*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**1933 Act**") or any state securities laws and may not be offered or sold within the United States or to or for the account of or benefit of U.S. persons (as defined in Regulation S of the 1933 Act) unless pursuant to an exemption from the registration requirements of such laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States. See "Plan Of Distribution".*

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Bioniche Life Sciences Inc. at P.O. Box 1570, Belleville, Ontario, K8N 5J2, telephone: (613) 966-8058 or by fax to (613) 966-4049, and are also available electronically online at sedar.com. See "Documents Incorporated by Reference".*

SHORT FORM PROSPECTUS

NEW ISSUE **September 18, 2013**

BIONICHE LIFE SCIENCES INC.

$9,000,000 (31,034,483 UNITS)

Price: $0.29 per Unit

This short form prospectus qualifies the distribution (the "**Offering**") of 31,034,483 units (the "**Units**") of Bioniche Life Sciences Inc. (the "**Company**" or "**Bioniche**") at a price of $0.29 per Unit (the "**Offering Price**"). Each Unit consists of one common share in the capital of the Company (a "**Common Share**") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "**Warrant**"). Each Warrant will entitle the holder to purchase one Common Share (a "**Warrant Share**") at price of $0.40, subject to adjustment in certain circumstances, at any time following the closing of the Offering until 5:00 p.m. (Toronto time) on the date that is 24 months following the closing of the Offering.

The Units are offered on a best efforts basis pursuant to an agency agreement (the "**Agency Agreement**") entered into among the Company and Euro Pacific Canada Inc. (the "**Agent**"). The Offering Price has been determined by negotiation between the Company and the Agent.

The Company's outstanding Common Shares are listed on the Toronto Stock Exchange (the "**TSX**") and the Australian Securities Exchange (the "**ASX**") under the symbol "BNC". On September 17, 2013 (the last trading day prior to the date of this short form prospectus), the closing price of the Common Shares on the TSX and the ASX was $0.31 and A$0.38, respectively. The TSX has conditionally approved the listing of the Common Shares distributed under this short form prospectus and the Common Shares issuable on exercise of the Warrants and Broker Warrants (as defined below) on the TSX. Listing will be subject to Bioniche fulfilling all of the listing requirements of the TSX on or before November 4, 2013, including distribution of the Units to a minimum number of arm's length purchasers.

	Price to the Public[(1)]	Agent's Fee[(2)]	Net Proceeds to Bioniche[(3)]
Per Unit	$0.29	$0.0203	$0.2697
Total	$9,000,000.07	$630,000.00	$8,370,000.07

Notes:

(1) The Company has allocated the Offering Price per Unit as to $0.289 for the Common Share and $0.001 for the one-half of one Warrant comprising each Unit.

(2) The Company has agreed to pay the Agent a fee equal to 7% of the gross proceeds of the Offering (or $0.0203 per Unit) (the "**Agent's Fee**") in consideration for the services rendered by the Agent in connection with the Offering. As additional consideration for the Agent's services to the Company in connection with the Offering, the Company has agreed to grant to the Agent broker warrants (the "**Broker Warrants**") to purchase, in the aggregate, that number of Common Shares which is equal to 7% of the number of Units issued pursuant to the Offering, at the Offering Price. The Broker Warrants may be exercised, in whole or in part, by the Agent at any time prior to the date that is 24 months from the closing of the Offering. The Broker Warrants and the Common Shares issuable upon exercise of the Broker Warrants are qualified for distribution by this short form prospectus. See "Plan of Distribution".

(3) After deducting the Agent's Fee, but before deducting expenses of the Offering, including in connection with the preparation and filing of this short form prospectus, which are estimated to be $250,000 and which will be paid from the proceeds of the Offering.

The following table sets out the maximum number of Broker Warrants that may be issued by the Company in connection with the Offering:

Agent's Position	Maximum Number of Securities Available	Exercise Period	Exercise Price
Broker Warrants	2,172,413 Broker Warrants	Until 24 months from date of issuance of the Broker Warrants	$0.29 per Broker Warrant

The Agent is conditionally offering the Units on a “best efforts” basis, subject to prior sale, if, as and when issued by Bioniche and accepted by the Agent in accordance with the conditions contained in the Agency Agreement described under the section entitled "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Norton Rose Fulbright Canada LLP and on behalf of the Agent by Heenan Blaikie LLP. See section entitled "Plan of Distribution" for more information.

There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation. See "Risk Factors".

Subscriptions for the Units will be received by the Agent subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will take place on September 26, 2013, or such later date as may be agreed upon by the Company and the Agent (the "**Closing Date**"). Notwithstanding the foregoing, the distribution of Units will not continue for a period of more than 90 days after the date and final receipt for this short form prospectus or such later date as the Company and the Agent may agree and the securities regulatory authorities may approve (subject to the filing of any required amendment to this short form prospectus and the regulator issuing a receipt for such amendment).

Registration of interests in and transfers of the Common Shares and Warrants comprising the Units held through CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee will be made electronically through the non-certificated inventory (“**NCI**”) system of CDS in “book-entry only” form. The Common Shares and Warrants comprising the Units registered to CDS or its nominee will be deposited electronically with CDS on an NCI basis on the closing of the Offering, against payment of the aggregate purchase price for the Units. A purchaser of Units will receive only a customer confirmation from the registered dealer through which the Units are purchased. See "Plan of Distribution".

An investment in the Units is speculative and involves a high degree of risk that should be considered by potential purchasers. An investment in the Units is suitable only for those purchasers who are willing to risk a loss of some or all of their investment and who can afford to lose some or all of their investment. See "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements".

Purchasers should rely only on the information contained in or incorporated by reference in this short form prospectus. The Company has not authorized anyone to provide purchasers with different information. The Company is not offering the Units in any jurisdiction in which the Offering is not permitted. Purchasers should not assume that the information contained in this short form prospectus is accurate as of any date other than the date on the front of this short form prospectus.

The names Econiche™, Urocidin™, Immunocidin™, Oncocidin™, Sin Susto™, Hippiron™, Enhance®, NexHA™, Folltropin®-V and Butequine™ appearing in this short form prospectus, or the documents incorporated by reference herein, are trademarks of the Company. Other trademarks and service marks appearing in this short form prospectus, or the documents incorporated by reference herein, are the property of their respective holders. Although Urocidin™ has been used historically and throughout this short form prospectus to describe Bioniche’s

composition for bladder cancer, such tradename is subject to final regulatory approval and may change going forward.

The Company's registered and principal office is located at 231 Dundas Street East, P.O. Box 1570, Belleville, Ontario K8N 1E2 and its telephone number is (613) 966-8058.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated by reference herein contain forward-looking information (as defined in the *Securities Act* (Ontario)) (referred to herein as "**forward-looking statements**"). Generally, forward-looking statements can be identified by the use of words such as "may", "will", "should", "plans", "anticipates", "believes", "estimates", "predicts", "intends", "potential" or the negative of such terms, or other comparable terminology that are not historical facts.

Forward-looking statements express, as at the date of this short form prospectus, the Company's estimates, forecasts, projections, expectations and beliefs as to future events or results. Forward-looking statements involve a number of risks and uncertainties. There can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to:

- the ability of the Company to complete, the timing for the completion of and the terms of the sale of its Animal Health division, Bioniche Animal Health, and potentially its One Health division;
- the ability of the Company to attain regulatory approvals for Urocidin™ and to commercialize it and the timing for same;
- the ability of the Company to obtain and maintain international good manufacturing practices ("**GMP**") validation for its Vaccine Manufacturing Centre ("**VMC**");
- the ability of the Company to obtain additional financing;
- changing market conditions;
- the successful and timely completion of research and clinical studies;
- the establishment of corporate alliances;
- the impact of competitive products and pricing;
- new product development;
- uncertainties related to the regulatory approval process and the commercialization of the Company's therapeutic products thereafter;
- changes to the commercialization, partnering and marketing plans for current and development-stage products; and
- other risks detailed from time to time in the Company's ongoing quarterly and annual reporting.

The Company's ability to predict the results of its operations or the effect of various events on its operating results is inherently uncertain. Therefore, the reader is cautioned to consider carefully the matters described under "Risk Factors" herein, as well as certain other matters discussed in the AIF (as defined below) and other documents incorporated by reference herein. Such factors and many other factors beyond the Company's control, in addition to the factors listed above, could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by the forward-looking statements.

This list is not exhaustive of the factors that may affect the forward-looking statements. These and other factors should be considered carefully by prospective investors, who should not place undue reliance on such forward-looking statements. These statements reflect management's beliefs and are based on information currently available to the Company's management. Although the Company believes that these statements are based on reasonable assumptions, a number of factors could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein are expressly qualified by these cautionary statements. The Company does not undertake any obligation to publicly update or revise any forward-looking

statement after the date of this short form prospectus or to conform such statements to actual results or to changes in the Company's expectations, except as otherwise required by applicable law.

CURRENCY AND INTERPRETATION

In this short form prospectus, unless the context otherwise indicates, "**the Company**", "**Bioniche**", "**we**", "**us**" and "**our**" means Bioniche Life Sciences Inc., together, if the context requires, with its subsidiaries. Unless otherwise indicated, all dollar amounts referred to in this short form prospectus are expressed in Canadian dollars. References to "**$**" or "**C$**" are to Canadian dollars, references to "**US$**" are to United States dollars and references to "**A$**" are to Australian dollars.

Unless otherwise indicated, all financial information included or incorporated by reference in this short form prospectus and the documents incorporated by reference herein and therein has been prepared in accordance with International Financial Reporting Standards.

The closing, high, low and average exchange rates for United States dollars in terms of Canadian dollars for each of the three years ended June 30, 2013, 2012 and 2011 as reported by the Bank of Canada, were as follows:

	Year ended June 30, 2013 ($)	**Year ended June 30, 2012 ($)**	**Year ended June 30, 2011 ($)**
Closing	1.0512	1.0191	0.9643
High	1.0532	1.0604	1.0660
Low	0.9710	0.9449	0.9486
Average[(1)]	1.0046	1.0037	1.0013

Note:

(1) Calculated as an average of the daily noon rates for each period.

On September 18, 2013, the noon buying rate for one United States dollar expressed in Canadian dollars, as quoted by the Bank of Canada, was US$1.00=C$1.0312 (or C$1.00=US$0.9697).

Investors are cautioned that the exchange rates presented here are historical and are not indicative of future exchange rates.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have been filed by the Company with securities commissions or similar authorities in each of the provinces of Canada other than Quebec are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

- the material change report dated September 11, 2013, as amended on September 18, 2013 (the "**Settlement Material Change Report**") in connection with the announcement of the settlement with the Concerned Shareholders (as defined below);
- the material change report dated August 16, 2013 in connection with the announcement of the filing of the preliminary prospectus and the pricing of the Offering;
- the material change report dated June 11, 2013 in connection with the announcement of a comprehensive strategic collaboration to refinance and increase the Company's debt, provide new equity, and enter into the first licensing deal for Urocidin™, the Company's Phase III bladder cancer product;
- the Company's unaudited condensed interim consolidated financial statements, including the notes thereto, for the three and nine-month periods ended March 31, 2013;
- the Company's management's discussion and analysis on the financial condition and operating results of the Company for the three and nine-month periods ended March 31, 2013;

- the Company's material change report dated December 28, 2012 relating to the global rights to Urocidin™ that were being returned to the Company from Endo Pharmaceuticals Inc. ("**Endo**");

- the Company's annual information form dated September 27, 2012 for the fiscal year ended June 30, 2012 (the "**AIF**");

- the Company's audited consolidated financial statements, including the notes thereto as at June 30, 2012 and 2011 and July 1, 2010 and for the fiscal years ended June 30, 2012 and 2011, together with the auditors' report thereon;

- the Company's management's discussion and analysis on the financial condition and operating results of the Company dated September 20, 2012 for the fiscal year ended June 30, 2012; and

- the Company's management information circular dated September 24, 2012 in connection with the annual and special meeting of shareholders of the Company held on November 7, 2012.

Any material change reports (excluding confidential material change reports), annual information forms, unaudited interim consolidated financial statements of the Company (including the related management's discussion and analysis), audited annual consolidated financial statements of the Company (including the auditors' report thereon and the related management's discussion and analysis), business acquisition reports, information circulars, and any other disclosure documents required to be incorporated by reference herein under National Instrument 44-101 — *Short Form Prospectus Distributions* which are filed by the Company with the securities commissions or similar authorities in each of the provinces of Canada after the date of this short form prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in this short form prospectus or in a document (or part thereof) incorporated by reference herein or therein, or deemed to be incorporated by reference herein or therein, shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained in this short form prospectus or in any subsequently filed document (or part thereof) that also is, or is deemed to be, incorporated by reference in this short form prospectus modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this short form prospectus. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

ELIGIBILITY FOR INVESTMENT

In the opinion of Norton Rose Fulbright Canada LLP, counsel to the Company, and Heenan Blaikie LLP, counsel to the Agent, based on the current provisions of the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder (the "**Regulations**"), the Common Shares and Warrants comprising the Units will be, at a particular time, "qualified investments" within the meaning of the Tax Act for trusts governed by registered retirement savings plans ("**RRSPs**"), registered education savings plans, registered retirement income funds ("**RRIFs**"), registered disability savings plans, deferred profit sharing plans and tax-free savings accounts ("**TFSAs**"), provided that:

(a) in the case of the Common Shares (including Common Shares issuable on the exercise of the Warrants), such Common Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the TSX and ASX) at the particular time; and

(b) in the case of the Warrants, the Common Shares issuable on the exercise of the Warrants are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the TSX and ASX) at the particular time and the Company is not a "connected person" (as defined in the Regulations) under the governing plan of the trust.

Notwithstanding the foregoing, if a Common Share or a Warrant is a "prohibited investment" under the Tax Act for a RRSP, RRIF or TFSA, the annuitant under the RRSP or RRIF or the holder of the TFSA (as applicable) may be subject to a penalty tax under the Tax Act. A Common Share or a Warrant will not be a "prohibited investment" for these purposes unless: (i) the annuitant under the RRSP or RRIF or the holder of the TFSA (as applicable) does not deal at arm's length with the Company for purposes of the Tax Act, (ii) the holder or annuitant (as applicable) has a "significant interest" (within the meaning of subsection 207.01(4) of the Tax Act) in the Company, or (iii) the holder or annuitant (as applicable) has a "significant interest" (within the meaning of subsection 204.01(4) of the Tax Act) in a corporation, partnership or trust with which the Company does not deal at arm's length for purposes of the Tax Act. Proposed amendments to the Tax Act released on December 21, 2012 (the "**December 2012 Proposals**") propose to delete the condition in (iii) above. In addition, pursuant to the December 2012 Proposals, the Common Shares or Warrants will generally not be a "prohibited investment" if the Common Shares are "excluded property" as defined in the December 2012 Proposals. Holders of a TFSA and annuitants under an RRSP or RRIF should consult their own tax advisors as to whether Common Shares or Warrants will be prohibited investments in their particular circumstances.

Overview

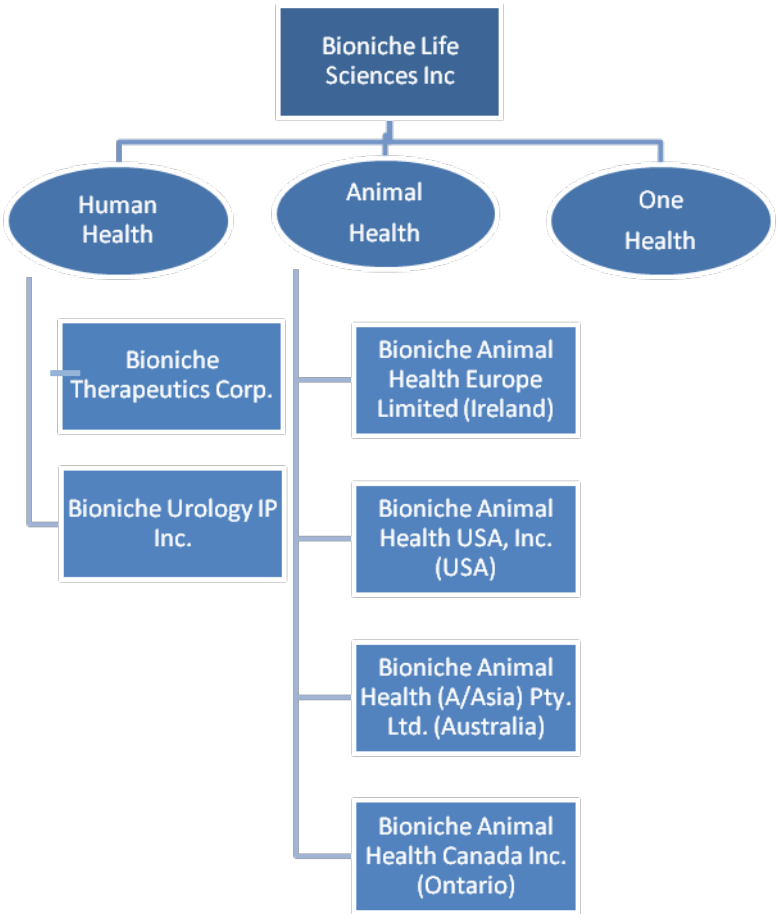
Bioniche is a life sciences company with revenues from multiple product offerings. The Company has physical infrastructure and human resource capabilities. The Common Shares have been traded on the TSX since February, 1992. As of January 27, 2011, the Company commenced public quotation on the ASX. The Company has commercialized proprietary technologies in the human and animal health (veterinary) fields.

The Company operates through three divisions, Animal Health, Human Health, with a Phase III bladder cancer product, and One Health, with the world's first registered cattle vaccine for *E. coli* O157 and a state-of-the-art vaccine manufacturing facility nearing GMP validation.

The Company, originally known as Vetrepharm Animal Health Inc., was founded as an animal health company in 1979 by Graeme McRae, current President and Chief Executive Officer of the Company, with the support of almost 100 Canadian veterinarians. Mr. McRae believed that the major veterinary pharmaceutical companies were not putting sufficient research effort into alternatives to antibiotics as treatments for livestock disease and, consequently, the Company has had a longstanding mission to develop, manufacture and distribute immunotherapeutic technologies, vaccines, and other natural products to treat infectious diseases as alternatives to antibiotics and hormone therapies in livestock. As the underlying development initiatives evolved, some of the emerging technologies were found to have human health indications as well, and the Company reorganized to enable a broader development program funded in part from an active and growing animal health business and through equity issues, debt and government assistance.

On September 1, 1999, Bioniche Life Sciences Inc. was formed through the amalgamation of Bioniche Inc., Vetrepharm Animal Health Inc. and Renaissance Life Sciences Inc. Renaissance Life Sciences Inc. was a holding company which owned, directly and indirectly, an approximate 45.5% equity interest in Bioniche Inc. and an approximate 94% equity interest in Vetrepharm Animal Health Inc.

The following chart depicts the current organization of the Company and its material subsidiaries (all of which are wholly-owned):



Operations

The Company is a research-based, technology driven, biopharmaceutical company headquartered in Belleville, Ontario, Canada. It seeks to discover, develop, manufacture and market proprietary products for human and animal health markets worldwide. The Company employs 207 people and has three operating business units: Human Health, Animal Health, and One Health.

In Fiscal 2012 and 2013, substantially all of the Company's operating revenue was derived from its Animal Health division, through which products primarily related to livestock reproduction and equine performance are sold in several countries throughout the world. Consolidated revenues for Animal Health were $29.8 million in Fiscal 2012, compared to $27.4 million in Fiscal 2011 and $27 million in Fiscal 2010. Sales peaked at $33.2 million in Fiscal 2009 before being adversely impacted by the economic recession and a fall in the U.S. dollar relative to the Canadian dollar through Fiscal 2010 and 2011. In these two fiscal years, in addition to the revenues recorded from the Animal Health division, the Company recorded $37.0 million and $4.0 million respectively from its Human Health division in relation to an upfront license fee and milestone payments for Urocidin™.

The Company's Animal Health business unit has a portfolio of more than 60 products, which are categorized in the following product groups: assisted reproduction products, hyaluron-based products, immunologics, and nutritional and other products. The Company is also commercializing two canine cancer products developed from its proprietary immunotherapeutic technology platform, the first of which, Immunocidin™, was launched in the United States in October, 2012 and in Canada in January, 2013. The second product, Oncocidin™, is expected to be launched in North America in late 2014.

Development Activities

In support of the three operating business units, the Company has made significant investments in the development of immunotherapies, vaccines, and natural products as follows:

Urocidin™ – A treatment for non-muscle-invasive bladder cancer ("**NMIBC"**) in humans. This is the first indication for the Company's mycobacterial cell wall immunotherapeutic technology ("**MCNA**"). To date, the product has successfully completed a Phase III trial. As a result of this success, other

human indications and products are being evaluated for development based on the underlying technology. In Animal Health, this technology has been formulated as Oncocidin™, a therapy for canine oncology. The Company expects to bring both Oncocidin™ and Urocidin™ to the Canadian market over the next 18 to 24 months followed by other markets.

The terminology change from mycobacterial cell wall-DNA complex immunotherapeutic technology (or MCC) to MCNA was due to further characterization of MCC suspension that was carried out based on regulatory feedback. This led to the discovery that the current method of manufacture resulted in a cell wall composition whereby the RNA, in addition to the earlier recognized DNA, were conserved and active, hence the name MCNA.

Folltropin®-V – A natural follicle stimulating hormone (FSH) product for assisted reproduction in cattle. Folltropin®-V has become the leading FSH product in the market today with approximately a 70% global market share. It accounted for about 43% of Animal Health sales revenues in Fiscal 2012 and 39% in Fiscal 2011.

Econiche® – A vaccine developed to prevent the spread of *E. coli* O157 by cattle and reduce human exposure to the deadly strain of *E.coli* bacteria from contaminated food, water and environmental sources. This product is the first fully registered vaccine of its kind.

Sin Susto™ – An all-natural, plant-based therapy for dogs that acts as a calming agent and has several potential therapeutic uses in both human and animal markets. Sin Susto™ for dogs was launched in Canada in January, 2013, and commercialization plans are underway for other markets. Human therapeutic uses are being evaluated.

Current Direction

Over the course of the past year, the Company and its Board of Directors (the "**Board**") have been faced with the challenges of funding the commercialization efforts for Urocidin™, Econiche® and new Animal Health product launches, as well as providing for further growth of the Animal Health business. It became clear that the Company could not support the full scope of its initiatives and realize the shareholder value embedded within them in a timely fashion. As well, it became clear that the capital markets were not sufficiently supportive of continued investment and growth in asset values at the expense of liquidity. Accordingly, in 2012, the Company began considering opportunities for recapitalization to enable it to achieve the full potential from commercialization of its technologies and optimize its activities to maximize shareholder value. This includes the decision to divest the Animal Health business (and potentially the One Health business), a process that is being led by Evercore Partners ("**Evercore**") (see "Sale of Animal Health" below).

RECENT DEVELOPMENTS

Shareholder Requisition

Bill Wells, Greg Gubitz and others, including a private equity fund manager, approached Bioniche in August, 2012 on an unsolicited basis to acquire control of the Company's Animal Health business for the purposes of a consolidation strategy. They signed a non-disclosure agreement with a standstill clause, after which confidential, non-public information regarding the Animal Health business, including financial forecasts, a product pipeline and acquisition targets, was shared with them. After fairly thorough discussions, their proposal was rejected by the Board for two reasons:

(i) the value proposition had significantly less potential than what the Board believed the business was worth in the market, and had no change of control premium; and

(ii) the remaining minority stake held by the Company would be significantly diluted as the consolidation strategy rolled out.

Several months later, Messrs. Wells and Gubitz (the "**Concerned Shareholders**") made another proposal - a $10 million private placement of shares and warrants, of which $5 million would be subscribed for by them and $5 million would be subscribed for by an unnamed third party, conditional upon the Concerned Shareholders obtaining three seats of a seven person Board and control over a strategic review of the Company. The Board rejected this proposal, as it did not agree with the proposed plan in several respects, including the following:

1. The effects of dilution for existing shareholders were severe as it amounted to close to 35% using shares prices in effect at the time.

2. The focus of Messrs. Wells and Gubitz was concentrated on growth opportunities for only the existing Animal Health business and did not recognize the greater growth potential from commercialization of other technologies, and the Board believes that many shareholders have invested in the Company specifically with an interest in seeing these technologies achieve their full potential from successful commercialization.

3. Through discussions, Bioniche concluded that Messrs. Wells and Gubitz did not have a good understanding of the Animal Health business and did not have a realistic plan to achieve growth.

Consequently, the Board believed that the proposed plan was not in the best interests of its shareholders and would not deliver fair value over time. Messrs. Wells and Gubitz declined the Board's invitation to continue discussions.

On April 25, 2013 (shortly after expiration of the standstill), the Concerned Shareholders advised that they had acquired over 5.8 million shares and they submitted a requisition for a shareholder meeting to change the Board.

The Board appointed a special committee of independent directors and, based on the recommendation of the special committee, the Board determined that an early shareholders meeting could jeopardize the important value creation initiatives then underway, particularly the proposed sale of the Animal Health business discussed below.

On May 4, 2013, Bioniche announced that, with the advice of its legal counsel, it had determined that the Concerned Shareholders' request for a shareholders meeting received on April 25, 2013 did not constitute a valid shareholder requisition. It concurrently announced that it had called its regularly scheduled annual meeting of shareholders for the financial year ending June 30, 2013 (the "**2013 AGM**"), for November 5, 2013 and fixed September 9, 2013 as the record date for shareholders entitled to receive notice of and vote at the 2013 AGM (the "**Record Date**").

On May 14, 2013, the Concerned Shareholders submitted a second requisition for a special shareholders meeting.

On May 29, 2013, the Company announced that the Board, with the advice of legal counsel, had carefully reviewed the second requisition by the Concerned Shareholders for a shareholders' meeting to replace the Board and concluded that: (i) the delivery of the second requisition is tacit acknowledgement that the first requisition was defective; and (ii) the second requisition does not require Bioniche to call a special shareholders meeting under the *Canada Business Corporations Act* as a record date had already been fixed and published for a scheduled meeting of shareholders.

On June 27, 2013, the Concerned Shareholders called their own shareholders meeting for August 27, 2013.

The Concerned Shareholders brought an application before the Ontario Supreme Court of Justice to compel a shareholders meeting, and Bioniche brought a counter-application to nullify the purported August 27, 2013 meeting. On July 22, 2013, the Court dismissed the application by the Concerned Shareholders and granted the counter-application by Bioniche to nullify the purported August 27, 2013 meeting. As a result, the 2013 AGM will be held on November 5, 2013. The Record Date is September 9, 2013. Since the closing of the Offering will take place after the Record Date, purchasers of Units under the Offering will not be entitled to vote at the 2013 AGM.

On September 11, 2013, the Company announced that it had reached a settlement with the Concerned Shareholders (the "**Settlement**"). The Settlement provides, among other things: (i) that the Concerned Shareholders shall cease all proxy solicitation activities with respect to voting of the Common Shares until the next annual shareholders meeting of the Company following the Company's 2014 annual shareholders meeting; (ii) for a newly constituted Board; (iii) that the Concerned Shareholders will subscribe for an aggregate of $250,000 of Units under the Offering; and (iv) that, subject to certain conditions and to applicable law, the Company will effect a return of capital to its shareholders in the aggregate amount of 90% of the combined net proceeds greater than $75 million

from the sale of the Animal Health business and the VMC, either by way of dividend and/or repurchase of Common Shares. The primary components of the Settlement are set out in greater detail in the Settlement Material Change Report, which is incorporated by reference herein. It is anticipated that upon completion of the Offering, the Concerned Shareholders will hold approximately 5% of the outstanding Common Shares.

Debt Refinancing

On June 5, 2013, Bioniche's existing debt facility with Capital Royalty Partners II L.P. and its affiliates ("**Capital Royalty**") was acquired by Paladin Labs Inc. ("**Paladin**") for approximately $22 million (including accrued interest and fees). On July 5, 2013 Paladin and Bioniche also entered into an amended loan transaction whereby Paladin agreed to provide an additional $8 million loan (the "**Paladin Loan**") to support Bioniche's ongoing operations, $5 million of which became available immediately and $3 million of which will be drawn upon the completion of the Offering. Under the amended debt facility, the loan will mature on July 1, 2014, the covenant to maintain minimum liquidity has been reduced from $5 million to $2.5 million, the interest rate has been reduced from 15% to 13.25% payable in full on a quarterly basis and prepayment fees were reduced.

As part of these arrangements, Paladin was granted common share purchase warrants to purchase 3,000,000 Common Shares until the earlier of May 31, 2019 and two years after full repayment of the Paladin Loan (collectively, the "**Paladin Warrants**"), as follows:

Paladin Warrants	Exercise Price
750,000	$0.31
500,000	$0.50
250,000	$0.70
250,000	$0.85
250,000	$1.00
500,000	Market price of the Common Shares on January 1, 2014 if the Paladin Loan has not been repaid by that date.
500,000	Market price of the Common Shares on April 1, 2014 if the Paladin Loan has not been repaid by that date.

Paladin has also agreed to invest $500,000 in the Company by way of a purchase of securities of the Company. Capital Royalty retained its 2% of sales revenue interest under the terms of the revenue interest part of the original 2012 loan agreement.

Sale of Animal Health

In the summer of 2012, the Board began to explore alternatives with parties interested in its Animal Health business, with a particular focus on distribution rights and product sales. Through that process, the potential value of the business was reinforced by third party interest, and the Board and management began considering a potential sale of the Animal Health business.

Having received several expressions of interest for the Animal Health business, Bioniche engaged Evercore on May 13, 2013 to assist the Board and management of the Company in a divestment process for Animal Health. Evercore is a U.S.-based independent advisory firm that specializes in merger and acquisition transactions, divestitures and restructurings. Following the announcement of the Company's intention to divest its Animal Health business, a number of parties stepped forward expressing interest, including several major global pharmaceutical companies.

Interested parties have submitted non-binding expressions of interest from which a short-list of counterparties was chosen. Such counterparties are conducting due diligence on the business. Final binding terms are expected to be submitted to the Company by the end of October 2013. The sale of Animal Health (and potentially One Health) will be subject to, among other things, any applicable shareholder and regulatory approval and compliance with any applicable legal and regulatory requirements. Due to the current anticipated timing for receiving final terms, the Company anticipates that the proposed sale transaction will be presented to shareholders to vote on at a separate special shareholders meeting to be held after the date of the 2013 AGM. Such sale transaction is expected to be completed by early 2014.

The Board was exploring various ideas to unlock value at the time of the initial approach from the Concerned Shareholders and believed that the Animal Health business could command a much higher sale price than had been expected. When the Board considered this, together with the capital required to scale and grow the Animal Health business compared to its Human Health business and the potential in terms of future revenues and the higher margins for human health products compared to animal health products, the Board concluded that it was an opportune time to sell Animal Health, even though the Company's operating revenue was derived almost entirely from Animal Health in the fiscal years ended June 30, 2012 and 2011 and was derived mainly from Animal Health in the fiscal year ended June 30, 2010, and use the proceeds to repay debt and capitalize Human Heath.

One Health

Econiche® is registered in Canada as a cattle vaccine for the reduction of shedding of *E. coli* O157. The Company has proposed that the Canadian government implement a national *E. coli* O157 cattle vaccination program to reduce the amount of *E. coli* O157 shed by cattle, and potentially reduce the risk of food and water contamination which can lead to human illness and death from this pathogen.

In December, 2011 the Australian Quarantine and Inspection Service (AQIS) granted an import permit for the Company's *E. coli* O157 cattle vaccine. The AQIS permit is a necessary first step in gaining access to the Australian market. The vaccine will require regulatory review by the Australian Pesticides and Veterinary Medicines Authority. Australia is a major supplier of beef to Japan, South Korea, and Europe.

On August 7, 2012 the Veterinary Medicines Directorate ("**VMD**") of the Department for the Environment, Food and Rural Affairs in the United Kingdom approved the importation of the Company's cattle vaccine against *E.coli* O157 for use under conditions of a Special Treatment Certificate. In this precedent-setting case, the VMD recognised that, although *E. coli* O157 does not cause illness in ruminants, the bacterium occurs naturally in domestic cattle and they are the primary reservoir of this human pathogen.

In mid-April, 2013, the vaccine was shipped to Sweden for on-farm studies in some Swedish cattle herds. The Swedish National Veterinary Institute, Swedish Animal Health Service AB and the Swedish Board of Agriculture have collaborated with the Company to arrange for the vaccine to be imported for this purpose. Sweden has been testing and monitoring both cattle farm and slaughterhouse samples for verotoxigenic *E. coli* ("**VTEC**") for more than three years. The results of this testing have been correlated to human illness due to VTEC. While more than one type of VTEC has been associated with human illness in Sweden, a particular sub-group of the O157 strain, clade 8, has consistently been associated with the most severe cases of human illness in that country.

In March 2013, the Company announced that it had received a contribution of up to $500,000 from the National Research Council of Canada Industrial Research Assistance Program (IRAP) for the Company's research and development of a second generation *E. coli* O157 cattle vaccine. IRAP's support will offset salary costs and contractor fees associated with the project for the next three years. The Company has been working on the development of a second generation *E. coli* O157 cattle vaccine, which is expected to be safer to make, more readily produced with higher yields than the first generation vaccine, and may have the potential to cross-protect against other *E. coli* serotypes.

GMP validation work continues in the Animal Health and Food Safety VMC in Belleville, Ontario. GMP validation enables the Company to manufacture products in all major markets including the U.S. and Europe. The Company is now in the last stages of the validation process, which involves media fill validation. This is a two-step initiative requiring three successful batches to be run consecutively in the 5,000-litre fermentor and three consecutive batches to be run on the filling line with a minimum of 5,000 vials per batch filled successfully. Three consecutive batches have been run in the 5,000-litre fermentor and the documentation in respect thereof is under final review by the Company.

The Company plans to pursue contract manufacturing and bring two of its Animal Health products that are currently being manufactured by an external contract manufacturer in-house into the VMC. This strategy will help secure the long term supply of these products as well as utilize the capacity of the VMC with commercial products.

As additional products are identified to be made in the facility, the Company will file requests for marketing authorization to the appropriate government authorities, which may trigger further facility audits by those authorities.

The Company is currently considering a potential sale of the One Health business, which Evercore is currently overseeing (see “The Plan Going Forward” below).

Human Health

On January 3, 2013, the Company announced the entering into of a termination agreement pursuant to which the global rights to Urocidin™ were returned to the Company from Endo. In exchange for this agreement, Endo will receive a 5% royalty on future net sales revenue for a term of 10 years from the first commercial sale of the product or, on a country by country basis, until the last of the valid patent claims covering the product has expired or been invalidated. Sponsorship of Urocidin™ was officially returned to Bioniche from Endo on April 1, 2013.

The termination of the partnership with Endo and its cessation of the Endo Phase III clinical trial with Urocidin™ created an opportunity for the Company to regain control over and complete the development of Urocidin™ and consequently retain a greater share of its potential value.

Clinical evidence gathered in previous Phase II and III clinical studies gives Bioniche confidence that Urocidin™ is an approvable treatment for human bladder cancer. More than 30 companies have expressed an interest in partnering on Urocidin™. This high level of interest reflects confidence on the part of potential partners in the data generated to date, including the Phase III study that Bioniche conducted which showed a 25% disease-free survival rate after one year of treatment among 129 patients who had failed the current frontline therapy and were facing removal of the bladder. Bioniche has granted the first licence to Paladin to market and distribute Urocidin™ in Canada, South Africa and Mexico, under a net revenue sharing arrangement. Bioniche will be responsible for all product development and manufacturing costs, including, but not limited to, the costs related to obtaining regulatory approval, and Paladin will be responsible for all sales and marketing costs in these territories. The licence also provides a series of potential sales performance milestones that may total up to $16 million during the term of the licence.

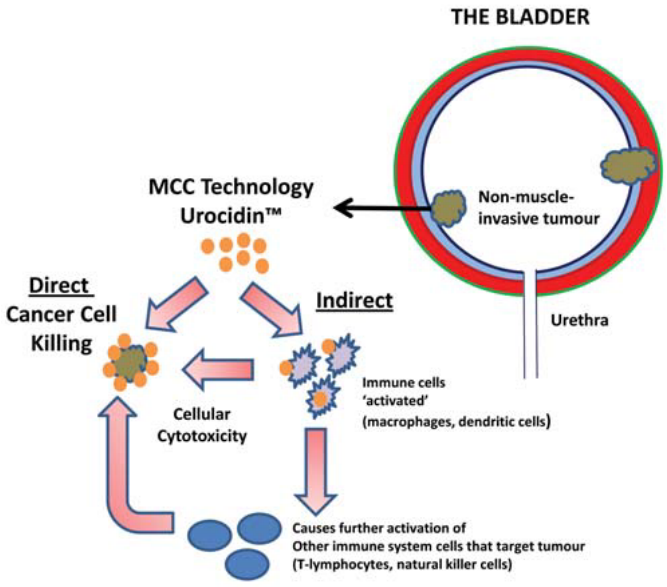
More About Urocidin™

Urocidin™ is a formulation of MCNA, a platform technology that can be used as a potential treatment for a range of cancers.

Mycobacteria are a family of bacterial microorganisms that are known to possess immune stimulating properties. There are some members of this bacterial family that are non-pathogenic (non-disease-causing). The organism used by Bioniche as the source organism of its MCNA technology is a soil-borne mycobacterium - *Mycobacterium phlei* (*M. phlei*). *M. phlei* is a non-pathogenic organism that possesses the immune stimulating properties of the mycobacterial family, yet is not associated with infection in humans or animals and has the advantage of being safe to handle.

Bioniche discovered that the DNA of *M. phlei* possesses direct anti-cancer activity, as well as stimulating an anti-cancer immune response. Bioniche has also demonstrated that cell wall fragments of *M. phlei* are potent immune stimulants. When the mycobacterial DNA is complexed to the fragments of the mycobacterial cell wall, it optimizes the activity of both, resulting in an anti-cancer immune modulator with direct anti-cancer effect.

The first human indication being pursued with MCNA (Urocidin™) is NMIBC at high risk of recurrence or progression in patients who failed prior therapy.



Bladder cancer has a significant incidence rate among men and women with an estimated 357,000 new bladder cancer cases occur worldwide each year. It is estimated that 72,570 new cases of bladder cancer and 15,210 deaths from bladder cancer will occur in the United States in 2013. In Canada, an estimated 7,900 new bladder cancer cases are expected in 2013 (5,900 men and 2,000 women): Bladder cancer is the 4th most common cancer in men and the 12th most common cancer in women in Canada. The prevalence of NMIBC is approximately ten times its incidence and creates a major economic burden on healthcare systems. As measured on the basis of cumulative per patient cost from the time of diagnosis until death, bladder cancer is one of the most expensive cancer to treat.

From a global perspective, the incidence per capita of bladder cancer is significantly higher in Europe than in North America. Approximately 70% of all new cases of bladder cancer occurring in the United States and Europe are referred to as NMIBC and approximately 30% are expected to be refractory to the current first line treatment for NMIBC.

The Company operates a dedicated manufacturing facility for Urocidin™ in Pointe-Claire, Québec, Canada (the "**Urocidin Facility**"). Bioniche purchased the Urocidin Facility in 2002 and it was subsequently re-fitted to specifications to manufacture Urocidin™ for human cancer treatment, under GMP regulations. The Company is in the process of planning to scale-up its production capacity in Canada to support product registration(s) and commercial launch(es) globally.

The Company had a meeting with Health Canada in late June, 2013, at which time the filing of a regulatory submission for Urocidin™ under Health Canada's Notice of Compliance with Conditions (NOC/c) policy was discussed. Health Canada advised the Company that the data from the first Phase III clinical trial with Urocidin™ may be sufficient to qualify for filing under the NOC/c policy and asked the Company to submit a clinical assessment package addressing some clinical questions as part of the request to file a New Drug Submission ("**NDS**") under the NOC/c policy. Management expects that the Company's responses will be submitted to Health Canada by the end of calendar 2013 or in early 2014. Upon successful review by Health Canada (expected within 60 days of the responses being submitted), the Company will have 60 days in which to file a NDS. Approximately one year of review would follow and, if Health Canada is satisfied with the submission, an approval under NOC/c would follow, which would allow access to the Canadian market.

The Company plans to seek a meeting with the U.S. Food and Drug Administration (the "**FDA**") at the earliest opportunity, which the Company expects to occur near the end of 2013, to discuss the requirements for approval in the United States.

Management is currently formulating the business plan and strategic direction for the Company following the sale of Animal Health (and potentially One Health) focusing on the final stages of commercialization of Urocidin™, including regulatory, clinical development and business development pathways. The plan will also address market opportunities beyond bladder cancer for the Company's MCNA technology in other cancer and infectious disease indications in humans.

New Human Health Team

Bioniche's founder and CEO, Graeme McRae, announced that with the sale of Animal Health (which was the business he started the Company with in 1979), he would step down as CEO in favour of a new CEO with the skills and experience to lead the commercialization of a significant oncology therapeutic. The search process has begun and is being led by the Chairman of the Board.

The Chairman is also spearheading a process contemplated in the Settlement to restructure the Board and bring on new proposed management nominees for election at the 2013 AGM who have commercialization experience in the human pharmaceutical sector including oncology and biologic technologies.

Other Developments in Fiscal 2013

On February 28, 2013, the Company announced that the latest issue of the Canadian Journal of Public Health features an article about the importance of reducing the public health risk of *Escherichia coli* (E. coli) O157 by immunizing cattle.

On January 30, 2013, the Company announced that it has terminated its exclusive global veterinary licence agreement with Trophogen Inc. in the development of a recombinant FSH product due to concerns about escalating cost and extended timelines to complete the project.

On January 24, 2013, the Company announced that its Immunocidin™ canine oncology therapy and its Sin Susto™ canine calming agent were being launched in Canada at the annual Ontario Veterinary Medical Association Conference held on January 23-26 in Toronto, Ontario.

On December 13, 2012, Bioniche announced that the Department of Health in Hong Kong issued a licence to sell in that special administrative region of China the Company's Enhance™ I.A./I.V., a formulation of purified hyaluronate sodium, similar to NexHA™ that can be administered to horses for the treatment of joint dysfunction of the carpus or fetlock in horses due to non-infectious synovitis associated with equine osteoarthritis.

On December 6, 2012, the Company announced a change in the Board with the resignation of Mr. Nick Photiades.

On December 4, 2012, the Company announced the launch in Canada of its new product for horses - NexHA™, a treatment for joint dysfunction of the carpus or fetlock in horses due to non-infectious synovitis associated with equine osteoarthritis.

On November 21, 2012, the Company announced that it had appointed Vedco as exclusive U.S. distributor for its Immunocidin™ canine oncology therapy. Vedco has 1,000 sales representatives in the U.S.

On October 17, 2012, Bioniche announced that its Immunocidin™ canine oncology therapy was being launched in North America at the annual Veterinary Cancer Society conference. The conference took place from October 18 to 21 in Las Vegas, Nevada. Immunocidin™ is based on the Company's proprietary mycobacterial cell wall technology, the same platform from which its Phase III product for human bladder cancer (Urocidin™) was derived. Immunocidin™ is indicated as an immunotherapy for the intratumoral treatment of mixed mammary tumour and mammary adenocarcinoma in dogs. The product has received regulatory approval in Canada and the U.S. It is available now in the U.S. and Canada.

On September 20, 2012, the Company announced that Hippiron™ 1000, one of its equine products, had been counterfeited, and was discovered being sold via an Internet website. Regulatory authorities and veterinarian customers were advised of this situation, along with the elements of the counterfeited product that clearly distinguish it from legitimate Hippiron™ 1000.

On August 20, 2012, the Company announced that it had launched a new product in the U.S. Butequine™ Paste (phenylbutazone paste) for the relief of inflammatory conditions associated with the musculoskeleton system in horses.

On July 30, 2012, the Company announced the appointment of Mr. James Rae as new Independent Chairman of the Board.

THE PLAN GOING FORWARD

In light of all the recent events, the Company has an opportunity to monetize the value of its Animal Health business and focus on the value creation potential from the commercialization of Urocidin™ and its other assets.

The current plan is to:

1. Divest Animal Health, which may also include the sale of the One Health division and VMC.

2. If One Health is not sold, continue to develop the Canadian and international markets for Econiche® and to attain GMP validation for the VMC, and continue to seek buyers and/or partners for these assets.

3. Use the proceeds from the sale of Animal Health to immediately repay debt. The total amount of debt payable as a result of the early repayment (taking into account make-whole obligations, etc.) is estimated to be approximately $57.3 million at December 31, 2013. This will clear a significant portion of the Company's debt, resulting in a significant savings in financing costs going forward. The only material obligations that will remain outstanding are the repayable government assistance related to royalties on sales of Urocidin™ and Econiche® and a term loan related to Urocidin™ to the Government of Canada/Industry Canada. However, if the sale of Animal Health is delayed beyond July 1, 2014, the Company will need to seek additional financing to satisfy the repayment of, or refinance, the Paladin Loan, which matures on July 1, 2014.

4. Complete the NDS for Canada for Urocidin™ under the NOC/c policy and obtain early market access in Canada.

5. Obtain agreement with the FDA on the most efficient pathway forward for U.S. market access for Urocidin™.

6. Initiate and complete deals with distribution partners for Urocidin™ in major markets (the United States, Europe, etc.). Bioniche intends to manufacture the product for all global markets and retain a manufacturer's margin.

7. Evaluate license and development opportunities for Sin Susto™ in human applications.

8. Hire a new CEO for the Human Health business and restructure the Board with members who have expertise in biologic and pharmaceutical regulatory approvals and commercialization.

The sale of Animal Health (and potentially One Health) will be subject to, among other things, shareholder approval, and a vote is expected to be held at a separate special shareholders meeting to be held on a date after the date of the 2013 AGM. It is expected that purchasers of Units under the Offering will be entitled to vote in respect of the sale of Animal Health at such special shareholders meeting, provided they remain a shareholder of the Company at the record date for such meeting.

At this time, there can be no assurance that either of these business units will be sold. If neither is sold, the Company will have to make alternative arrangements to repay or refinance the Paladin Loan by July, 2014. Once Animal Health (and potentially One Health) is sold and debt is repaid, Bioniche will have adequate capital resources to support its development and commercialization activities, but will have no immediate product sales revenue and, accordingly, will have a negative operating cash flow or cash "burn" until such time as revenues can be generated from commercialization and/or the licensing of Urocidin™ or until Econiche® (if retained) gains market access and product revenues. If the Company sells or partners One Health and/or the VMC, the cash "burn" will be reduced and the

Company should have additional cash resources on hand so that its principal business going forward is the development and exploitation of immunotherapeutic technologies for human health indications.

Since the closing of the Offering will take place after the Record Date, purchasers of Units under the Offering will not be entitled to vote the Common Shares they acquire pursuant to the Offering at the 2013 AGM (see "Shareholder Requisition" above).

EFFECT OF PLANS GOING FORWARD ON THE COMPANY AND ITS REPORTED RESULTS

The sale of the Animal Health and One Health businesses will create significant change in the operations, assets, and financial structure of the Company going forward. To illustrate the relative effects of the sale proportion of sales, operations and results that the Animal and One Health business segments have had within the overall consolidated financial results of the Company, the discussion below presents the results of the Company as reported, and as would have been presented as if Animal Health and One Health were eliminated from the Company's consolidated financial statements from July 1, 2010 or at the opening balance sheet date for all of the accounting periods. **This discussion does not include any adjustments to financial expenses, reallocation of corporate expenses, foreign exchange or other effects of changes in debt or other expense reductions that may have been made, or for any proceeds that may have been received. It merely represents the elimination of the Animal Health and One Health segment information as previously reported information in the Company's unaudited condensed interim consolidated financial statements for the third quarter of Fiscal 2013 (March 31, 2013) and the Company's Fiscal 2012 financial statements.**

Sale of Animal Health segment:

After the sale of the Animal Health segment, the Company's revenues would have amounted to $2.0 million and $7.2 million for the years ended June 30, 2012 and 2011, respectively. For the three-month and nine-month periods ended March 31, 2013, the Company's revenues would have stood at $nil and $82,000, respectively, compared to $370,000 and $1.8 million for the comparative periods ended March 31, 2012.

The Company's net loss would have amounted to $25.2 million (or $0.25 per Common Share) and $15.3 million (or $0.17 per Common Share) for the years ended June 30, 2012 and 2011, respectively. For the three-month and nine-month periods ended March 31, 2013, the Company's net loss would have been $6.3 million (or $0.06 per Common Share) and $19.7 million (or $0.19 per Common Share), respectively, compared to $6.6 million (or $0.06 per Common Share) and $16.3 million (or $0.16 per Common Share), respectively, for the comparative periods ended March 31, 2012.

Sales of Both Animal and One Health:

After the sale of the Animal and One Health segments, the Company's revenues would have amounted to $2.0 million and $7.2 million for the years ended June 30, 2012 and 2011, respectively. For the three-month and nine-month periods ended March 31, 2013, the Company's revenues would have stood at $nil and $82,000, respectively, compared to $370,000 and $1.8 million for the comparative periods ended March 31, 2012.

The Company's net loss would have amounted to $18.8 million (or $0.18 per Common Share) and $13.3 million (or $0.15 per Common Share) for the years ended June 30, 2012 and 2011, respectively. For the three-month and nine-month periods ended March 31, 2013, the Company's net loss would have been $4.8 million (or $0.05 per Common Share) and $15.3 million (or $0.15 per Common Share), respectively, compared to $5.0 million (or $0.05 per Common Share) and $11.8 million (or $0.12 per Common Share), respectively, for the comparative periods ended March 31, 2012.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as at March 31, 2013, both before and after giving effect to the Offering, adjusted to give effect to the material changes in the share and loan capital of the Company since March 31, 2013. The table should be read in conjunction with the unaudited consolidated financial statements of the Company for the three and

nine-month periods ended March 31, 2013, including the notes thereto and the management's discussion and analysis, incorporated by reference into this short form prospectus.

	As at March 31, 2013 (unaudited) (expressed in 000's)	**As at March 31, 2013 after giving effect to the Offering[2][3][5] (unaudited) (expressed in 000's)**
Debt[4]	$59,900	$59,900
Common Shares[1]	$126,746 (104,809,572 Common Shares)	$133,923 (138,618,193 Common Shares)
Convertible Securities	(0 Warrants) (6,621,241 Stock Options)	(16,904,310 Warrants) (2,172,414 Broker Warrants) (194,189 Finder Options) (6,621,241 Stock Options)
Contributed Surplus	$9,662	$11,353
Accumulated Other Comprehensive Loss	($1,316)	($1,316)
Deficit	($136,148)	($136,148)
Shareholders' Equity (Deficiency)	($1,056)	$7,812

Notes:

(1) Based on the number of Common Shares outstanding as at March 31, 2013.
(2) Does not include any Common Shares issuable upon the exercise of Warrants or Broker Warrants.
(3) Does not include the Paladin Warrants or the portion of the Paladin Loan that was advanced to the Company on July 5, 2013. See “Recent Developments – Debt Refinancing” above for details regarding the Paladin Warrants.
(4) Long-term debt of $27,142 and repayable government assistance of $32,758.
(5) Gives effect to a non-brokered private placement of 2,774,138 units of the Company, on the same terms as the Units, which is expected to close prior to the Closing Date (the “**Private Placement**”). The Company will pay to the finder under the Private Placement a cash commission equal to 7% of the gross proceeds of the Private Placement and will issue to such finder compensation options (the “**Finder Options**”) exercisable into that number of Common Shares as is equal to 7% of the number of units sold under the Private Placement, with each Finder Option exercisable by the holder thereof for one Common Share at a price of $0.33 for a period of 24 months following the closing of the Private Placement. The gross and net proceeds of the Private Placement, after deducting the finder’s cash commission, are anticipated to be $804,500 and $748,185, respectively.

USE OF PROCEEDS

The net proceeds to the Company from the Offering will be approximately $8,120,000 after deducting the Agent's Fee and the estimated expenses of the Offering, which are estimated to be approximately $250,000.

The Company intends to use the net proceeds it receives from the Offering to support the development and commercialization of Urocidin™ and for general corporate purposes. These proceeds, together with the Company’s existing cash, the net proceeds under the Private Placement and an additional $3 million from the Paladin Loan will enable the Company to continue its operations and development activities while the sale process of Animal Health is completed and enable the Company's transition to a focus on human therapies, including Urocidin™ and potential new therapies as outlined in "The Plan Going Forward". The Company estimates that the use of proceeds will be as follows:

Development and Commercialization of Urocidin™	$6,000,000
General corporate purposes	$2,120,000
Total use of proceeds	$8,120,000

With respect to the development plan of Urocidin™, there are three concurrent sets of activities required to support the full commercialization of the product and accelerate monetization of the asset.

First, is the manufacturing component. The Urocidin Facility was built to produce clinical trial material and secure manufacturing rights for the product going forward in licensing agreements, thereby assisting to ensure a greater participation rate in the revenue from future product sales. The Urocidin Facility is validated to international GMP standards such that product manufactured at the Urocidin Facility can be marketed anywhere in the world, and the US and Europe in particular. The Urocidin Facility is ready for commercial production and has the capacity to meet clinical trial and commercial

production of 30,000 doses per year (representing potential revenue of over $50 million per year). It is essential to financially support the maintenance of the Urocidin Facility at its current level of GMP compliance, otherwise, international GMP validation efforts would need to be re-started. In addition, it is necessary to demonstrate that the Company has the capability to manufacture the product consistently with high quality.

Second, is the regulatory component, which includes finalization of the filing of the NDS for registration in Canada with Health Canada under the NOC/c program, and discussions with the FDA in the US to establish the pathway to registration in the US (see "More About Urocidin™" above). Expenses related to activities in connection with obtaining Health Canada and FDA approval are estimated to cost between approximately $1 million and $1.5 million and are primarily related to file and presentation preparation and do not include expenses related to any additional trials. Any incremental clinical trials required will be funded by collaborative research and development arrangements with new licensing partners and/or new equity.

Third, is the licensing process for major markets such as the US and Europe for Urocidin™ rights as well as preparations for its launch in Canada. The Company has recently completed a license agreement with Paladin for the Canadian, Mexican and South African markets (see "Human Health" above) which will require support to finalize the pricing and reimbursement strategy. For the US and other market licenses, the Company began receiving unsolicited requests for information on possible regional licenses for Urocidin™ early in 2013. To date, the Company has a list of 9 companies in the US and 18 companies in Europe that have requested to be considered as license partners for Urocidin™, and a list of 9 companies for smaller markets. The key to leveraging licensing opportunities is to have the regulatory pathway established for the US at which point the Company will engage in more formal licensing discussions with an expectation that a license deal can be made for at least the US in the next 12 to 15 months. Management anticipates spending between $500,000 and $1 million on licensing and launch efforts, mostly in early 2014.

A summary of the foregoing events, including the expected timing and costs of such events is set out below:

Significant Event	Expected Timing	Expected Cost
Maintenance of the Urocidin Facility, including maintenance to international GMP standards and the clinical development team.	• Ongoing.	• The annual cost of maintaining the Urocidin Facility is $5 million per year.
Obtaining regulatory approvals/registrations in respect of Urocidin™.	• Completion and filing of the reformatted report in Canada is expected to occur by the end of 2013 or in early 2014. • Completion of the Company's dossier for, and meeting with, the FDA in the US is expected to occur in late 2013.	• Approximately $1 million to $1.5 million, excluding expenses related to any additional trials, which will be financed with license fees prior to commencing such trials.
Concluding licensing agreements for major markets.	• License agreement for the Canadian, Mexican and South African markets completed. • Licensing for the US is expected within the next 12 to 15 months.	• Approximately $500,000 to $1 million.

The Company's current cash balance is approximately $4.8 million, and with additional funds to come of approximately $13.3 million, including the anticipated net proceeds from the Offering and the Private Placement, additional funds under the Paladin Loan and long-term receivables from Industry Canada, the Company expects to have a cash balance of approximately $18 million. The Company's burn rate is approximately $1.6 million per month (which has increased primarily because of increased financing and reorganization costs). Together with other defined and existing sources of cash resources, completion of the Offering would provide the Company with approximately 10 to 12 months of operating capability without the sale of the Animal Health and One Health businesses (excluding the need to refinance the Paladin Loan by July 1, 2014 (see "Debt Refinancing" above)). If the sale of the Animal Health business (and potentially the One Health business) does not occur or is delayed

beyond the expected transaction completion date in early 2014, the net proceeds from the Offering may be used by the Company to sustain its continuing operations.

However, after the sale of Animal Health and One Health, it is expected that the burn will be reduced to about $1 million per month primarily from the reduction in finance charges resulting from the repayment of debt, and other cost cutting activities at the corporate offices for services no longer needed to support the Animal Health and One Health businesses. If One Health is not sold with Animal Health, it will be a priority to sell or partner it in the months following, as the VMC adds another approximately $500,000 to the monthly burn. The current expectation is that after the sale of Animal Health and One Health, the Company will be adequately capitalized to cover the burn.

The Company's working capital balance as at March 31, 2013 was $12.6 million based on its unaudited internal consolidated financial statements.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agent will offer the Units for sale to the public, either directly or through authorized sub-agents, on a best-efforts basis, subject to compliance with all necessary legal requirements and the terms and conditions of the Agency Agreement. The closing of the Offering will occur on or about the Closing Date. 31,034,483 Units will be offered for sale at a price of $0.29 per Unit. The Offering Price was determined by arm's length negotiation between the Company and the Agent.

The obligations of the Agent under the Agency Agreement may be terminated upon the occurrence of certain stated events. The Agent is not obligated directly or indirectly to advance its own funds to purchase any of the Units. Pursuant to the Agency Agreement, the Agent will receive the Agent's Fee and the Broker Warrants (as described below), and the Company will reimburse the Agent for certain expenses relating to this Offering and provide indemnification against certain liabilities, including liabilities under applicable securities legislation, and expenses, or contribution to payments that the Agent and its directors, officers, employees and agents may be required to make in respect thereof.

As partial consideration for the Agent's services to the Company in connection with the Offering, the Company will pay to the Agent a fee equal to 7% of the gross proceeds of the Offering. As additional consideration for the Agent's services to the Company in connection with the Offering, the Agent will receive Broker Warrants to purchase, in the aggregate, that number of Common Shares which is equal to 7% of the number of Units issued pursuant to the Offering. The Broker Warrants may be exercised, in whole or in part, by the Agent at any time prior to the date that is 24 months from the date of issuance of the Broker Warrants. The terms governing the Broker Warrants will be set out in the certificates representing the Broker Warrants and will include, among other things, adjustment mechanisms substantially similar to those provided for under the Warrant Indenture (as defined below).

The Agent, as holder of the Broker Warrants, will not as such have any voting right or other right attached to Common Shares until the Broker Warrants are duly exercised as provided for in the certificates representing the Broker Warrants.

The Broker Warrants have not been and will not be registered under the 1933 Act. The Broker Warrants may not be transferred except (i) to the Company or (ii) outside the United States in accordance with Rule 904 of Regulation S under the 1933 Act, and the Broker Warrants may not be exercised by any U.S. Person, any person in the United States or any person for the account or benefit of a U.S. Person. The terms "United States" and "U.S. Person" have the meanings ascribed to them in Regulation S under the 1933 Act.

The TSX has conditionally approved the listing of the Common Shares to be distributed under this short form prospectus and the Common Shares issuable on exercise of the Warrants and the Broker Warrants on the TSX. Listing will be subject to Bioniche fulfilling all of the listing requirements of the TSX on or before November 4, 2013, including distribution of the Units to a minimum number of arm's length purchasers.

The Warrants will be created and issued pursuant to the terms of a warrant indenture (the "**Warrant Indenture**") to be entered into between the Corporation and CST Trust Company, as warrant agent thereunder (the "**Warrant Agent**"). Each Warrant will entitle the holder thereof to purchase one

Warrant Share at a price of $0.40 at any time prior to 5:00 p.m. (Toronto time) on the date that is 24 months following the Closing Date, after which time the Warrants will expire and be void and of no value. The Warrant Indenture will contain customary provisions designed to protect the holders of Warrants against dilution upon the occurrence of certain events. No fractional Warrant Shares will be issued upon the exercise of any Warrants. See "Description of Securities Being Distributed".

There is no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors".

Registration of interests in and transfers of the Common Shares and Warrants comprising the Units held through CDS or its nominee will be made electronically through the NCI system of CDS in “book-entry only” form. The Common Shares and Warrants comprising the Units registered to CDS or its nominee will be deposited electronically with CDS on an NCI basis on the closing of the Offering, against payment of the aggregate purchase price for the Units. A purchaser of Units will receive only a customer confirmation from the registered dealer through which the Units are purchased.

Pursuant to the policies and rules of certain Canadian securities regulatory authorities, the Agent may not, throughout the period of distribution under this short form prospectus, bid for or purchase Common Shares for its own account or for accounts over which it exercises control or direction. The foregoing restriction is subject to certain exceptions, including (i) a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market-making activities; and (ii) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution, provided that the bid or purchase was not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of such securities.

None of the Units, the Common Shares and Warrants comprising the Units offered hereby nor the Common Shares underlying the Warrants and the Broker Warrants have been or will be registered under the 1933 Act or any state securities laws, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, a "U.S. Person" except in transactions exempt from, or in a transaction not subject to, the registration requirements of the 1933 Act and applicable state securities laws. The Agent will offer the Common Shares and Warrants comprising the Units outside the United States only in accordance with Regulation S under the 1933 Act. The Agent may offer the Units through the U.S. broker-dealer affiliates of the Agent to institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation S under the 1933 Act) in the United States in a manner exempt from the registration requirements of the 1933 Act and in compliance with applicable state securities laws. This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Units, or the Common Shares and Warrants comprising the Units or the Common Shares underlying the Warrants and Broker Warrants in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units, the Common Shares and the Warrants comprising the Units or the Common Shares underlying the Warrants and Broker Warrants within the United States or to, or for the account or benefit of, a "U.S. Person", by a dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act unless such offer is made in accordance with an exemption from registration under the 1933 Act. The Units, the Common

Shares and Warrants comprising the Units and the Common Shares underlying the Warrants and Broker Warrants will be restricted securities within the meaning of Rule 144(a)(3) under the 1933 Act.

Pursuant to the Agency Agreement, the Company will agree that, for a period of 120 days after the closing of the Offering, it will not, directly or indirectly, issue, sell or grant any equity or quasi-equity securities, without the prior written consent of the Agent, such consent not to be unreasonably withheld, other than in connection with: (i) the grant or exercise of stock options and other similar issuances pursuant to the Company's current stock option plan and any other share compensation arrangements; (ii) the exercise of currently outstanding common share purchase warrants, the Warrants and the Broker Warrants; and (iii) the issuance of securities in connection with arms-length property or share acquisitions or acquisitions of any interests therein in the normal course of business.

Pursuant to the Agency Agreement, the Company will also agree to cause its directors and officers to enter into agreements with the Agent on closing of the Offering pursuant to which such directors and officers will agree not to transfer or dispose of any securities of the Company that they beneficially own, in whole or in part, or enter into any agreement or arrangement under which the economic consequences of their beneficial ownership of such securities is transferred, for a period of 120 days after the closing of the Offering, without the prior written consent of the Agent, such consent not to be unreasonably withheld.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

The Offering consists of 31,034,483 Units, each Unit to be comprised of one Common Share and one-half of one Warrant. The Units will be separable into Common Shares and Warrants immediately following the closing of the Offering.

Common Shares

The Company's authorized share capital currently consists of an unlimited number of Common Shares, without par value, and an unlimited number of preferred shares, without par value, issuable in series. As at the date of this short form prospectus, 106,304,521 Common Shares are issued and outstanding and no preferred shares are issued and outstanding.

The holders of Common Shares are entitled to receive notice of and to attend and vote at any meeting of shareholders except at meetings where only the holders of shares of a specific class or series are entitled to vote separately as a class or series. The Common Shares entitle the holders thereof to one vote per share at meetings of the Company's shareholders. Subject to the prior rights of any other shares ranking senior thereto, the holders of Common Shares participate equally with each other in respect of payment of dividends, including the amount per share of the dividend. Subject to the prior rights of any other shares ranking senior thereto, the Common Shares rank equally with each other in respect of return of capital in the event of the Company's liquidation, dissolution or other distribution of assets for the purpose of winding-up the Company's affairs. The Common Shares are not redeemable or retractable. The holders of Common Shares have no pre-emptive rights.

On September 24, 2012, the Board entered into a shareholder rights plan agreement (the "**Rights Plan**") with CST Trust Company (formerly CIBC Mellon Trust Company) as rights agent. The purpose of the Rights Plan is to ensure, to the extent possible, that all shareholders of the Company are treated equally and fairly in connection with any initiative to acquire control of the Company. The Rights Plan was confirmed by the shareholders of the Company at the shareholders meeting of the Company held on November 7, 2012.

Warrants

Each whole Warrant will be transferable and will entitle the holder (a "**Warrantholder**") to purchase one Common Share at a price of $0.40 per share for a period of 24 months following Closing of the Offering, after which time the Warrants will expire. The Warrants will be issued under the Warrant Indenture. The Company will appoint the principal transfer office of the Warrant Agent in Toronto as the location at which the Warrants may be surrendered for exercise, transfer or exchange. Under the Warrant Indenture, the Company may, subject to applicable law, purchase by private contract or otherwise, any of the Warrants then outstanding, and any Warrants so purchased will be cancelled. None of the Units, the Common Shares (including the Common Shares issuable upon exercise of the Warrants) or the Warrants have been or will be registered under the 1933 Act.

The Warrant Indenture will provide for adjustment in the number of Common Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share upon the occurrence of certain events, including:

(i) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares by way of a stock dividend or other distribution (other than a "dividend paid in the ordinary course", as defined in the Warrant Indenture, or a distribution of Common Shares upon the exercise of any outstanding warrants or options);

(ii) the subdivision, redivision or change of the Common Shares into a greater number of shares;

(iii) the consolidation, reduction or combination of the Common Shares into a lesser number of shares;

(iv) the issuance to all or substantially all of the holders of the Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the "Current Market Price", as defined in the Warrant Indenture, for the Common Shares on such record date; and

(v) the distribution to all or substantially all of the holders of the Common Shares of securities of any class, whether of the Company or any other trust (other than Common Shares), rights, options or warrants to subscribe for or purchase Common Shares or securities exchangeable or convertible into any Common Shares (other than pursuant to a Rights Offering (as such term is defined in the Warrant Indenture)), evidences of indebtedness or any property or other assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events:

(i) reclassifications of the Common Shares;

(ii) consolidations, amalgamations, arrangements or mergers of the Company with or into any other corporation or other entity (other than consolidations, amalgamations, arrangements or mergers which do not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares); or

(iii) the transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or the number of Common Shares purchasable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the exercise price or a change in the number of Common Shares purchasable upon exercise by at least one one-hundredth of a Common Share, as the case may be.

The Company will covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to the Warrant Agent and to Warrantholders of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Common Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date of such event.

No fractional Common Shares will be issuable upon the exercise of any Warrants. Warrantholders will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

The Warrant Indenture will provide that, from time to time, the Company and the Warrant Agent, without the consent of the Warrantholders, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not prejudice the rights of any Warrantholder. Any amendment or supplement to the Warrant Indenture that would prejudice the interests of the Warrantholders may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either (1) passed at a meeting of the Warrantholders at which there are Warrantholders present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding Warrants (unless such meeting is adjourned to a prescribed later date due to a lack of quorum, at which adjourned meeting the Warrantholders present in person or by proxy shall form a quorum) and passed by the affirmative vote of Warrantholders representing not less than 66⅔% of the aggregate number of all

the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution, or (2) adopted by an instrument in writing signed by the Warrantholders representing not less than 66⅔% of the aggregate number of all the then outstanding Warrants.

The foregoing summary of certain provisions of the Warrant Indenture does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture in the form to be agreed upon by the parties.

DIVIDEND PRACTICE

The Company's practice has been to not pay dividends due to the need to reinvest earnings to support the growth of its business. The Board will review its dividend practice from time to time, having regard to the Company's financial condition, financial requirements and other factors considered relevant.

Pursuant to the Settlement, the Company agreed, subject to certain conditions and to applicable law, to effect a return capital to its shareholders in the aggregate amount of 90% of the combined net proceeds greater than $75 million from the sale of the Animal Health business and the VMC, either by way of dividend and/or repurchase of Common Shares.

PRIOR SALES

During the twelve-month period prior to the date of this short form prospectus, the Company issued the following Common Shares and securities convertible into Common Shares.

Date of Issue/Grant	Type of Securities	Issue/Exercise Price per Security	Number of Securities	Reason for Issue
October 9, 2012	Common Shares	$0.44	42,081	Directors Compensation Plan
December 3, 2012	Common Shares	$0.32	225,016	RRSP Savings Plan
January 2, 2013	Common Shares	$0.31	230,816	RRSP Savings Plan
January 2, 2013	Common Shares	$0.33	4,688	Directors Compensation Plan
January 2, 2013	Stock Options	$0.35	2,637,868	Stock Options
January 21, 2013	Common Shares	$0.31	54,128	Directors Compensation Plan
February 4, 2013	Common Shares	$0.30	235,040	RRSP Savings Plan
February 26, 2013	Common Shares	$0.25	279,091	RRSP Savings Plan
April 1, 2013	Common Shares	$0.29	240,276	RRSP Savings Plan
May 2, 2013	Common Shares	$0.25	279,738	RRSP Savings Plan
May 21, 2013	Common Shares	$0.29	58,704	Directors Compensation Plan
June 4, 2013	Common Shares	$0.35	199,553	RRSP Savings Plan
July 3, 2013	Common Shares	$0.31	247,721	RRSP Savings Plan
July 9, 2013	Common Shares	$0.31	54,840	Directors Compensation Plan
August 8, 2013	Common Shares	$0.33	209,626	RRSP Savings Plan
September 5, 2013	Common Shares	$0.33	204,491	RRSP Savings Plan

MARKET PRICE AND TRADING VOLUME

The Common Shares are listed for trading on the TSX and ASX under the trading symbol "BNC". The following table sets out the reported high and low prices and aggregate trading volumes of the Common Shares on the TSX and on the ASX for the periods indicated.

	ASX			TSX		
	High	**Low**	**Volume**	**High**	**Low**	**Volume**
	(A$)	**(A$)**		**($)**	**($)**	
2012						
September	0.52	0.40	198,000	0.58	0.42	1,538,360
October	0.52	0.41	235,000	0.58	0.44	2,092,407
November	0.52	0.34	262,000	0.50	0.28	3,728,240
December	0.38	0.32	15,931	0.42	0.29	2,325,099
2013						
January	0.30	0.25	27,293	0.35	0.29	2,951,291
February	0.25	0.20	79,607	0.31	0.19	2,577,738
March	0.23	0.23	17,276	0.33	0.24	2,324,830
April	0.22	0.23	6,931	0.34	0.23	10,729,754
May	0.35	0.19	89,733	0.40	0.22	3,899,671
June	0.30	0.30	9,310	0.39	0.28	1,877,306
July	0.32	0.30	17,601	0.36	0.28	1,461,925
August	0.345	0.345	8,500	0.39	0.27	3,535,232
September (September 1 to 17)	0.38	0.345	73,224	0.415	0.29	3,717,806

On September 17, 2013, the closing price of the Common Shares on the TSX and the ASX was $0.31 and A$0.38, respectively. The information presented in the table above should not be viewed as an indication that the market price of the Common Shares will continue at such levels.

RISK FACTORS

An investment in the Units involves a high degree of risk. Prospective investors should consider carefully the risks incorporated by reference in this short form prospectus (including in subsequently filed documents incorporated by reference) before purchasing the Units offered hereby.

Discussions of certain risks affecting the Company in connection with its business are provided under the heading "Risks and Uncertainties" in the AIF and the Annual Report.

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Company and could cause the Company's operating and financial performance to differ materially from the estimates described in forward-looking statements relating to the Company. These include widespread risks associated with any form of business and specific risks associated with the Company's business and operations in the life sciences industry. An investment in the Common Shares or Warrants is considered speculative and involves a high degree of risk due to, among other things, the nature of the Company's business and the present stage of its development. A prospective investor should carefully consider the risk factors set out below along with the other matters set out or incorporated by reference in this short form prospectus. The Company has identified the following non-exhaustive list of inherent risks and uncertainties that it considers to be relevant to its operations and business plans. In addition to information set out elsewhere in this short form prospectus and contained in the AIF which is incorporated by reference into this short form prospectus, investors should carefully consider the following risk factors. Such risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Risks Related to the Offering

Market Price of Common Shares

The trading price of the Common Shares may be subject to large fluctuations. The trading price of the Common Shares may increase or decrease in response to a number of events and factors, including:

- the Company's operating performance relative to the operating performance of its competitors and other similar companies;
- the public's reaction to the Company's press releases, other public announcements and filings with the various securities regulatory authorities;
- changes in earnings estimates or recommendations by research analysts who track the Common Shares or the common shares of other companies in the sector;
- changes in general economic conditions;
- the number of Common Shares to be publicly traded after the Offering;
- the arrival or departure of key personnel;
- acquisitions, strategic alliances, or joint ventures involving the Company or its competitors; and
- the factors listed under the heading "Cautionary Note Regarding Forward-Looking Statements".

In addition, the market price of the Common Shares is affected by many variables not directly related to the Company's success and not within the Company's control, including developments that affect the market for all life sciences shares, the breadth of the public market for the Common Shares, and the attractiveness of alternative investments. In addition, securities markets have recently experienced an extreme level of price and volume volatility, and the market price of securities of many companies has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values, or prospects of such companies. As a result of these and other factors, the Common Share price may be volatile in the future and may decline below the Offering Price.

Accordingly, investors may not be able to sell their Common Shares at or above the Offering Price.

Potential Dilution

Bioniche may issue additional Common Shares or other securities convertible into Common Shares in the future, which will or could result in the then existing holders of Common Shares sustaining dilution to their relative proportion of the equity of the Company. The Company's articles of incorporation permit the issuance of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Company have the discretion to determine the provisions attaching to any series of preferred shares and the price of issue of further issuances of Common Shares. Also, additional Common Shares may be issued by the Company upon the exercise of stock options and upon the exercise of previously issued share purchase warrants. The issuance of these additional equity securities may have a similar dilutive effect on then existing holders of Common Shares.

Absence of Public Trading Market for Warrants

Currently there is no public market for the Warrants and there can be no assurance that an active market for the Warrants will develop or be sustained after this Offering. If an active public market for the Warrants does not develop, the liquidity of an investor's investment in the Warrants may be limited and the price may decline below the portion of the Offering Price allocated to the Warrants.

Future Working Capital and Cash Constraints

The Company has a history of losses and going concern disclosures in its interim and annual consolidated financial statements, and has reported negative cash flows from operations for the last 8 quarters. There is no assurance that its current liquidity or capital resources will be sufficient to fund its operations on an ongoing basis. The Company's average monthly cash burn rate for the nine month period ended March 31, 2013 was almost $1.4 million.

The net proceeds from this Offering and the Private Placement plus existing cash resources, available credit facilities (including an additional $3 million under the Paladin Loan) and the expected proceeds from the sale of Animal Health will provide the Company with sufficient funds to meet its obligations for the foreseeable future. If Animal Health is not sold, the Company will need to seek additional cash by the second calendar quarter of 2014 (see "Use of Proceeds" above) and will need to refinance the Paladin Loan by July 1, 2014 (see "Debt Refinancing" above).

Risks Related to Operations

No Assurance that Animal Health Will be Sold

The Company has initiated a process to sell its Animal Health business, subject to, among other things, shareholder approval. There is no assurance that the Company will receive an offer acceptable to the Board or, if it does, that the offer will be approved by shareholders. If the Animal Health business is not sold, the Company will need to make alternate arrangements to refinance the Paladin Loan, which may not be able to be done on favourable terms.

New Members of the Board

Pursuant to the terms of the Settlement, the Company agreed to take any and all steps necessary and advisable to nominate a slate of directors, comprised of three of the current directors, being James Rae, Rod Budd and Greg Gubitz, three new independent directors (who have not previously been members of the Board) and the Company's new CEO, provided such new CEO is appointed before the mailing of the management information circular in connection with the 2013 AGM, as described in the Settlement Material Change Report. If the new CEO is appointed after the mailing of the management information circular in connection with the 2013 AGM, the new CEO will be appointed by the Board to the Board immediately following the 2013 AGM, or if the new CEO is appointed after the 2013 AGM, the new CEO will be immediately appointed by the Board to the Board. A Board with many new members will require some time to understand all aspects of the Company's business.

Debt Falls Due on Change of Control

The Paladin Loan contains a provision that was inherited by Paladin when it acquired the Paladin Loan from Capital Royalty that if a majority of the members of the Board is comprised of persons other than persons nominated or appointed by the Company the Paladin Loan will be in default and will fall due. Such a default would trigger a cross-default under other debt, resulting in approximately $57.3 million of debt falling immediately due.

One Health and VMC

While Econiche® is approved in Canada, it has not yet achieved market acceptance and does not yet generate any revenue. In addition, the Company has made a very significant investment in the VMC in anticipation of commercial sales that have not yet materialized. The Company is completing GMP validation of the VMC so it can produce other products, but there is no assurance that GMP validation will be successfully achieved or new business will be obtained. The Company has offered these One Health assets for sale with the Animal Health business, and some bidders have expressed interest. Even if a bidder offers to buy both Animal Health and One Health, it may not be the highest bid and the Board may choose a bidder for Animal Health only. In that case, the Company will have to continue to seek approval and commercialization of Econiche® as well as GMP validation and third-party vaccine production for the VMC. In that case, the Company intends to continue to seek a buyer or a partner for these assets, but there is no assurance that it will be successful in doing so. Until that happens, the Company will continue to experience a significant negative cash flow in One Health.

Human Health

The Company's plan is to sell Animal Health, sell or partner One Health and transition to a Human Health company with the initial focus being on obtaining regulatory approval and the global commercialization of Urocidin™. While the Company is highly confident that both of these objectives will be achieved, there is no assurance that they will. At best, regulatory approval, if obtained, will take more than one year in Canada and more than three years in the United States. During this period, the development and commercialization of Urocidin™ will need to be funded from the sale proceeds of Animal Health (and potentially One Health), third party licencing fees and the proceeds of equity or debt financings.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Norton Rose Fulbright Canada LLP, counsel to the Company, and Heenan Blaikie LLP, counsel to the Agent, the following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations applicable to a purchaser of Common Shares or Warrants pursuant to the Offering. This summary is applicable only to a purchaser who, at all relevant times and for purposes of the Tax Act, deals at arm's length with the Company and with the Agent, is not affiliated with the Company or with any of the Agent, and who will acquire and hold such Common Shares and Warrants as capital property (a "**Holder**"). Common Shares and Warrants will generally be considered to be capital property to a Holder unless the Holder holds such securities in the course of carrying on a business or has acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is based upon the current provisions of the Tax Act and the Regulations, specific proposals to amend the Tax Act (the "**Proposed Amendments**") which have been announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**"). This summary assumes that the Proposed Amendments will be enacted in the form proposed and does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed herein. No assurances can be given that such Proposed Amendments will be enacted as proposed or at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary does not apply to a Holder (a) that is a "financial institution" as defined in the Tax Act for purposes of the mark-to-market provisions of the Tax Act; (b) that is a "specified financial institution" as defined in the Tax Act; (c) an interest in which would be a "tax shelter investment" for purposes of the Tax Act; (d) that has made a functional currency reporting election for purposes of the Tax Act; or (e) that has entered into a "derivative forward agreement" (as that term is defined in the Proposed Amendments) with respect to the Common Shares, Warrants or the Common Shares acquired on exercise of the Warrants. Such Holders should consult their own tax advisors.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada and is, or becomes, controlled by a non-resident corporation for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Holders should consult their tax advisors with respect to the consequences of acquiring Common Shares or Warrants.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Common Shares and Warrants. The following description of income tax matters is of a general nature only and is not intended to be, nor should it be construed to be, legal or income tax advice to any particular Holder. Holders are urged to consult their own income tax advisors with respect to the tax consequences applicable to them based on their own particular circumstances.

Allocation of Purchase Price

A Holder who acquires Units will be required to allocate the purchase price of each Unit between the Common Share and the one-half of one Warrant on a reasonable basis in order to determine their respective costs for purposes of the Tax Act. For its purposes, the Company intends to allocate $0.289 of the issue price of each Unit as consideration for the issue of the Common Share and

$0.001 for the issue of the one-half of one Warrant comprising each Unit. Although the Company believes such allocation is reasonable, such allocation will not be binding on the CRA or a Holder and counsel expresses no opinions as to allocation.

Adjusted Cost Base of Common Shares

The adjusted cost base to a Holder of a Common Share acquired hereunder will be determined by averaging the cost of that Common Share with the adjusted cost base (determined immediately before the acquisition of the Common Share) of all other Common Shares held as capital property by the Holder immediately prior to such acquisition.

Exercise of Warrants

A Holder will not realize a gain or loss upon the exercise of a Warrant. The Holder's cost of the Common Shares acquired by exercising Warrants will be equal to the aggregate of the Holder's adjusted cost base of the Warrants exercised plus the exercise price paid for such Common Shares. The Holder's adjusted cost base of such Common Shares so acquired will be determined by averaging the cost of those Common Shares with the adjusted cost base (determined immediately before the acquisition of the Common Shares acquired by exercising Warrants) of all other Common Shares held as capital property by the Holder immediately prior to such acquisition.

Residents of Canada

The following section applies to a Holder who, for purposes of the Tax Act, is, or is deemed to be, resident in Canada at all relevant times (a "**Resident Holder**"). Certain Resident Holders to whom Common Shares might not constitute capital property may, in certain circumstances, make the irrevocable election under subsection 39(4) of the Tax Act to deem the Common Shares, and every other "Canadian security" as defined in the Tax Act, held by such Resident Holder in the taxation year of the election and all subsequent taxation years, to be capital property. This election does not apply to the Warrants. Resident Holders should consult their own tax advisors regarding this election.

Disposition and Expiry of Warrants

A Resident Holder who disposes or is deemed to dispose a Warrant (other than upon the exercise thereof) will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than the adjusted cost base of the Warrant to the Resident Holder. If a Warrant expires unexercised, the Resident Holder will realize a capital loss equal to the adjusted cost base of such Warrant to the Resident Holder. The tax treatment of capital gains and capital losses is discussed under the sub-heading "Capital Gains and Capital Losses".

Dividends on Common Shares

Dividends received or deemed to be received on Common Shares by an individual Resident Holder (including certain trusts) will be included in computing the individual's income and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including an enhanced gross-up and dividend tax credit for dividends designated as "eligible dividends" by the Company. Dividends received or deemed to be received on Common Shares by a Resident Holder that is a corporation will be included in computing its income and will generally be deductible in computing taxable income. A Resident Holder that is a "private corporation" or a "subject corporation", each as defined in the Tax Act, may be liable to pay a 33⅓% refundable tax under Part IV of the Tax Act on dividends received on the Common Shares to the extent that such dividends are deductible in computing the Resident Holder's taxable income.

Disposition of Common Shares

A Resident Holder who disposes or is deemed to dispose of a Common Share will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than the adjusted cost base of the Common Share to the Resident Holder. The tax treatment of capital gains and capital losses is discussed under the subheading "Capital Gains and Capital Losses".

Capital Gains and Capital Losses

One-half of any capital gain (a "taxable capital gain") realized must be included in the Resident Holder's income and one-half of any capital loss (an "allowable capital loss") must generally be deducted against taxable capital gains realized in the year of disposition. Any unused allowable capital losses may be applied to reduce net taxable capital gains realized in any of the three prior years or in any subsequent year in the circumstances and to the extent provided in the Tax Act.

A capital loss realized on the disposition of a Common Share by a Resident Holder that is a corporation may in certain circumstances be reduced by the amount of dividends that have been previously received or deemed to have been received by the Resident Holder on such share or shares substituted for such share to the extent and in the circumstances described by the Tax Act. Similar rules may apply where a Resident Holder that is a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares directly or indirectly through a partnership or trust.

A Resident Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6⅔% on its "aggregate investment income" for the year, which includes an amount in respect of taxable capital gains.

Alternative Minimum Tax

Capital gains realized and taxable dividends received or deemed to be received by a Resident Holder that is an individual or a trust (other than certain trusts) may affect the Resident Holder's liability to pay alternative minimum tax under the Tax Act. Resident holders should consult their own tax advisors with respect to the application of alternative minimum tax.

Non-Residents of Canada

The following section applies to Holders who, for the purposes of the Tax Act, are not, and are not be deemed to be, resident in Canada (a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere. Such Non-Resident Holders should consult their own tax advisors.

Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder on the Common Shares will generally be subject to Canadian withholding tax at the rate of 25%, subject to reduction under the provisions of an applicable income tax treaty or convention. In the case of a Non-Resident Holder who is a resident of the United States and entitled to benefits under the Canada-United States Income Tax Convention (1980), as amended, the rate of withholding tax on such dividends will generally be reduced to 15%. This rate is reduced to 5% in the case of a Non-Resident Holder that is the beneficial owner of the dividends and that is a corporation that owns beneficially at least 10% of the voting stock of the Company.

Dispositions of Common Shares and Warrants

A Non-Resident Holder who disposes of or is deemed to have disposed of a Common Share or a Warrant will not be subject to income tax under the Tax Act in respect of any capital gain realized thereon unless, at the time of disposition, the Common Share or the Warrant, as the case may be, is, or is deemed to be, "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder, and the gain is not exempt from tax pursuant to the terms of an applicable income tax treaty or convention.

Provided the Common Shares are listed on a "designated stock exchange" (which currently includes the TSX and ASX), the Common Shares and Warrants generally will not constitute taxable Canadian property of a Non-Resident Holder at the time of disposition unless at any time during the 60-month period immediately preceding the disposition: (a) one or any combination of (i) the Non-Resident Holder, (ii) persons with whom the Non-Resident Holder did not deal at arm's length, or (iii) partnerships in which the Non-Resident Holder or a person with whom the Non-Resident Holder did not deal at arm's length held a membership interest directly or indirectly through one or more partnerships, owned 25% or more of the issued shares of any class or series of the capital stock of the Company; and (b) more than 50% of the fair market value of the Common Shares was derived

directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) or an option in respect of, an interest in, or for civil law a right in, any such property, whether or not such property exists. The Common Shares or Warrants may also be deemed to be taxable Canadian property of a Non-Resident Holder in certain circumstances.

In the event that a Common Share or Warrant constitutes taxable Canadian property of a Non-Resident Holder and any capital gain that would be realized on the disposition thereof is not exempt from tax pursuant to the terms of an applicable income tax treaty or convention, the income tax consequences discussed under "Residents of Canada – Capital Gains and Capital Losses" would generally apply to the Non-Resident Holder.

Non-Resident Holders whose Common Shares or Warrants are taxable Canadian property should consult their own tax advisors.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon on behalf of the Company by Norton Rose Fulbright Canada LLP and on behalf of the Agent by Heenan Blaikie LLP. As at the date hereof, each of Norton Rose Fulbright Canada LLP and Heenan Blaikie LLP and their designated professionals, as a group, beneficially own, directly or indirectly, less than one percent of the outstanding securities of the Company and its associates and affiliates.

AUDITOR, TRANSFER AGENT AND REGISTRARS

The Company's auditors are Ernst & Young LLP, 800 René-Lévesque Blvd. West, Suite 1900, Montréal, Québec H3B 1X9. Ernst & Young LLP have advised that they are independent with respect to the Company within the meaning of the Code of Ethics of the Ordre des comptables professionnels agréés du Québec.

The Company's Canadian transfer agent and registrar is CST Trust Company and the Company's ex-Australian register is held in Toronto, Ontario, Canada. In Australia, the Company's share registrar is Link Market Services Limited in Sydney, New South Wales.

INTEREST OF EXPERTS

The names of the experts in connection with this short form prospectus, either directly or in a document incorporated by reference herein, are Norton Rose Fulbright Canada LLP, Heenan Blaikie LLP and Ernst & Young LLP.

As at the date hereof, each of Norton Rose Fulbright Canada LLP and Heenan Blaikie LLP and their designated professionals, as a group, beneficially own, directly or indirectly, less than one percent of the outstanding securities of the Company and its associates and affiliates. None of the aforementioned persons, nor any director, officer, employee or partner, as applicable, of the aforementioned persons is currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a short form prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some provinces, revisions of the price or damages, if the short form prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF THE COMPANY

Dated: September 18, 2013

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia.

"Graeme McRae"
(Signed) Graeme McRae
President and Chief Executive Officer

"Brian Ford"
(Signed) Brian Ford
Chief Financial Officer

On Behalf of the Board Of Directors

"James Rae"
(Signed) James Rae
Director

"Rod Budd"
(Signed) Rod Budd
Director

CERTIFICATE OF THE AGENT

DATED: September 18, 2013

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia.

EURO PACIFIC CANADA INC.

(Signed) David Cusson
Chief Executive Officer