Biosenta Inc.

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2016 AND 2015

The following management discussion and analysis ("MD&A") of financial results is dated May 29, 2016 and reviews the business of Biosenta Inc. (the "Company" or "Biosenta"), for the three and six months ended March 31, 2016, and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements and related notes for the three and six months ended March 31, 2016 and 2015, as well as the annual MD&A and audited annual consolidated financial statements for the year ended September 30, 2015. This MD&A and the accompanying unaudited condensed consolidated interim financial statements and related notes for the three and six months ended March 31, 2016 and 2015 have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors.

This release may contain forward-looking statements information and statements which constitute "forward-looking information" under Canadian securities law and which may be material regarding, among other things, the Company's beliefs, plans, objectives, estimates, intentions and expectations with respect to its operations, capital and funding plans. Inherent in the forward-looking information and statements are known and unknown risks, uncertainties and other factors beyond the Company's ability to control or predict, which give rise to the possibility that the Company's predictions, forecasts, expectations or conclusions will not prove to be accurate, that its assumptions may not be correct and that the Company's plans, objectives and statements will not be achieved. Actual results or developments may differ materially from those contemplated by the forward-looking information and statements. Consequently, undue reliance should not be placed on such forward-looking statements. The forward-looking information and statements contained in this MD&A about prospective results of operations, financial position, business development and operations are based on current assumptions of management. Forward-looking information and statements reflect the Company's views only as of the date of this MD&A.

A. Core Business Strategy and Company Highlights

The Company is developing two business units within the anti-microbial industry. Products within these business units are targeted to address the demand created by the mounting health and environmental concerns with various microbes, including bacteria, viruses and fungi such as mould. Mould can affect the immune system, nervous system, liver, kidneys, blood and cause brain damage.

Under the Company's Industrial Division, the Company plans to manufacture and distribute an anti-microbial filler called "*Tri-filler*". Calcium Carbonate is one of the most common fillers used industrially. It is susceptible like other fillers that hold moisture to attract mould. Annual global revenue in the calcium carbonate filler industry is likely to be more than 100 billion dollars. Biosenta will produce anti-microbial filler that performs 'filling' and 'bulking' functions like calcium carbonate. Biosenta's *Tri-filler* product prohibits mould infestation. Biosenta's filler with its anti-microbial high pH core in individual particles will enhance commercial product life and eradicate a broad spectrum of known bacteria, viruses, fungi, algae and other micro-organisms by suppression of their reproduction. The Company has commissioned its production plant to produce the filler product located in Parry Sound, Ontario. It is currently producing test product for potential customers.

Under the Company's Consumer Division, the Company has developed a line of retail anti-microbial products that will effectively kill viruses, bacteria and fungi on contact and prevent re-growth. The

Company has obtained the necessary government approvals from Health Canada for selling its initial product line called Zeromold™ in Canada in September 2012. The first shipments of the product started in October 2012 on a limited basis within Canada. The Company has developed a second generation of this product line and has started the regulatory testing and approvals required for distribution in Canada and the United States. The name of the second generation product line is currently called *"True"* and is expected to be ready for sale in early 2016. The third generation product line called *"Purity"* is being planned to be launched in late 2016.

Quarterly Highlights

- On November 19, 2015 the Company announced that it had filed a Restructuring Proposal to Creditors under the Canadian Bankruptcy and Insolvency Act. The proposal has been approved by the Board of the Company, which has appointed a trustee. A court date had been scheduled for February 2, 2016 to proceed with the next step of the proposal. Since then the Company has had several more court proceedings to further the Restructuring Proposal process.
- Subsequent to March 31, 2016, the Company received Court approval to proceed with the Restructuring Proposal to Creditors as disclosed to Creditors and to report back to the Courts when finished. The Company is in the process of settling with registered creditors. The effect of this proposal is not reflected in the financial statements.
- See section H for further information.

B. Overall Performance

Intellectual Property

On June 7, 2011, the Company entered into an exclusive world-wide interim license agreement with Marcus Martin, a Director of the Company, with respect to certain intellectual property rights held by Mr. Martin relating to a process for the manufacture of anti-microbial filler product (the "MM License Agreement"). Effective October 3, 2011, the License Agreement was amended and restated to add Edward Pardiak, a former Director of the Company as a co-licensor and was again amended and restated on April 10, 2012 to add 2320696 Ontario Inc. and 2262554 Ontario Inc., as a co-licensor. Marcus Martin and Edward Pardiak, control 2320696 Ontario Inc. and 2262554 Ontario Inc. through holding companies controlled by them. The consideration payable for the acquisition of the MM License Agreement was $150,000 payable in installments of $50,000 ($50,000 has been paid). The consideration payable was superseded by the Amended and Restated License Agreement dated May 1, 2012 to an aggregate payment of $300,000, $50,000 having been paid in 2011, $100,000 payable on or before the date that is 30 days after the Company receives payment for its first shipment having an aggregate purchase price in excess of $200,000, with the balance of $150,000 payable on the date that is 90 days after the Company receives payment for such first shipment. The Company accrued the full amount as of September 30, 2013 and paid the full amount outstanding during the year ended September 30, 2014 by the issuance of common shares units.

The Company exercised its right to convert the interim license granted on June 7, 2011, as amended and restated, into an assignable, transferable, perpetual, world-wide exclusive license (the "License"). In connection with the exercise of the right to acquire the License, and in accordance with the terms of the MM License Agreement, the Company issued 20,000,000 fully paid and non-assessable Class A shares of the Company to the Licensors valued at $3,060,000 based on the value of the most recently completed private placement share price of $0.153. The effective date for the issuance of the Class A shares and the acquisition of the License was April 10, 2012. The License was subject to

royalties payable equal to 7% to 25% of the amount the gross margin actually received by the Company on the sale of the licensed products based on gross margin as a percentage.

On June 23, 2014, the License was amended to effectively reduce the number of shares issued to acquire the License from 20,000,000 to 10,500,000 which were held in escrow. The escrowed shares were released from escrow within the three months ended December 31, 2014 according to the terms of the escrow agreement. Under the terms of the agreement, all patents, know-how and patent applications were immediately assigned to the Company. All provisions of the License to which the Company is obligated to make payments to any of the licensors, including royalty payments are void and the parties acknowledge that no further payments will be made in respect of the License. A final termination payment of $50,000 was paid to Edward Pardiak and charged to the consolidated statement of operations and comprehensive loss during the year ended September 30, 2014. If the Company had failed to obtain adequate funding to build the Parry Sound production facility by December 31, 2015, the patents could revert to the licensors, however as at September 30, 2015, management believes this requirement has been met. The plant was finished such that material was produced from the plant for testing by prospective customers.

Both inventors have agreed in writing to assign the inventions to Biosenta. Ed Pardiak has refused to execute an assignment in favour of Biosenta as required pursuant to a written agreement between both inventors and Biosenta Based legal advice provided to Biosenta, it is nevertheless taking steps to have the Company recorded as the owner of the patent applications relating to the inventions.

Industrial Division: *Tri-Filler*

The Company will manufacture and distribute proprietary anti-microbial filler, and/or sub-license the technology relating thereto. Calcium Carbonate is one of the most common fillers used industrially. It is susceptible like other fillers that hold moisture to attracting mould. The Company will produce anti-microbial filler that performs “filling” and “bulking” that prohibit mould infestation. The Company’s filler product with its anti-microbial high pH core in individual particles enhances commercial product life and eradicates a broad spectrum of known viruses’ bacteria, fungi, algae and other micro-organisms by suppression of their reproduction.

The Company completed the final construction phase of its production plant facility located in Parry Sound, Ontario in the three month period ended December 31, 2014. The *Tri-filler* product is manufactured using advanced nano-encapsulation technology in a reactor. The *Tri-filler* compound and the manufacturing process have been patented by Biosenta. The plant has a capacity of 2 tonnes per hour. In December 2014 and January 2015, *Tri-filler* product was successfully manufactured at the Parry Sound plant, and samples from the plant were examined at an independent laboratory to confirm that the particles were being manufactured to specification and that complete nano-encapsulation had occurred during production.

In March 2015, *Tri-filler* was used by a large plastics manufacturer in its production plant, and the product manufactured using *Tri-filler* was manufactured without any production issues. The next step was to test the product manufactured by the plant for anti-microbial properties at an independent laboratory. Biosenta expects these tests to be conducted within coming months. Discussions with other potential customers to test *Tri-filler* in industries, beyond plastics and resins, are also progressing and include the building, resin and plastics industries.

Tri-filler has been successfully tested using ASTM G21 and G22 tests and is being evaluated by potential customers. Approvals from the U.S. EPA and Canadian PMRA have begun. In addition, discussions with

the Canadian Standards Association will continue to define new product standards for *Tri-filler* as it represents an innovative and unique product type.

Consumer Division - Anti-Microbial Retail Product Line

Biosenta's household disinfectants and cleaners possess similar levels of efficacy as traditional disinfectants with significantly lower concentrations of active ingredients resulting in lower toxicity. These disinfectants and cleaners will kill 100% of potentially deadly mold, fungi, bacteria and viruses on contact and prevent re-growth. The disinfectants are very safe due to the very low toxicity.The Company developed its first retail product line of anti-mould product called Zeromold™ and made its first shipments in Canada starting in October 2012.

The Company's national sales partner, Crossmark Canada, provides sale management expertise and representation in national retail channels in the DIY (Do It Yourself), hardware, Mass Merchant, Grocery and Drug channels. The rollout of the product started in the last quarter of fiscal 2014. To date, Biosenta estimates that approximately 900 stores have received the product. Biosenta has also listed ZeroMold™ in two other retailers in Canada in the February and March 2015 time frame. The rollout to the stores was again limited as a result of limited working capital to finance the rollout to the different retailers.

In January 2015 the Company announced an update of both the continuing laboratory testing of its new retail disinfectant, to be called "*True*", and the regulatory approval process in Canada and the U.S.A.
True is a new disinfectant and cleaner which effectively kills a multitude of potentially deadly microbes (bacteria, viruses and fungi/ mould) with a formulation that has been shown to be very safe for use. The innovation which gives *True* its unique properties is that it is both a very powerful disinfectant and it contains very low levels of active ingredients which make it less toxic and more safe to use.

Laboratory testing of *True* on a broad range of potentially deadly microbes has been conducted by a world renowned institution. These standardised tests have shown *True* will kill 100% of the following microbes within a 10 minute contact time: Bacteria, Acinetobacter Baumannii (ABC), E. Coli, Listeria, MRSA, Pseudomonas aeruginosa, Salmonella, Staphylococcus aureus, Virus, Adenovirus, Chlamydia, Ebola, Enterovirus D68, H1N1, Hepatitis, Herpes, HIV, Influenza, Polio, Respiratory Syncytial Virus, Rotavirus, Swine Flu, and Vaccina (pox virus).

The regulatory approval to sell *True* in Canada and the U.S.A. is underway. The approval process in Canada commenced in December 2014 and approvals from Health Canada are expected in early 2016. The product submission in the U.S.A has been ongoing for several months and EPA has been approved by the Environmental Protection Agency ("EPA") in the United States. Further, the EPA allowed *True* to not carry a warning, caution of danger label because it is very safe for human use.

In March 2015 the Company announced a third-generation hospital-grade disinfectant, to be called *Purity*, has been developed to possess faster anti-microbial action than *True* and with a low pH. Biosenta's product strategy is to provide products that are both safe and powerful, and *Purity* will fulfill this strategy and represent an innovative disinfectant relative to currently available disinfectants. *Purity* will be tested over the next few months at an independent laboratory to refine the formulation. The goal is to use *Purity* in hand sanitizer and wipes as well as a disinfectant.

C. Results of Operations

This analysis of the results of the Company's operations should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and six months ended March 31, 2016.

Zeromold™ - Revenues and Cost of Sales

The Company's net revenues for the six months ended March 31, 2016 were approximately $45,942 (2015 - $64,300). In fiscal 2014, the Company struggled with the rollout of the product to the Canadian market which resulted in negative margins. By the end of fiscal 2014, the Company successfully started to have the product, on a limited basis, in Canadian mass merchant retailers. The 2014 rollout was delayed, due to retailer set up and production scheduling, until the fourth quarter of fiscal 2014. In fiscal 2015, the Company started to see a smoother roll out to the mass merchant retailers in Canada. With the Company having limited working capital, the Company was not able to manufacture the product on a timely basis and take advantage of certain marketing and sales programs offered through the Canadian retailers. Despite the slow roll out of the produce, the Company continues to generate positive gross margin for the second quarter in a row from the sales of Zeromold™ in Canada.

Administrative Costs

For the six months ended March 31, 2016, administrative costs significantly decreased to $505,589 from $1,367,101 in the same period last year. Administrative costs for the three month period ended March 31, 2016 decreased to $262,363 from $537,386 in the same period last year. Generally, expenditures for management and personnel have significantly decreased as a result of the Company's change in senior management and reduction in management personnel in the current period from the same period last year.

1. Salaries, management and consulting fees significantly decreased to $280,408 for the six months ended March 31, 2016 from $618,672 in the same period last year. For the three months ended March 31, 2016, salaries, management and consulting fees decreased to $142,505 from $217,356 in the same period last year. Salaries, management and consulting fees include engineering, technical, packaging and marketing consultants used to develop the product lines. The Company has significantly decreased the number of management personnel and consultants in the current period , as well as eliminated any additional management compensation arrangements that were incurred in the prior year period;
2. Professional fees decreased to $133,452 for the six months ended March 31, 2016 from $229,260 in the same period last year. For the three months ended March 31, 2016, professional fees decreased to $80,248 from $131,154 in the same period last year. The legal fees and professional fees continue to be high in the current period as a result of the fees incurred for the Restructuring Proposal that is being completed by the Company. The prior year fees were the result of a high level of activity from resolving old historical litigation issues, regulatory filings, changes in management, as well finalizing the license agreement and patents filings;
3. Office and general expenses marginally increased to $39,636 for the six months ended March 31, 2016 from $95,880 in the same period last year. For the three months ended March 31, 2016, office and general expenses decreased to $13,863 from $64,788 in the same period last year. No significant change in operations for the period, but overall expenditures are being kept to a minimum in order to conserve capital;
4. Sales and marketing expenses were $3,418 for the six months ended March 31, 2016 compared to $78,017 in the same period last year. For the three months ended March 31, 2016, selling and marketing expenses decreased to $884 from $17,180 in the same period last year. In fiscal 2015, the Company incurred initial listing fees, as well as other sales and marketing costs, as a result of

aggressively rolling out Zeromold™ product to new Canadian mass market retailers 2015. The Company continues to incur these expenditures, but on a significantly reduced basis due the limited working capital to finance these programs which has reduced the overall cost of these programs for the current period.

5. Product development costs include the laboratory testing and related professional fees for Zeromold™, *True, and Purity* product lines, as well as the testing of the *Tri-filler* product. Product development cost for the six months ended March 31, 2016 decreased to $21,442 from $256,887 in the same period last year. For the current period, the majority of these expenditures relate the development of *True* and *Purity* product lines for the Canadian and US market.

D. Liquidity and Capital Resources

At March 31, 2016, the Company had cash of $15,708 compared to $16,700 at September 30, 2015, and a working capital deficit of $5,410,812 as of March 31, 2016 compared to a working capital deficit of $4,878,169 at September 30, 2015. The working capital deficit has significantly increased as a result of; (i) the $2.98 million of debentures being classified as current since these debentures have gone into default, and (ii) product development costs and operational costs being funded from accounts payable and secured loans.

Net additions to equipment for the six months ended March 31, 2016 were $nil compared to $97,859, for the year ended September 30, 2015. Additions were for the research and test facilities in Parry Sound, Ontario.

Issued and outstanding: Class Shares

	Number of shares
Balance, September 30, 2014	**83,767,821**
Balance, September 30, 2015	**83,167,821**
Balance, March 31, 2016	**83,167,821**

Between June 30, 2014 and September 30, 2015, the Company closed several tranches totaling $2,930,000 of Convertible Debentures ("Debentures"). Each Debenture has a term of 2 or 3 years and bears interest at a fixed rate of 6% per three and six months ended payable quarterly.

Under the terms of the Debentures, the Company has the option to automatically convert the Debentures into common shares under two scenarios. For the majority of the Debentures they have an automatic conversion at a price of $0.40, upon which the Company's common shares have traded at $0.50 for a period of thirty or more consecutive trading days. Some Debentures have an automatic conversion at a price of $0.15 upon which the Company's common shares have traded at $0.20 for a period of thirty or more consecutive trading days. Upon conversion, for each share issued, a full warrant exercisable for one common share at a price of $1 per common shares with a term of two years from the date of conversion will be issued.

During the year ended September 30, 2015, two directors returned their Class A shares for cancellation totaling 600,000 shares from the above issue of Class A shares at the request of the Company.

Please refer to note 14 and 15 of the unaudited condensed consolidated interim financial statements for the three and six months ended March 31, 2016 and 2015 for additional information on outstanding warrants and options.

E. Quarterly Information

Selected quarterly information for the eight most recently completed quarters is presented below in Canadian currency ($), and in accordance with International Financial Reporting Standards ("IFRS").

	2016		2015				2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Net gross margin/fees	(4)	(14)	(1)	7	22	7	(52)	3
Administrative Expenses	(262)	(243)	(399)	(345)	(537)	(823)	(549)	(778)
Income/(Loss)	(263)	(271)	(1,245)	(658)	(680)	(945)	(1,589)	(775)
	$	$	$	$	$	$	$	$
Income/(loss) per share	0.00	0.00	(0.01)	0.00	(0.01)	(0.01)	(0.02)	(0.01)

F. Proposed Transaction

On November 19, 2015, the Company filed a Restructuring Proposal to creditors ("Restructuring Proposal") under the Canadian Bankruptcy and Insolvency Act ("CBIA") and has appointed a trustee. The proposal has been approved by the Board of Directors of the Company and by a majority of its creditors. The Company instituted proceedings under the CBIA to provide an opportunity for the orderly restructuring of the Company's business and financial affairs, so as to enable the Company to emerge with a viable business in the most favourable position to secure additional financing(s) to proceed with the development of the Company's consumer and industrial products lines. There can be no assurances that the Company will emerge from the Restructuring Proposal with a viable business or be able to secure additional financing(s).

Under the Restructuring Proposal, eligible creditors were given the choice of: (i) receiving up to 50 per cent of their eligible claim amount in cash (with 15 per cent up front, subject to proration if total payments there under would exceed $215,000, and 35 per cent payable contingent on there being sufficient cash flow over time), or (ii) in common shares equal in number to 1/700 of the total (fully diluted) issued and outstanding common shares of the Corporation, following all issuances under this Proposal in settlement for each $10,000 of a creditor's claim.

A meeting of eligible creditors was held on December 7, 2015 at the trustee's office where the Restructuring Proposal was accepted by the majority of creditors. A court date had been scheduled for February 2, 2016 to proceed with the next step of the proposal.

The Restructuring Proposal under the CBIA allows the Company to carry on business in a manner consistent with the preservation of its business and property. Among other things, the Company is authorized and empowered to continue corporate and site standby activities and to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons considered necessary by the Company in the ordinary course of business.

These condensed consolidated interim financial statements do not give effect to any adjustments which may be required as a result of the Company's CBIA filing. Subsequent to March 31, 2016, the Company received approval to proceed with the Restructuring Proposal based on claims filed to date. Such adjustments from the Restructuring Proposal, if any, will be reflected in the condensed consolidated interim financial statements of a later period.

G. Off-Balance Sheet Arrangements

The Company has no off balance sheet arrangements as at March 31, 2016.

H. Financial Instruments

The Company has not entered into any specialized financial arrangements to minimize its investment risk, currency risk or commodity risk.

I. Related Party Transactions

Refer to note 11 of the unaudited condensed consolidated interim financial statements for the three and six months ended March 31, 2016 and 2015 for the related party transactions.

The Board of Biosenta had uncovered evidence that possible improprieties and breaches of fiduciary duty may have been committed by former directors and officers.

On February 17, 2015, the Company announced the resignation of Bruce Lewis as chairman and director of the Board of Biosenta.

J. Business Risks and Financial Risks

Business Risk Factors
The Company's strategy emphasizes developing product lines in order to leverage its investment in licenses and drive the creation of shareholder value. This strategy has required, and continues to require significant financings. Due to the nature of the Company's business, the present stage of development of its product lines, and the constraints placed upon the Company's ability to move forward by its current liquidity situation, readers should carefully review and consider the financial, environmental and operational risk factors affecting the Company. The risk factors identified below are not an exhaustive list of the factors that may affect the Company, its operations or any forward-looking statements contained herein.

Need for Additional Financing
The Company currently has no material source of operating cash flow, and there is no assurance that additional funding will be available to the Company as and when needed for further development of its current or future product lines, or to fulfill its obligations to its existing creditors. Volatile markets may make it difficult or impossible for the Company to obtain adequate debt or equity financing in the future, or on terms acceptable to the Company. The failure to obtain additional financing could force the Company to liquidate its assets to satisfy creditor claims.

No Production Revenues
To date, the Company has not achieved a sustainable stream of revenue. There can be no assurance that significant additional losses will not occur in the near future, or that the Company will be profitable in the future. In particular, the Company's operating expenses and capital expenditures are unlikely to increase significantly in subsequent periods as consultants, personnel, and equipment associated with advancing the product development and commercial production of its products.

The Company expects to continue to incur losses until such time as its product lines enter into commercial production and generate sufficient revenues to fund its continuing operations. There can be no assurance that the Company will generate any revenues or achieve profitability.

Conflicts of Interest

Certain of the Company's directors and officers may serve as directors or officers of other reporting companies, companies providing services to the Company, or companies in which they may have significant shareholdings. To the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

In accordance with the laws of Canada, the directors of the Company are required to act honestly, in good faith and in the best interest of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

Litigation

From time to time, the Company may be named as a defendant in legal actions or may commence legal actions against other parties arising in the course of business. To the extent that management's assessment of the Company's exposure in respect of such matters is incorrect or changes, including as a result of any determinations made the courts or other finders' of fact, the Company's exposure could exceed management's current expectations, which could have a material adverse effect on its business, financial conditions and results of operations or the ability to continue to carry on business.

K. Other MD&A Requirements

Additional information related to the Company is filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.