Q2, Fiscal 2013 Shareholder Letter

Dear fellow shareholders,

Our news release of December 21, 2012 announcing the return of global rights for *Urocidin™* to Bioniche from Endo came as a surprise to many of our stakeholders.

You will recall that, in early November, 2012, Endo elected to discontinue the most recent Phase III clinical trial with *Urocidin™*. The discontinuation of the trial was the most appropriate action given that recruitment into that trial was going very slowly and Endo was unable to come up with a satisfactory, FDA-endorsed alternative trial design to speed up recruitment.

It is the Company's belief that the comparator arm in the trial – mitomycin C – was one of the major reasons for the difficult recruitment. Mitomycin C is a chemotherapy which is not approved for use in non-muscle-invasive bladder cancer (although some practitioners use it in this population). Further, there is limited clinical trial data showing the efficacy and safety of mitomycin C in bladder cancer, and it has serious side-effects typical of a chemotherapy. We believe that many patients and some Urologists were not comfortable engaging in a trial where there was a 50% chance of the patient receiving this therapy versus *Urocidin™* which has previously completed a successful Phase III clinical trial in BCG refractory patients with a 25% disease-free survival rate and minimal safety issues (most adverse events were considered mild to moderate).

You may recall that, when Bioniche signed its license agreement with Endo in July, 2009, we had established a Phase III clinical program whereby the second Phase III trial would be in newly diagnosed non-muscle-invasive bladder cancer with BCG as a comparator. Endo elected to change this plan and proceed with a second trial in BCG refractory bladder cancer. *The Company's original clinical plan may still be feasible as a way forward, depending upon discussions with Health Canada, the FDA and other regulators.*

Upon discontinuation of the latest trial, the two companies discussed the alternatives for taking the product forward. We know that this product has value and addresses a truly significant unmet need among bladder cancer patients. In the end, it was determined that the best path forward was for Bioniche to take the product back so that it can accelerate the clinical pathway to commercialization.

In exchange for the return of the *Urocidin™* rights, Bioniche will pay a 5% royalty on future net *Urocidin™* income for ten years from the first commercial launch of the product, or on a country by country basis until the last of the valid patent claims expires, whichever occurs later.

With full ownership of the product rights, the Company is now engaged in discussions with new potential development partners. Such partnership arrangements may be expected to include up-

front and milestone payments, as well as financial support for development costs. Such funds would offset any additional clinical trial work that the Company is required to complete for successful commercialization of *Urocidin™.*

The transfer of clinical sponsorship back to Bioniche from Endo will take until the end of March as Endo must close the clinical trial sites from the latest trial. With clinical sponsorship back in our hands, Bioniche can proceed to have discussions with regulatory authorities about options for completing the clinical program.

Among these options is the potential for early Canadian registration under Health Canada's Notice of Compliance with Conditions (NOC/c) policy.

This policy provides access to promising new drugs for patients suffering from serious, life-threatening or severely debilitating diseases or conditions for which no drug is presently marketed in Canada or for which a significant increase in efficacy or a significant decrease in risk is demonstrated in relation to an existing drug marketed in Canada.

Although there is no guarantee, we believe that the NOC/c policy should apply to *Urocidin™* since the only current alternative for patients with non-muscle-invasive bladder cancer that is unresponsive to BCG therapy is cystectomy (bladder removal). Cystectomy is a last resort for many patients and carries a risk of treatment-related morbidity and mortality. Bladder removal has a significant negative impact on patients' quality of life. It also represents a significant cost to the health care system as post-cystectomy patients require costly ongoing treatment and support.

If Health Canada concurs, we will file a New Drug Submission before the end of 2013. With an efficient and successful review, the product could be available for commercial sale in Canada during 2014.

Animal Health Update

Our Animal Health business is doing well in spite of the challenging global economy. We have seen 14% growth in revenues over Fiscal 2012 on a year-to-date basis and we are impressed by the level of interest in the new products that we are bringing to market.

Sales of *Butequine™ Paste* product for horses that was launched in the U.S. in August, 2012 have been very successful. We had expected approximately $1 million in revenues for its first year. We recorded $900,000 in the first four months of sales. This product is also contributing well to our overall margin.

Our U.S. distributor of *Immunocidin™* – our first canine oncology product – hit the ground running with a large advance order for the U.S. market. Following distributor sales representative training before Christmas, there is active promotion now ongoing. The same product was launched in Canada at the Ontario Veterinary Medical Association annual conference in Toronto in late January, 2013 and was well-received.

The second canine oncology product – *Oncocidin™* – will be undergoing clinical trials later in calendar 2013. The clinical trial protocol is being reviewed by regulators. Once the protocol is approved, a trial is planned to proceed at the University of Guelph over the next several months. The Company expects that this product could be registered in Canada by early in calendar 2014.

The market launch of *Sin Susto™* - also at the Ontario Veterinary Medical Association annual conference in Toronto – was a success. This is the canine calming product that was developed with the University of Ottawa. It is a natural health product in the form of a highly palatable tablet that can be given like a treat to the dog. *Sin Susto* induces a calming effect that helps the dog maintain a more normal emotional state in the face of stimulants that induce stress (like loud noises, crowds of people, visits to the veterinarian, etc.).

Food Safety/Vaccine Manufacturing Centre Update

On the Food Safety front, we continue to impress upon federal government representatives in Canada the importance of a national *E. coli* O157 cattle vaccination program to reduce the amount of *E. coli* O157 shed by cattle, potentially leading to a reduction in human illness and death. Supplies of our *Econiche®* vaccine are available and small quantities can be produced in our product development laboratory pending the completion of validation in the Animal Health and Food Safety Vaccine Manufacturing Centre. GMP validation for global production is on-track for completion this Spring.

There are other companies with animal health products requiring GMP production who should be interested in contracting our facility for this purpose and discussions have already taken place about potential contract manufacturing in our facility.

Financial Picture

With regard to the corporate financial picture, our second quarter financial results are on track with our plans and anticipated results. As expected, we continue to have a corporate burn rate of over $1M per month – largely due to the carrying costs of our manufacturing facilities - which means that we need to identify additional sources of financing in the coming months to ensure we maintain adequate cash resources on an ongoing basis to complete our commercialization plans over the next few years.

A number of financing options are available to us, and management is in discussions with potential new investors. Such financing could include an investment in the Animal Health business or a licensing or partnership arrangement around one or more of our products or technologies. We are committed to completing at least one of these options to continue current operations seamlessly.

Regards,

"Graeme McRae"

Graeme McRae
President & CEO

Management's Discussion and Analysis

For the quarter ended December 31, 2012

The following discussion and analysis is the responsibility of management and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements as at December 31, 2012 and for the three and six-month period ended December 31, 2012 and 2011 and Notes included herewith, 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, 2012, which can be found online at SEDAR.com and on ASX.com.au. The following disclosure and associated condensed interim financial statements are presented in accordance with IAS 34, *Interim Financial Reporting*. The Management's Discussion and Analysis provides a review of the performance of the Company for the three and six-month periods ended December 31, 2012, as compared to the same periods ended December 31, 2011. This review was prepared by management from information available as at February 6, 2013.

To the extent that 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.

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.

Global Overview of the Business

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 221 people and has three operating business units: Human Health, Animal Health, and Food Safety. Corporate headquarters are located in Belleville, Ontario, Canada.

Background and Business Model

The Company was founded by Graeme McRae as Vetrepharm, an Animal Health company, in 1979. At that time, the Company was located in London, Ontario. Mr. McRae believed that the major veterinary pharmaceutical companies were putting insufficient research efforts into alternatives to antibiotics as treatments for livestock disease. He believed that there had to be more suitable ways of treating veterinary diseases that did not have the problems associated with antibiotics, such as, leaving residues in the food chain and promoting the development of resistant bacteria species. Thus, Vetrepharm was established to research and develop such alternatives, and this commitment has remained throughout the Company's 33 years of existence. In the course of developing these technologies, the Company supported itself by developing a number of new product technologies, manufacturing these products and selling them to veterinarians.

This has proven to be a practical approach in managing the business, growth, scope of development and building shareholder value. Manufacturing and product sales have been a key component in providing stability to the business and its development activities. Consequently, the Company believes the best way to create long-term shareholder value is to generate increasing cash flows from operations as a result of registration and commercialization of internally developed products. While it is the Company's preference to participate as much as possible in the full life cycle of products developed internally, some projects benefit from alignment with marketing and commercialization partners. Whenever possible, the Company will manufacture the products it develops for a far superior margin than would be available through conventional licensing agreements with external manufacturers and distributors. Currently, two major products developed internally (*Urocidin*™ and *Econiche*™) are in their final stages of development and are advancing through the appropriate regulatory pathways, and the Company has plans to retain the manufacturing of these products.

Goals and Objectives

The Company's goals and objectives are to execute its business strategy by:

1. Taking existing proprietary technologies and continue, through the product development program, to enhance their proven therapeutic value for human and animal use.
2. Working to develop these technologies to the point of commercialization, either alone or with strategic marketing partners.
3. Manufacturing 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.

Objective	Activities	Status
Complete validation of the Animal Health & Food Safety Vaccine Manufacturing Centre (VMC) to full Good Manufacturing Practice (GMP)	• Identify all systems that require additional validation to meet global GMP • Set up master schedule to complete global validation program • Assign employees to each system	On target to complete by spring 2013.
Obtain support for a national vaccination program for *Econiche*® in Canada	• Develop core group of supportive Members of Parliament • Participate in industry alliance in support of food safety • Complete studies on the commercial impact of vaccination in Canada	Efforts have been accelerated in light of the recent *E. coli* O157-related beef recall in Canada.
Launch *Oncocidin* in North America	• Complete clinical trials • Develop and execute registration activities • Evaluate distribution partnership opportunities for U.S. distribution • Develop and execute marketing plan	Expect to launch in late 2013 or early 2014.
Prepare for commercialization of *Urocidin*™, including:		
• exploring a potential regulatory submission in Canada under the Notice of Compliance with Conditions (NOC/c) policy	• internal planning is underway, including review of materials that would be submissable	Expect to communicate with Health Canada after the return of sponsorship from Endo (March 31, 2013) and file submission before end of 2013.
• seeking new licensing partners, and	• discussions are underway with several companies; information packages are being developed	Expect to appoint an intermediary to assist with partnering process by April 1, 2013.
• planning for requisite manufacturing capacity	• Develop capacity expansion plan to meet short-run *Urocidin*™ demand at time of launch • Develop long-term	Planning is underway.

	demand schedule to integrate growth from U.S. registration • Work with government to develop financial assistance plan for capital expansion	Preliminary meetings completed.
Prepare for, and launch, at least three new Animal Health products	• *Butequine™ Paste* • *Immunocidin™* • *Sin Susto™*	Butequine™ Paste – launched (U.S.) Immunocidin™ – launched (U.S. and Canada) Sin Susto™ – launched (Canada)
Continue development of short-run opportunities for MCC in other human and animal indications	• Complete canine studies and evaluate implications for human application(s) • Identify and evaluate unmet needs in oncology therapies today – both human and animal -- and assess alignment with MCC properties	In process. In process.
Enhance operational efficiency by bringing new revenues into the VMC	• Offer contract manufacturing services to external parties • Identify in-licensing or partnering opportunities for third party vaccines that can be produced in the VMC	Plan developed; preliminary meetings underway. Preliminary meetings underway.

During the quarter ended December 31, 2012, the Company announced that the second Phase III clinical trial with *Urocidin*™ in non-muscle-invasive bladder cancer being run by Endo was being discontinued and that global rights to the product were returned to Bioniche in exchange for a 5% royalty on future sales.

Recent Accounting Pronouncements

Certain new standards, interpretations and amendments to existing standards issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee (IFRIC) that are not yet effective up to the date of issuance of the Company's unaudited condensed interim consolidated financial statements are listed below. The Company is assessing the impact of these pronouncements on its consolidated results and financial position. The Company intends to adopt those standards when they become effective.

IASB has issued the following standards that are applicable to the Company:

IFRS 9 – *Financial Instruments (Classification and Measurement)*
IFRS 10 – *Consolidated Financial Statements*
IFRS 11 – *Joint Arrangements*
IFRS 12 – *Disclosure of Interest in Other Entities*
IFRS 13 – *Fair Value Measurement*
IAS 1 – *Presentation of Financial Statements*
IAS 19 Amendment – *Employee Benefits*
IAS 28 – *Investments in Associates and Joint Ventures*

Critical Accounting Policies and Estimates

In the Company's 2012 annual audited consolidated financial statements and Management's Discussion and Analysis, management has identified the accounting policies and estimates that are critical to the understanding of the Company's business and results of operations. Please refer to Notes 2 and 3 to the Company's annual audited consolidated financial statements for the year ended June 30, 2012 for a detailed discussion regarding its significant accounting policies and application of critical accounting judgments, estimates and assumptions. There have been no material changes to accounting estimates since June 30, 2012.

Non-IFRS and Other Measures

The following measures included in the MD&A do not have a standardized meaning under IFRS and, therefore, are unlikely to be comparable to similar measures presented by other companies:

EBITDA: Means "Earnings (Loss) 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.

Results of Operations

The following table sets forth, for the periods indicated, the percentage of revenue represented by items in the Company's Consolidated Statements of Loss and Comprehensive Loss.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(expressed in thousands of Canadian dollars)

For the three and six months ended December 31	2013 Q2	2013 YTD $	2013 YTD % of revenue	2012 Q2	2012 YTD $	2012 YTD % of revenue
Revenues	8,801	15,470	*100%*	8,115	14,931	*100%*
Expenses						
Cost of sales	4,379	7,400	*48%*	3,504	6,577	*44%*
Administration	1,928	4,266	*28%*	2,461	4,954	*33%*
Marketing and selling	1,886	3,713	*24%*	1,562	3,334	*23%*
Earnings before research and development, interest, taxes and foreign exchange	608	91	*0%*	588	66	*0%*
Net research and development	3,963	8,181	*53%*	4,506	9,127	*61%*
Interest, taxes and foreign exchange	1,762	3,698	*24%*	113	(514)	*-3%*
Net loss for the period	(5,117)	(11,788)	*-76%*	(4,031)	(8,548)	*-57%*
Exchange differences on translation of foreign operations	(79)	18	*0%*	(241)	26	*0%*
Comprehensive loss	(5,196)	(11,770)	*-76%*	(4,272)	(8,522)	*-57%*

Consolidated Revenue

The Company's consolidated revenues for the quarter ended December 31, 2012 reached $8.8M as compared to $8.1M for the same quarter in Fiscal 2012, an 8% increase. Revenues from the sale of Animal Health products increased by $1.4M, offset by a decrease in collaborative research revenue with Endo of $0.7M. Animal Health revenues out of Canada, which includes sales into South America, declined by 22% compared to the same quarter last year due to the timing of sales orders. Sales in the United States increased 28% over the same quarter last year, primarily from the introduction of new products. Sales in Australia increased by 83% and European sales decreased slightly.

The Company's year-to-date revenue at December 31, 2012 reached $15.5M compared to $14.9M in the previous year, an increase of 4%. Animal Health product sales increased by $1.9M, or 14%, offset by a decrease in collaborative research revenue of $1.4M.

GEOGRAPHIC DISTRIBUTION OF CONSOLIDATED REVENUES BY BUSINESS UNITS

(expressed in millions of Canadian dollars)

For the three and six months ended December 31	2013 Q2 $	2012 Q2 $	Growth* %	2013 YTD $	2012 YTD $	Growth* %
Animal Health - Canada	1,725	2,218	*-22%*	3,667	4,553	*-19%*
Animal Health - USA	4,291	3,344	*28%*	6,996	5,426	*29%*
Animal Health - Australia	2,592	1,415	*83%*	4,316	2,972	*45%*
Animal Health - Europe	185	381	*-52%*	410	529	*-23%*
Sub-total - Animal Health	8,793	7,358	*19%*	15,389	13,480	*14%*
Research collaboration	8	757		82	1,451	
Total reported revenues	8,801	8,115	*8%*	15,470	14,931	*4%*

**based on origin of sale*

Cost of Sales

Cost of sales relates primarily to product sales in the Animal Health business unit, and has increased by 25% from the same quarter in Fiscal 2012, or 13% year-to-date. These increases are directly related to increased sales from new products. Gross margins were 50.2% compared to 52.4% in the quarter ended December 31, 2012, or 51.9% compared to 51.2% year-to-date.

Results of Operations

(expressed in thousands of Canadian dollars)

For the three and six months ended December 31	2013 Q2 $	2013 YTD $	2012 Q2 $	2012 YTD $
Revenues				
Product revenues	8,793	15,388	7,358	13,480
Research collaborations	8	82	757	1,451
	8,801	15,470	8,115	14,931
Cost of Sales	4,379	7,400	3,504	6,577
Gross profit	4,422	8,070	4,611	8,354
Gross margin on product sales	4,414	7,988	3,854	6,903
Gross margin % on product sales	*50.2%*	*51.9%*	*52.4%*	*51.2%*

Administrative, Marketing and Selling Expenses

Administrative expenditures have decreased $0.5M for the quarter ended December 31, 2012 over the same period in Fiscal 2012. On a year-to-date basis, administrative expenditures have decreased by $0.7M, reflecting the reduction in Executive employees.

Marketing and selling expenditures for the quarter ended December 31, 2012 have increased by $0.3M over the same period in Fiscal 2012 and by $0.4M on a year-to-date basis over last year, reflecting some staffing increases and launch costs for new products. The Company plans to invest additional resources in marketing and selling

during Fiscal 2013 in order to evaluate, broaden and develop new and existing markets for its Animal Health business and improve revenues and cash flow.

EXPENSES OTHER THAN RESEARCH AND DEVELOPMENT

(expressed in thousands of Canadian dollars)

For the three and six months ended December 31	2013 Q2 $	2013 YTD $	2013 YTD %	2012 Q2 $	2012 YTD $	2012 YTD %
Revenues	8,801	15,470	*100%*	8,115	14,931	*100%*
Expenses						
Cost of sales	4,379	7,400	*48%*	3,504	6,577	*44%*
Administration	1,928	4,266	*28%*	2,461	4,954	*33%*
Selling and marketing	1,886	3,713	*24%*	1,562	3,334	*23%*
Sub-total	8,193	15,379	*100%*	7,527	14,865	*100%*
Non-cash and other items						
Interest	1,636	3,154	*20%*	(2)	225	*2%*
Foreign exchange	(69)	220	*1%*	(93)	(526)	*-4%*
Sub-total	1,567	3,374	*21%*	(95)	(301)	*-2%*
Total Expenses	9,760	18,754	*121%*	7,432	14,564	*98%*

Research and Development

Research and development expenditures for the quarter ended December 31, 2012 have declined by $0.5M compared with the same quarter in Fiscal 2012. On a year-to-date basis, research and development expenditures have declined by $1.0M compared to Fiscal 2012. The Animal Health business unit continues to progress on several products. The costs incurred on these projects are shifting in emphasis from scientific research ito later stage development activities. Human Health activities have been reduced as the comparative trial winds up and pre-clinical activities are completed. The majority of Human Health expenditures are focused on the maintenance of pilot manufacturing facilties required to support clinical trials and commercialization.

GROSS RESEARCH & DEVELOPMENT

(expressed in thousands of Canadian dollars)

For the three and six months ended December 31	2013 Q2 $	2013 YTD $	2013 YTD %	2012 Q2 $	2012 YTD $	2012 YTD %
Key Areas						
Animal Health	1,148	2,192	*26%*	1,151	2,523	*27%*
Food Safety	889	1,592	*19%*	956	1,628	*17%*
Human Health	2,173	4,742	*55%*	2,572	5,348	*56%*
Research and Development, Gross	4,210	8,526	*100%*	4,679	9,499	*100%*

Consolidated Net Loss and Comprehensive Loss

For the quarter ended December 31, 2012, the basic and fully-diluted loss per Share totalled ($0.05), compared to the loss per Share of ($0.04) for the corresponding period in Fiscal 2012. For the six months ended December 31, 2012, the basic and fully-diluted loss per Share totalled ($0.11), compared to ($0.08) in the same period last year. The consolidated net loss has increased in Fiscal 2013 over Fiscal 2012 by $3.2M, primarily as a result of increased financing expenses of $2.9M and fluctuations in foreign exchange of $0.7M.

*EBITDA (before net Research and Development expenses)**

The EBITDA before research and development has increased during both the quarter and year-to-date ended December 31, 2012 from the same period in Fiscal 2012 due to increased Animal Health revenues and reduced administration expenses, partially offset by reduced collaborative research revenues.

Calculation of EBITDA

(expressed in thousands of Canadian dollars)

	2013		2012	
	Q2	*YTD*	*Q2*	*YTD*
For the three and six months ended December 31	$	$	$	$
Income before research and development and income taxes	(959)	(3,283)	683	367
Add (deduct):				
Amortization excluding amortization included in research and development	349	832	278	553
Financial Expenses	1,636	3,154	(2)	225
Foreign Exchange	(69)	220	(93)	(526)
EBITDA before research and development	957	923	866	619

Last Eight (8) Quarters Consolidated Results

LAST EIGHT (8) QUARTERS CONSOLIDATED RESULTS AT A GLANCE

(expressed in millions of Canadian dollars)

	2013		2012				2011	
	$	$	$	$	$	$	$	$
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	8.8	6.7	8.2	8.7	8.1	6.8	8.0	8.1
Income (loss) before research & development and income taxes	(1.0)	(2.3)	(3.9)	(0.3)	0.7	(0.3)	3.0	(0.2)
Net Income (loss)	(5.1)	(6.7)	(9.8)	(5.9)	(4.0)	(4.5)	(2.3)	(5.2)
Basic and fully diluted net income (loss) per Share	(0.05)	(0.06)	(0.10)	(0.06)	(0.04)	(0.04)	(0.02)	(0.05)

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 performance 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.

Consolidated Balance Sheet Highlights

Assets

The Company's current assets at December 31, 2012 totalled $24.2M, as compared to $35.7M reported at June 30, 2012. The decreased level of assets results primarily from continued investments of working capital into the validation of the Vaccine Manufacturing Centre, ongoing development of Animal and Human Health products and support of debt. These factors are included in the operating loss for the period of $11.8M.

Long-term assets at December 31, 2012 were $46.2M, as compared to $46.5M reported at June 30, 2012. This decrease of $0.3M is primarily due to change in deferred tax assets.

Liabilities and Shareholders' Equity

At December 31, 2012, the Company's net working capital totalled $16.9M as compared to working capital of $27.5M at June 30, 2012, reflecting the decrease in cash primarily used to invest in late-stage development and commercialization activities.

Long-term liabilities at December 31, 2012 totalled $58.7M, which compares to $58.2M reported at June 30, 2012.

Shareholders' equity at December 31, 2012 totalled $4.3M, as compared to $15.7M at June 30, 2012.

Liquidity and Going Concern Uncertainty

The Company has incurred significant losses and has an accumulated deficit of $130.6M as at December 31, 2012, including a current loss of $11.8M for the six-months then ended. The Company's committed cash obligations and expected level of expenditures for the next twelve months exceed its committed resources of funds and funds available as at December 31, 2012.

To date, 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, revenue from product licensing agreements, and long-term debt issuances. The Company expects to finance its future expenditures by obtaining additional financing and the exploration of new partnering and

licensing agreements on technologies under development. If the Company is unable to accomplish either of these initiatives, which are outside of management's control, the Company will be required to curtail its development activities and operations, or potentially dispose of certain assets.

Effective December 21, 2012, the Company announced that global rights to Urocidin™ are being returned to the Company from Endo Pharmaceuticals ("Endo"), terminating the License, Supply and Manufacturing agreement (the "Agreement") signed with Endo on July 9, 2009. In conjunction with the long-term debt with Capital Royalty L.P. ("Capital Royalty"), the Company was required to obtain consent to the termination of this Agreement. Consent has been provided by Capital Royalty on December 21, 2012, conditional to the Company unconditionally receiving at least US$5 million prior to June 20, 2013 by way of equity investment, achieving product development milestones, or licensing revenue.

With the return of rights to *Urocidin*™ from Endo, the Company has the ability to re-partner this technology and is actively considering the best path forward in this regard. The Company has not made any commitments with respect to future clinical trials and will secure financing through partnering and licensing before a further trial is commenced.

The interim consolidated financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to continue as a going concern, and any such adjustments could be material. Please refer to note 1 to the Company's interim consolidated financial statements.

The Company remains committed to reducing the average monthly burn rate as it completes the development and commercialization of several new products. However, there will be some short-term expenditures incurred to support new product launches and to advance the *Urocidin*™ data package for regulators, including Health Canada. The Company expects to conclude one or more partnering deals related to its core technologies, which could involve up-front payments to the Company that would offset the burn rate. The Company remains committed to neutralizing the burn rate and developing sustainable positive cash flows by the end of Fiscal 2014.

The Company's cash flows used in operations for the six-month period ended December 31, 2012 was $9.7M, as compared to cash flows used in operations of $7.0M in the same period in Fiscal 2012. This increase is primarily related to an increased net loss which reflects increased financing expenses as a result of long-term financing in April, 2012.

The Company's investing activities used cash of $0.8M during the six-months ended December 31, 2012, a decrease from $2.2M in the same period in Fiscal 2012, primarily due to completion of construction of the Vaccine Manufacturing Centre last year.

Financing activities used cash of $0.8M during the six-months ended December 31, 2012 compared with a cash increase of $0.7M during the same period in Fiscal 2012. The decrease in cash provided is primarily due to the completion of certain government assistance programs related to development of *Econiche*™, and the completion of construction of the Vaccine Manufacturing Centre last year.

Segmented Performance

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

Human Health Segment

During the quarter ended December 31, 2012, collaborative research revenues were negligible compared to $0.8M during the quarter ended December 31, 2011, reflecting the windup of the first refractory trial. On a year-to-date basis, collaborative research revenues decreased $1.4M compared to the same period last year.

Research and development expenses for the quarter ended December 31, 2012 totalled $2.2M, compared to $2.6M reported in the same quarter last year. On a year-to-date basis, research and development expenses were $4.7M compared to $5.3M reported in the same period last year. The overall decrease of $0.6M is primarily attributed to a related reduction in expenses from the wind-up of the first Phase III clinical trial.

Animal Health Segment

Animal Health product sales were $8.8M for the quarter ended December 31, 2012, as compared to $7.4M for the same period in Fiscal 2012. Animal Health product sales were $15.4M for the six months ended December 31, 2012 compared to $13.5M in the same period last year. The year-to-date increase of $1.9M, or 14%, reflects increased revenues related to the introduction of new products in the United States and increased sales in Australia.

Research and development expenses for the quarter ended December 31, 2012 totalled $1.1M, as compared to $1.2M in the same period in Fiscal 2012. On a year-to-date basis, research and development expenses were $2.2M compared to $2.5M in the same period last year. The Company continues to investment in advancing some of its late-stage research and development projects. These expenses fluctuate as projects advance.

Food Safety Segment

The Company continues its marketing efforts and is receiving strong indications of support, especially following the *E. coli* O157-related beef recall and the suspension of production at a major Alberta meat packing plant in October, 2012.

The Company has completed the construction of its Vaccine Manufacturing Centre in Belleville, Ontario to accommodate large-scale manufacturing production of *Econiche*^{TM} and other food safety and animal health vaccines. The facility continues to undergo validation and commissioning and, accordingly, no depreciation or amortization has been recognized on this asset. The validation to Good Manufacturing Practice (GMP) standards is expected to be completed in the spring of 2013.

Related Party Transactions

During the three and six months ended December 31, 2012, the Company paid a director $1 and $2 respectively [2011 – two directors $13 and $39] in consulting fees and purchased inventory items from a company owned by a director in the amount of $24 and $52 [2011 - $7 and $14]. The Company received payment for services provided to a company owned by a director of $1 and $2 [2011 – two companies $51 and $72].

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.

The Company does not issue guarantees contemplated by the applicable IFRS standards.

Outstanding Common Shares

The Company has total Common Shares outstanding at February 6, 2013 of 104,530,481. In addition, the Company has 100,000 outstanding Warrants and 6,577,241 outstanding Options, exchangeable for one Common Share upon exercise. On a fully diluted basis, the equivalent number of Common Shares outstanding would be 111,207,722.

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 its financial reporting, 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 President and Chief Executive Officer and the Chief Financial Officer, together with management, completed the documentation and evaluation of the effectiveness of the Company's disclosure controls and procedures ("DCP") and internal controls over financial reporting ("ICFR") at December 31, 2012. This evaluation included documentation activities, management inquiries, and other reviews as deemed

appropriate by management in consideration of the size and nature of the Company's business. During the quarter, the company implemented a new accounting system that will harmonize the accounting capabilities of all corporate subsidiaries and improve the Company's accountability and internal reporting capabilities.

The Company plans to continue to review and make the necessary changes to its ICFR policies and procedures, including policy development and implementation.

The Chief Executive Officer and Chief Financial Officer, based on the review and evaluation outlined above, have concluded that the Company's disclosure controls and procedures and internal control over financial reporting are effective to ensure material items relating to the Company are known by them, and that there are no material weaknesses of internal controls over the financial reporting process.

Risks and Uncertainties

Approach to Risk Management

The Company's business activities expose it to a wide variety of risks. The Company's goal is to manage these risks so that it is reasonably protected from an unacceptable level of earnings or financial exposure while still enabling business development through its commercialization activities. The Company has developed a risk management oversight structure and an internal reporting structure to monitor and manage the risks arising from its business activities, the markets in which it operates, and the regulatory and political environments and structures with which the Company interfaces internationally.

The Company's risk management processes include the following pathways to oversight of its principal risks:

The Board of Directors provides for the stewardship of the Company, reviews and establishes policies and procedures, and receives quarterly comprehensive management reports outlining progress and status of all critical activities and associated risks. The Board of Directors also undertakes to understand the key risks of the Company and directs management to address any risks which it believes are not in the best interests of the Company and shareholder value creation.

The Audit Committee, established by the Board of Directors, provides assistance to the Board of Directors in fulfilling its oversight responsibility relating to the integrity of the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the external auditors' qualifications, terms and conditions of appointment, including remuneration, independence, performance and reports, and the legal and risk compliance programs as established by management and the Board of Directors.

Controls Aimed at Mitigating, Monitoring and Managing Risks

The Company's risk controls have several key components:

Organizational Commitment to Values

Every corporate culture is unique. The Company strives to foster beliefs and actions that are true to, and respectful of, its stakeholders and the community at large. The Company does this by investing in communities where its employees live and work, concentrating on operating and growing sustainability, putting safety first, and being responsible to the many groups and individuals with whom it comes into contact. The Company's activities and approach to business are consistent with its "Code of Conduct" and ethics policies.

Policies

The Company maintains a set of enterprise-wide policies that have been established to address key risks. These policies establish delegated authorities and limits for business transactions, as well as allowing for an informed approval process. The Company performs periodic reviews and audits to ensure compliance with these policies.

Reporting

The Company provides quarterly progress reports, together with risk exposures, to key decision-makers including the Board of Directors and senior management. This reporting includes analysis of emerging risks, existing risk exposures, activities carried out in relation to those risks, and the adopted or recommended course of action to mitigate the existing level of risk. This quarterly reporting provides for effective and timely risk management and oversight.

Whistleblower System

Any director, officer or employee who has any concern or complaints regarding accounting, internal control or auditing matters, any potential violations of law or regulatory provisions, unethical or illegal conduct may, in accordance with the Code of Ethical Conduct and Business Practices, make a confidential submission through the Bioniche portal pursuant to the Company's policy on Reporting of Unlawful Activity. The concern/complaint will be confidentially directed to the Lead Director as well as an appointed representative of the Company's Legal Department.

For shareholders and those without access to the Bioniche portal, submissions may be made in writing, marked confidential, and deposited in the Legal Department's internal mail slot or mailed to the Company, marked confidential, to the attention of the Lead Director. The unopened envelope will be forwarded to the Lead Director for review. The Lead Director and Legal Department representative will conduct an investigation with the assistance of the Audit Committee and internal departments within the Company, as deemed appropriate. The complaint will be investigated according to established procedures for review. Where action is deemed warranted, action will be taken to resolve the situation which has been the source of the complaint.

Summary of 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, 2012. 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.

If any of the following risks occur, the Company's business, results of operations or financial position 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.
- 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.
- The Company has certain long-term debt covenants which, if not met, could result in material contract breaches that would require the reclassification of the related debt to current liabilities.
- 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.
- The Company has a significant portion of sales revenue associated with one of its product lines that could be subject to regulatory, supply, weather and economic factors that could adversely affect sales results.
- 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 therapeutics can be costly and require years of research and development activities.
- 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 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 online at Sedar.com and on ASX.con.au.

"Brian Ford"

Brian Ford
Chief Financial Officer

Dated February 6, 2013

Unaudited Condensed Interim Consolidated Financial Statements

Bioniche Life Sciences Inc.

Second Quarter of Fiscal 2013

Bioniche Life Sciences Inc.
Amalgamated under the laws of Ontario

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited – see going concern uncertainty – note 1)

As at *(thousands of Canadian dollars)*	Notes	**December 31, 2012** **$**	**June 30, 2012** **$**
ASSETS			
Current			
Cash and cash equivalents		**8,734**	20,020
Trade and other receivables		**7,134**	6,787
Inventories	2	**7,822**	7,776
Prepayments		**552**	1,081
		24,242	35,664
Non-current			
Property, plant and equipment		**40,397**	40,134
Intangible assets		**4,936**	5,206
Goodwill		**456**	456
Other non-current receivables		**140**	183
Deferred tax assets		**271**	509
Total assets		**70,442**	82,152
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables		**5,325**	6,713
Income taxes payable		**176**	94
Current portion of long-term debt	3	**1,003**	997
Current portion of repayable government assistance	4	**866**	366
		7,370	8,170
Non-current			
Long-term debt	3	**25,412**	25,438
Repayable government assistance	4	**31,382**	30,921
Employee benefit liability		**1,937**	1,875
		66,101	66,404
Shareholders' equity			
Share capital	5	**126,516**	126,354
Other paid-in capital		**9,528**	9,327
Deficit		**(130,595)**	(118,807)
Foreign currency translation reserve		**(1,108)**	(1,126)
Total shareholders' equity		**4,341**	15,748
Total liabilities and shareholders' equity		**70,442**	82,152

See accompanying notes

On behalf of the Board:	Director	Director
	"Graeme McRae"	***"Rod Budd"***
	Graeme McRae	Rod Budd

Bioniche Life Sciences Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited – see going concern uncertainty – note 1)

(thousands of Canadian dollars)	**Common Shares** **$**	**Preferred Shares Series I** **$**	**Total Share Capital** **$**	**Other paid-in Capital** **$**	**Deficit** **$**	**Foreign currency translation reserve** **$**	**Total** **$**
Balance, June 30, 2012	**126,354**	**—**	**126,354**	**9,327**	**(118,807)**	**(1,126)**	**15,748**
Net loss for the period	**—**	**—**	**—**	**—**	**(11,788)**	**—**	**(11,788)**
Exchange difference on translation of foreign operations	**—**	**—**	**—**	**—**	**—**	**18**	**18**
Issued under employee Share ownership plan	**142**	**—**	**142**	**—**	**—**	**—**	**142**
Fair value of stock Options vested	**—**	**—**	**—**	**201**	**—**	**—**	**201**
Shares issued to Directors	**19**	**—**	**19**	—	**—**	**—**	**19**
Options exercised	**1**	**—**	**1**	—	**—**	**—**	**1**
Balance, December 31, 2012	**126,516**	**—**	**126,516**	**9,528**	**(130,595)**	**(1,108)**	**4,341**
Balance, June 30, 2011	**125,469**	**161**	**125,630**	**8,771**	**(95,687)**	**(1,174)**	**37,540**
Net loss for the period	—	—	—	—	(8,547)	—	(8,547)
Exchange difference on translation of foreign operations	—	—	—	—	—	26	26
Issued under employee Share ownership plan	419	—	419	—	—	—	419
Fair value of stock Options vested	—	—	—	404	—	—	404
Share redemption	—	(161)	(161)	5	—	—	(156)
Options issued to a consultant	—	—	—	1	—	—	1
Options exercised	2	—	2	(1)	—	—	1
Balance, December 31, 2011	**125,890**	**—**	**125,890**	**9,180**	**(104,234)**	**(1,148)**	**29,688**

See accompanying notes

Bioniche Life Sciences Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited – see going concern uncertainty – note 1)

For the three and six months ended December 31 ***(thousands of Canadian dollars, except Share and per Share amounts)***	Notes	**2012 $**	2011 $	**2012 $**	2011 $
REVENUES					
Product		**8,793**	7,358	**15,388**	13,480
Research collaborations		**8**	757	**82**	1,451
		8,801	8,115	**15,470**	14,931
EXPENSES					
Cost of sales	2	**4,379**	3,504	**7,400**	6,577
Administrative		**1,928**	2,461	**4,266**	4,954
Marketing and selling		**1,886**	1,562	**3,713**	3,334
Financial expenses	9	**1,636**	(2)	**3,154**	225
Foreign exchange loss (gain)		**(69)**	(93)	**220**	(526)
		9,760	7,432	**18,753**	14,564
Income before research and development expenses and income taxes		**(959)**	683	**(3,283)**	367
Research and development expenses, gross		**4,210**	4,679	**8,526**	9,499
Less: government assistance	3	**(247)**	(173)	**(345)**	(372)
Loss before income taxes		**(4,922)**	(3,823)	**(11,464)**	(8,760)
Income tax expense (recovery)	8	**195**	208	**324**	(213)
Net loss for the period		**(5,117)**	(4,031)	**(11,788)**	(8,547)
OTHER COMPREHENSIVE (LOSS) INCOME					
Exchange difference on translation of foreign operations		**(79)**	(241)	**18**	26
Total comprehensive loss for the period		**(5,196)**	(4,272)	**(11,770)**	(8,521)
Basic and diluted net loss per Share		**(0.05)**	(0.04)	**(0.11)**	(0.08)
Weighted-average number of Common Shares outstanding		**103,848,063**	102,613,484	**103,791,122**	102,443,797

See accompanying notes

Bioniche Life Sciences Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited – see going concern uncertainty – note 1)

For the six months ended December 31 *(thousands of Canadian dollars)*	**2012** **$**	**2011** **$**
OPERATING ACTIVITIES		
Net loss for the period	**(11,788)**	(8,547)
Items not affecting cash and other reconciling items:		
Depreciation of property, plant and equipment	**735**	734
Amortization of intangible assets	**751**	486
Unrealized foreign exchange gain	**(372)**	(331)
Finance expense on government incentives, long-term debt and repayable government assistance	**1,539**	195
Stock-based compensation expense	**201**	404
Shares issued to directors	**19**	—
Employee Share ownership plan	**144**	419
Employee future benefit	**62**	58
Deemed government assistance	**—**	(7)
Write off of intangible asset	**—**	143
Deferred income taxes	**107**	(153)
Other	**—**	1
	(8,602)	(6,598)
Net change in non-cash working capital balances	**(1,114)**	(384)
Cash used in operating activities	**(9,716)**	(6,982)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(284)**	(3,672)
Proceeds on disposal of other current financial asset	**—**	1,493
Proceeds on disposal of property, plant and equipment	**5**	7
Purchases of intangible assets	**(481)**	(36)
Cash used in investing activities	**(760)**	(2,208)
FINANCING ACTIVITIES		
Proceeds from repayable government assistance	**—**	1,230
Proceeds on exercise of stock Options	**1**	1
Redemption of Shares	**—**	(156)
Repayment of repayable government assistance	**(320)**	
Repayment of finance lease obligations	**(228)**	(210)
Repayment of long-term debt	**(263)**	(174)
Cash provided by (used in) financing activities	**(810)**	691
Net decrease in cash and cash equivalents during the period	**(11,286)**	(8,499)
Cash and cash equivalents, beginning of period	**20,020**	15,353
Cash and cash equivalents, end of period	**8,734**	6,854

See accompanying notes

Bioniche Life Sciences Inc.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012
(thousands of Canadian dollars or other currencies, except where noted and for Share and per Share amounts)

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

Nature of the business

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

Going concern uncertainty

The Company's interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ["IFRS"] 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, 2012, the Company has incurred significant losses and had an accumulated deficit of $130,595. The Company's committed cash obligations and expected level of expenses for the next twelve months exceed its committed sources of funds at December 31, 2012. The Company expects to finance its future expenditures by obtaining additional financing and the exploration of new partnering agreements on technologies under development. If the Company is unable to accomplish either of these initiatives, which are outside of management's control, the Company will be required to curtail its development activities and operations, or potentially dispose of certain assets.

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 and statement of compliance

These condensed unaudited interim consolidated financial statement ["interim financial statements"] of the Company were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended June 30, 2012. The interim financial statements are in compliance with International Accounting Standard 34, *Interim Financial Reporting* ["IAS 34"]. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ["IFRS"], as issued by the International Accounting Standards Board ["ASB"], have been omitted or condensed.

The preparation of the Company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 3 of the Company's annual audited consolidated financial statements for the year ended June 30, 2012. These interim financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended June 30, 2012, which are included in the Company's 2012 annual report.

These interim financial statements were authorized for issue by the Company's Board of Directors on February 6, 2013.

2. INVENTORIES

	December 31, 2012 $	June 30, 2012 $
Raw materials	**1,612**	2,269
Work-in-process	**2,093**	1,786
Finished goods	**4,117**	3,721
	7,822	7,776

During the three and six month period ended December 31, 2012, inventories in the amount of $3,952 and $6,803 respectively were recognized as cost of sales [2011 – $3,408 and $6,365], including provisions for write-downs to net realizable value of $156 and $235 respectively [2011 – $13 and $59], and a reversal of previously recorded write-downs of $135 and $157 respectively [2011 – $5 and $23] primarily as a result of a change in estimate of unsalable inventory due to short dating, based on current estimates. As at December 31, 2012, inventories in the amount of $40 are carried at their net realizable value [June 30, 2012 - $28].

3. LONG-TERM DEBT

Effective December 21, 2012, the Company announced that global rights to Urocidin™ were recovered by the Company from Endo Pharmaceuticals ("Endo"), terminating the License, Supply and Manufacturing agreement (the "Agreement") signed with Endo on July 9, 2009. In conjunction with the long-term debt with Capital Royalty L.P. ("Capital Royalty"), the Company was required to obtain consent to the termination of this Agreement. Consent has been provided by Capital Royalty on December 21, 2012, conditional to the Company unconditionally receiving at least US$5 million prior to June 20, 2013 by way of equity investment, achieving product development milestones, or licensing revenue. This condition represents a new covenant to the original loan agreement. The Company was in compliance with all loan covenants as at December 31, 2012 and therefore, the long-term debt with Capital Royalty, amounting to $20,906, remains classified as non-current.

4. REPAYABLE GOVERNMENT ASSISTANCE

December 31, 2012

	ITO $	FedDev $	MEDT $	Agri-Ops $	Total $
Opening balance	**18,561**	**428**	**9,132**	**3,166**	**31,287**
Less: repayment	**(240)**	**(80)**	**—**	**—**	**(320)**
Accretion of interest	**690**	**33**	**338**	**220**	**1,281**
	19,011	**381**	**9,470**	**3,386**	**32,248**
Less: current portion	**(240)**	**(126)**	**—**	**(500)**	**(866)**
Total non-current repayable government assistance	**18,771**	**255**	**9,470**	**2,886**	**31,382**

Non-repayable government assistance

	Three months ended December 31		Six months ended December 31	
	2012 $	2011 $	2012 $	2011 $
FedDev interest-free discount	**—**	—	—	7
Investment tax credits	**247**	173	**345**	365
	247	173	**345**	372

5. SHAREHOLDERS' EQUITY

[a] Employee Share ownership plan

The Company has an employee Share ownership plan in Canada whereby the Company matches contributions made by employees for the purpose of purchasing the Company's stock. In July 2012, issued Shares reached the maximum Shares available under the plan at which time the plan was suspended. Following a motion passed at the Company's Annual Meeting on November 7, 2012, the maximum Shares available under the plan was increased to 10,000,000 and the plan was reinstated. The Company's portion of this plan is recorded as a stock-based compensation expense in the period incurred. During the three and six months ended December 31, 2012, the Company issued 225,016 and 387,260 Common Shares respectively [2011 – 371,693 and 638,477] under this plan totaling $72 and $142 [2011 - $210 and $419]. At December 31, 2012, 230,816 Common Shares under this plan remain to be issued [2011 – 125,987] and an amount of $72 [2011 - $71] has been recorded in current liabilities.

[b] Stock Option plan

The changes in the number of Options granted by the Company and their weighted-average exercise prices, for the six-month periods ended December 31, 2012 and 2011 are as follows:

	2012		2011	
	#	$	#	$
Balance, beginning of period	**4,278,359**	**0.89**	5,770,642	1.17
Granted	**—**	**—**	2,000	0.87
Exercised	**(2,098)**	**0.44**	(2,500)	0.44
Expired	**(300,888)**	**0.93**	(65,367)	0.98
Balance, end of period	**3,975,373**	**0.88**	5,704,775	1.17
Exercisable	**1,714,289**	**0.65**	1,597,779	0.87

5. SHAREHOLDERS' EQUITY [Cont'd]

The weighted average Share price of the Company's stock at the date of exercise of stock Options for the three- and six- month periods ended December 31, 2012 was nil and $0.58 respectively [December 31, 2011 - $0.55 and $0.65, respectively].

During the quarter ended December 31, 2012, the Company approved the issuance of 2,601,868 Options to employees and directors, vesting over five years with an exercise price of $0.35. [2011 – 2,000 three-year fully vested Options with an exercise price of $0.87]. These Options were issued January 2, 2013.

The fair value of Options granted during the six months ended December 31, 2012 and 2011 was estimated using the Black Scholes Option pricing model, resulting in the following weighted-average assumptions:

	2012	2011
Risk-free interest rate	—	3.00%
Expected volatility	—	51.6%
Expected Option life	—	3.0 years
Dividend yield	—	0%
Weighted-average fair value of Options granted	—	$0.34

6. 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.

No operating segments have been aggregated to form the reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. The Company uses EBITDA [earnings before interest, taxes, depreciation and amortization] before research and development as a measure of each segment's contribution to the Company on an operational basis.

	For the three months ended December 31, 2012				
	Human Health $	**Animal Health** $	**Food Safety** $	**Corporate** $	**Total** $
Sales	**—**	**8,793**	**—**	**—**	**8,793**
Research collaborations	**8**	**—**	**—**	**—**	**8**
	8	**8,793**	**—**	**—**	**8,801**
Expenses	**—**	**6,196**	**675**	**1,322**	**8,193**
Income (loss) before other expenses	**8**	**2,597**	**(675)**	**(1,322)**	**608**
Research and development expenses	**2,173**	**1,148**	**889**	**—**	**4,210**
Less: government assistance	**(247)**	**—**	**—**	**—**	**(247)**
Net research and development expenses	**1,926**	**1,148**	**889**	**—**	**3,963**
Financial expenses	**226**	**8**	**70**	**1,332**	**1,636**
Foreign exchange gain	**—**	**—**	**—**	**(69)**	**(69)**
Segment income (loss) before income taxes	**(2,144)**	**1,441**	**(1,634)**	**(2,585)**	**(4,922)**
Provision for income tax expense (recovery)					
- current	**—**	**217**	**—**	**—**	**217**
- future	**—**	**(22)**	**—**	**—**	**(22)**

6. SEGMENTED FINANCIAL INFORMATION [Cont'd]

	For the six months ended December 31, 2012				
	Human Health $	**Animal Health** $	**Food Safety** $	**Corporate** $	**Total** $
Sales	**—**	**15,388**	**—**	**—**	**15,388**
Research collaborations	**82**	**—**	**—**	**—**	**82**
	82	**15,388**	**—**	**—**	**15,470**
Expenses	**—**	**11,237**	**1,106**	**3,036**	**15,379**
Income (loss) before other expenses	**82**	**4,151**	**(1,106)**	**(3,036)**	**91**
Research and development expenses	**4,742**	**2,192**	**1,592**	**—**	**8,526**
Less: government assistance	**(345)**	**—**	**—**	**—**	**(345)**
Net research and development expenses	**4,397**	**2,192**	**1,592**	**—**	**8,181**
Financial expenses	**435**	**20**	**141**	**2,558**	**3,154**
Foreign exchange gain	**—**	**—**	**—**	**220**	**220**
Segment income (loss) before income taxes	**(4,750)**	**1,939**	**(2,839)**	**(5,814)**	**(11,464)**
Provision for income tax expense (recovery)					
- current	**—**	**217**	**—**	**—**	**217**
- future	**—**	**107**	**—**	**—**	**107**
Segment assets					
At December 31, 2012	**7,644**	**23,513**	**29,818**	**9,467**	**70,442**
At June 30, 2012	**7,794**	**24,010**	**29,480**	**20,868**	**82,152**

6. SEGMENTED FINANCIAL INFORMATION [Cont'd]

	For the three months ended December 31, 2011				
	Human Health $	**Animal Health** $	**Food Safety** $	**Corporate** $	**Total** $
Sales	—	7,358	—	—	7,358
Research collaborations	757	—	—	—	757
	757	7,358	—	—	8,115
Expenses	—	5,114	579	1,834	7,527
Income (loss) before other expenses	757	2,244	(579)	(1,834)	588
Research and development expenses	2,572	1,151	956	—	4,679
Less: government assistance	(173)	—	—	—	(173)
Net research and development expenses	2,399	1,151	956	—	4,506
Financial expenses	(75)	27	64	(18)	(2)
Foreign exchange gain	—	—	—	(93)	(93)
Segment income (loss) before income taxes	(1,567)	1,066	(1,599)	(1,723)	(3,823)
Provision for income tax expense (recovery)					
- current	—	60	—	—	60
- future	—	148	—	—	148

6. SEGMENTED FINANCIAL INFORMATION [Cont'd]

	For the six months ended December 31, 2011				
	Human Health $	**Animal Health** $	**Food Safety** $	**Corporate** $	**Total** $
Sales	—	13,480	—	—	13,480
Research collaborations	1,451	—	—	—	1,451
	1,451	13,480	—	—	14,931
Expenses	—	9,981	1,150	3,734	14,865
Income (loss) before other expenses	1,451	3,499	(1,150)	(3,734)	66
Research and development expenses	5,348	2,523	1,628	—	9,499
Less: government assistance	(365)	—	(7)	—	(372)
Net research and development expenses	4,983	2,523	1,621	—	9,127
Financial expenses	99	53	116	(43)	225
Foreign exchange gain	—	—	—	(526)	(526)
Segment income (loss) before income taxes	(3,631)	923	(2,887)	(3,165)	(8,760)
Provision for income tax expense (recovery)					
- current	—	—	—	—	—
- future	—	(213)	—	—	(213)

7. EMPLOYEE BENEFITS

Employee benefits expense consists of the following:

	Three months ended December 31		Six months ended December 31	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Wages and salaries	**3,750**	4,055	**7,447**	7,984
Benefits	**588**	518	**1,204**	1,030
Stock-based compensation	**99**	191	**201**	404
Shares issues to directors	**19**	—	**19**	—
Defined benefit plan	**31**	29	**62**	58
Employer payments to defined contribution plans	**251**	218	**468**	432
Severance	**—**	77	**26**	158
	4,738	5,088	**9,427**	10,066

8. INCOME TAXES

The income tax benefits relating to the future tax assets have been recognized to the extent of the future tax liabilities under the liability method of tax allocation.

Significant components of the recovery of income taxes are as follows:

	Three months ended December 31		Six months ended December 31	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Current income tax provision	**217**	60	**217**	—
Deferred income tax provision (recovery)	**(22)**	148	**107**	(213)
	195	208	**324**	(213)

9. FINANCIAL EXPENSES

	Three months ended December 31		Six months ended December 31	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Cash interest				
Interest on long-term debt	**932**	72	**1,776**	144
Other interest expense	**(2)**	5	**1**	9
Interest income	**(4)**	(18)	**(10)**	(44)
Less: capitalized borrowing costs	**(74)**	(40)	**(152)**	(79)
Non-cash interest				
Accretion on government incentives	**(15)**	(39)	**(47)**	(71)
Accretion on repayable government assistance	**643**	335	**1,281**	896
Accretion on long-term debt	**497**	—	**980**	—
Less: capitalized borrowing costs	**(341)**	(317)	**(675)**	(630)
	1,636	(2)	**3,154**	225

10. DEPRECIATION AND AMORTIZATION EXPENSE

	2012 $		2011 $	
For the three months ended December 31, 2012	**Intangible assets**	**Property, plant and equipment**	Intangible assets	Property, plant and equipment
Cost of sales	**20**	**79**	26	84
Administration	**110**	**70**	39	72
Marketing and selling	**—**	**70**	—	57
Research and development	**177**	**149**	178	166
	307	**368**	243	379

	2012 $		2011 $	
For the six months ended December 31, 2012	**Intangible assets**	**Property, plant and equipment**	Intangible assets	Property, plant and equipment
Cost of sales	**41**	**157**	52	163
Administration	**357**	**140**	80	133
Marketing and selling	**—**	**137**	—	125
Research and development	**353**	**301**	354	313
	751	**735**	486	734

11. RELATED PARTY TRANSACTIONS

During the three and six months ended December 31, 2012, the Company paid a director $1 and $2 respectively [2011 – two directors $13 and $39] in consulting fees and purchased inventory items from a company owned by a director in the amount of $24 and $52 [2011 - $7 and $14]. The Company received payment for services provided to a company owned by a director of $1 and $2 [2011 – two companies $51 and $72].

The compensation earned by key management personnel, determined as being all members of the executive team and Directors, in aggregate was as follows:

The compensation earned by key management personnel, determined as being all members of the executive team and Directors, in aggregate was as follows:

	Three months ended December 31		Six months ended December 31	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Wages and salaries	**695**	817	**1,381**	1,629
Benefits	**57**	16	**107**	49
Stock-based compensation	**50**	120	**104**	222
Shares issued to directors	**19**	—	**19**	—
Defined benefit plan	**31**	25	**62**	58
Employer payment of defined contribution plans	**55**	54	**107**	106
	907	1,032	**1,780**	2,064

The compensation earned by employed dependants of key management personnel was as follows:

	Three months ended December 31		Six months ended December 31	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Wages and salaries	**42**	60	**87**	117
Benefits	**10**	10	**21**	23
Employer payment of defined contribution plans	**6**	7	**12**	14
	58	77	**120**	154

Form 52-109F2
Certification of Interim Filings
Full Certificate

I, Brian Ford, the Chief Financial Officer of Bioniche Life Sciences Inc, certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Bioniche Life Sciences Inc. (the "issuer") for the interim period ended December 31, 2012.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the framework of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO")..

5.2 ***ICFR – material weakness relating to design:*** N/A

5.3 ***Limitation on scope of design:*** N/A

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2012 and ended on December 31, 2012 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **February 8, 2013**

"Brian Ford"

_____
Chief Financial Officer

Form 52-109F2
Certification of Interim Filings
Full Certificate

I, Graeme McRae, the Chief Executive Officer of Bioniche Life Sciences Inc, certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Bioniche Life Sciences Inc. (the "issuer") for the interim period ended December 31, 2012.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the framework of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO")..

5.2 ***ICFR – material weakness relating to design:*** N/A

5.3 ***Limitation on scope of design:*** N/A

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2012 and ended on December 31, 2012 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **February 8, 2013**

"Graeme McRae"

_____
Chief Executive Officer