, 2009 and 2008 are as follows:

	2009		2008	
	#	\$	#	\$
Balance, beginning of period	4,118,501	2.04	4,286,501	2.06
Granted	2,673,867	0.44	2,000	0.70
Expired	(1,169,500)	3.47	(40,000)	2.32
Balance, end of period	5,622,868	0.99	4,248,501	2.05
Exercisable	1,248,001	1.14	1,915,601	2.36

On July 1, 2009, the Company granted 2,000 three-year Stock Options [2009 – 2,000 three-year Stock Options], vesting immediately and with an exercise price of \$0.37 [2009 - \$0.70], to a consultant.

On November 5, 2009, the Company granted 2,671,867 five-year Stock Options with an exercise price of \$0.44 to employees and directors.

The grant date fair value of Options is recognized as an expense over the vesting period. The amount recognized as a compensation expense during the three and six months ended December 31, 2009 was \$49 and \$109 respectively [2009 - \$63 and \$125 respectively].

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

[thousands of Canadian dollars or other currencies, except
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Unaudited

7. SHAREHOLDERS' EQUITY [CONT'D]

The fair value of options granted during the six months ended December 31, 2009 and 2008 was estimated using the Black Scholes option pricing model, resulting in the following weighted-average assumptions:

	2009	2008
Risk-free interest rate	4.0%	5.50%
Expected volatility	65.1%	81.9%
Expected option life	5.0 years	3.0 years
Dividend yield	0%	0%
Weighted-average fair value of options granted	\$0.24	\$0.35

8. SEGMENTED FINANCIAL INFORMATION

The Company's three reportable segments, Animal Health, Human Health and Food Safety are strategic business units that offer different products and require different technology and marketing strategies.

The Company accounts for inter-segment sales on a cost plus basis.

	Current Quarter December 2009				Total \$
	Human Health \$	Animal Health \$	Food Safety \$	Corporate \$	
Sales	—	7,029	—	—	7,029
Licensing	6,757	—	—	—	6,757
	6,757	7,029	—	—	13,786
Expenses	—	4,893	426	1,090	6,409
EBITDA before research and development	6,757	2,136	(426)	(1,090)	7,377
Research & development expenses, gross	3,608	758	388	—	4,754
Repayable government assistance	—	—	—	—	—
Less: government incentives, net	(545)	—	(245)	—	(790)
Net research and development expenses	3,063	758	143	—	3,964
Interest expense, net	—	11	—	147	158
Amortization and write-off of property, plant and equipment and intangible assets	243	140	17	49	449
Amortization of financial expenses	—	—	—	6	6
Foreign exchange loss	—	—	—	142	142
Segment income (loss) before income taxes	3,451	1,227	(586)	(1,434)	2,658

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

*[thousands of Canadian dollars or other currencies, except
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Unaudited

8. SEGMENTED FINANCIAL INFORMATION [CONT'D]

	Last Year Quarter December 2008				Total \$
	Human Health \$	Animal Health \$	Food Safety \$	Corporate \$	
Sales	—	8,549	2	—	8,551
Expenses	—	5,200	650	947	6,797
EBITDA before research and development	—	3,349	(648)	(947)	1,754
Research & development expenses, gross	2,392	386	407	—	3,185
Less: government incentives, net	(437)	—	(53)	—	(490)
Net research and development expenses	1,955	386	354	—	2,695
Interest expense, net	—	12	—	147	159
Amortization of property, plant and equipment and intangible assets	283	180	10	59	532
Amortization of financial expenses	—	—	—	601	601
Foreign exchange loss	—	—	—	(30)	(30)
Segment income (loss) before income taxes	(2,238)	2,771	(1,012)	(1,724)	(2,203)
	Current Year to Date December 2009				
	Human Health \$	Animal Health \$	Food Safety \$	Corporate \$	Total \$
Sales	—	12,935	—	—	12,935
Gain on sale of intangible assets	—	883	—	—	883
Licensing	7,090	—	—	—	7,090
	7,090	13,818	—	—	20,908
Expenses	—	9,081	958	2,407	12,446
EBITDA before research and development	7,090	4,737	(958)	(2,407)	8,462
Research & development expenses, gross	6,049	1,386	719	—	8,154
Repayable government assistance	3,884	—	—	—	3,884
Less: government incentives, net	(885)	—	(308)	—	(1,193)
Net research and development expenses	9,048	1,386	411	—	10,845
Interest expense, net	—	22	—	319	341
Amortization and write-off of property, plant and equipment and intangible assets	524	350	32	92	998
Amortization of financial expenses	—	—	—	11	11
Foreign exchange loss	—	—	—	265	265
Segment income (loss) before income taxes	(2,482)	2,979	(1,401)	(3,094)	(3,998)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

[thousands of Canadian dollars or other currencies, except
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Unaudited

8. SEGMENTED FINANCIAL INFORMATION [CONT'D]

	Last Year to Date December 2008				Total \$
	Human Health \$	Animal Health \$	Food Safety \$	Corporate \$	
Sales	—	16,591	4	—	16,595
Expenses	—	10,753	971	2,012	13,736
EBITDA before research and development	—	5,838	(967)	(2,012)	2,859
Research & development expenses, gross	5,169	933	928	—	7,030
Less: government incentives, net	(754)	—	(252)	—	(1,006)
Net research and development expenses	4,415	933	676	—	6,024
Interest expense, net	—	26	—	241	267
Amortization of property, plant and equipment and intangible assets	581	377	21	105	1,084
Amortization of financial expenses	—	—	—	960	960
Foreign exchange loss	—	—	—	(23)	(23)
Change in unrealized loss on foreign currency embedded derivatives	—	—	—	60	60
Segment income (loss) before income taxes	(4,996)	4,502	(1,664)	(3,355)	(5,513)

9. GAIN ON DISPOSAL OF INTANGIBLE ASSETS

On July 23, 2009, the Company sold its interest in a regulatory registration in the United States for a veterinary anesthetic product, *Ketamine*, to Bioniche Teoranta for consideration of \$883 [US\$800]. The Company received \$606 [US\$549] in cash at closing and accounts payable of \$277 [US\$251] were forgiven.

The Company's interest in the regulatory registration represented an unrecorded internally developed intangible asset and as such, an amount of \$883, representing the entire consideration received, has been recorded as a gain on disposal of intangible assets.

10. NON-REFUNDABLE DEFERRED LICENSING REVENUE

On July 10, 2009, the Company signed a strategic partnership agreement ["the Agreement"] for the commercialization of Urocidin™. Under the Agreement the Company received a non-refundable up-front cash payment of \$22,286 [US\$20,000]. This up-front payment has been recorded as deferred revenue and will be recognized over the period that the Company maintains substantive obligations under the Agreement which the Company expects to be approximately 15 years. For the three and six months ended December 31, 2009, an amount of \$371 and \$704 respectively has been recognized as licensing revenue.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

*[thousands of Canadian dollars or other currencies, except
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Unaudited

10. NON-REFUNDABLE DEFERRED LICENSING REVENUE [CONT'D]

The Company also has the potential to receive a further US\$110 million in additional payments linked to the achievement of future clinical, regulatory and commercial milestones. The Company will also receive reimbursement, which will be negotiated between parties, of certain internal development costs and up to 100% of external development costs commencing in calendar 2010 if the Agreement is extended to consider markets outside of North America. Subsequent to the quarter end, on February 12, 2010, the Company announced that Endo has elected to exercise its option for global rights, thus assuming all external development expenses for the product. During the quarter ended December 31, 2009, the Company achieved the first milestone and received \$6,386 [US \$6,000].

In addition to the above payments, the Company has retained exclusive product manufacturing rights and will receive a percentage of net-sales related of the product.

11. FINANCIAL EXPENSES

	Current Quarter 2009 \$	Last Year Quarter 2009 \$	Current Year to Date 2009 \$	Last Year Year to Date 2009 \$
Interest on long-term debt	74	87	148	169
Other interest expense	1	106	20	160
Other interest income	(14)	(30)	(27)	(48)
Accreted interest income on discounted receivables	(20)	(13)	(39)	(23)
Accreted interest expense on interest-free loans	117	9	239	9
Amortization of financial expenses	6	601	11	960
	164	760	352	1,227

12. RELATED PARTY TRANSACTIONS

During the six months ended December 31, 2009, the Company made lease payments of \$17 per month to a company controlled by the CEO who is also a Director of the Company [2009 – four lease payment of \$17 and interest only payments of \$13]. During the three and six months ended December 31, 2009, the Company paid Directors \$26 and \$43 respectively [2008 - \$16 and \$35 respectively] in consulting fees during the same period.

13. COMMITMENTS

As at December 31, 2009, the Company had capital commitments with respect to plant and machinery under construction in relation to the vaccine manufacturing facility in the amount of \$21,800 [2009 – nil]. A portion of these commitments will be financed through government incentives and assistance and through loans with the Business Development Corporation for approximately \$16,000.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

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14. CONTINGENCIES

In December 2009, a former financial advisor, who had previously requested payment of 6% of the funds received under the Agreement [*note 10*], filed a lawsuit against the Company in relation to this request for payment. Management continues to believe that his demand is frivolous and without merit and is contesting this claim vigorously, however the outcome is uncertain at this time. No amount has been recorded in the interim consolidated financial statements for this claim.

15. SUBSEQUENT EVENTS

During the month of January 2010, the Company met the requirements for recognition of its second and third milestones under the development, marketing and supply agreement with Endo Pharmaceuticals in the amount of US\$8.0M. The Company announced the achievement of these milestones, and the decision by Endo to exercise its option for exclusive rights to develop and market *UrocidinTM* globally, on February 12, 2010. The exercise of the option results in Endo assuming all external development expenses for the product.

16. COMPARATIVE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The comparative interim consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2010 interim consolidated financial statements.

CORPORATE DATA

BOARD OF DIRECTORS

GRAEME MCRAE ^{(3) (4) (5) (6)}
Chairman, President and CEO
Bioniche Life Sciences Inc.

STANLEY ALKEMADE, D.V.M. ^{(4) (5) (6)}
President, BioMedEx Inc.

ARMEN APRIKIAN, M.D., F.R.C.S. (C) (OBSERVER) ⁽⁴⁾
Head, Division of Urology, Department of Surgery, McGill University
& Interim Chief, Department of Oncology, McGill University Health Centre

ALBERT BERALDO ^{(1) (2) (6)}
President, Alveda Pharmaceuticals Inc.

MARGARET CUNNINGHAM, PH.D. ^{(1) (3) (6)}
Director of the School of Business, Associate Dean, and R. A. Jodrey Chair, Faculty of Management,
Dalhousie University, Halifax, Nova Scotia

PIERRE-YVES DESBIENS, C.A., MBA ^{(1) (2) (6)}
Vice-President, Finance, PureCell Technologies Inc.

JAMES JOHNSON PH.D. ^{(4) (6)}
Partner, King & Spalding LLP

NICK PHOTIADES ^{(1) (6)}
Management and Strategic Planning Consultant

LYLE VANCLIEF ^{(3) (6)}
Agricultural and Agri-Food Consultant

¹ Member of the Audit Committee

² Member of the Compensation Committee

³ Member of the Corporate Governance and Nominating Committee

⁴ Member of the Scientific Audit Committee

⁵ Member of the Risk Management Committee

⁶ Each Director has been elected to hold office until the date of the Company's next
Annual Meeting of Shareholders

EXECUTIVE MANAGEMENT

Graeme McRae
Chairman, President and CEO

Cindy Benning
Vice-President, Operations, Corporate Quality and Regulatory Affairs

François Charette, M.D., MBA
Senior Vice-President and Chief Medical Officer

Rick Culbert
President, Bioniche Food Safety

Mohamed Elrafih
Vice-President, Manufacturing Operations

Brian Ford, BA, CA
Chief Financial Officer

Andrew Grant
Divisional President, Bioniche Animal Health Export Sales,
Europe & Australia

Cameron Groome
Executive Vice-President, Corporate & Strategic Development

Bruce McLeod
Vice-President, Human Resources

Jim Phillips
President, Bioniche Global Animal Health
Nigel C. Phillips, Ph.D.
Senior Vice-President, Scientific Affairs and Chief Scientific Officer

Dragan Rogan, Ph.D.
Vice-President, Research & Development
Animal Health

Jennifer Shea
Vice-President, Communications, Investor & Government Relations

Rick Sutin
Corporate Secretary (interim)

Dr. Gary Weber
President, Bioniche Food Safety, U.S.A.

STOCK LISTING:

Toronto Stock Exchange
Symbol: BNC

LEGAL COUNSEL:

Ogilvy, Renault
Toronto, Ontario, Canada

AUDITORS:

Ernst & Young, LLP
Montreal, Quebec, Canada

TRANSFER AGENT:

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Toll-free: (800) 387-0825
Fax: (416) 643-5501

SHAREHOLDER INQUIRIES:

Inquiries related to stock transfer or lost certificates and notices of address change should be directed to the Transfer Agent noted above. General information regarding the Company, recent news releases, and SEDAR filings are available via our Internet website at www.Bioniche.com, through our Corporate Communications, Investor and Government Relations office at (613) 966-8058, or by e-mail at info@Bioniche.com.

GENERAL & INVESTOR INQUIRIES:

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