Biosenta Inc.

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS AND SIX MONTHS ENDED MARCH 31, 2014

The following management discussion and analysis ("MD&A") of financial results is dated May 30, 2014 and reviews the business of Biosenta Inc. (the "Company" or "Biosenta"), for the three months and six months ended March 31, 2014, and should be read in conjunction with the accompanying unaudited condensed interim financial statements and related notes for the three months and six months ended March 31, 2014, as well as the annual MD&A and audited annual financial statements and related notes for the year ended September 30, 2013. This MD&A and the accompanying unaudited condensed interim financial statements and related notes for the three months and six months ended March 31, 2014 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. For additional information respecting certain of these risks, see Section L of this MD&A. 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

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 mold. Mold can affect the immune system, nervous system, liver, kidneys, blood and cause brain damage.

The Company plans to manufacture and distribute an anti-microbial filler. Calcium Carbonate is one of the most common fillers used industrially. It is susceptible like other fillers that hold moisture to attract mold. Annual global revenue in the calcium carbonate filler industry approximates 140 billion dollars. Biosenta will produce anti-microbial filler that performs 'filling' and 'bulking' functions like calcium carbonate. Biosenta's filler product will not attracting moisture and consequently mold 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, fungi, algae and other micro-organisms by suppression of their reproduction.

In addition, the Company has developed a line of retail anti-microbial products that will effectively kill mold, bacteria and fungi on contact and prevent re-growth. The Company obtained the necessary government approvals from Health Canada for selling the base product ZeroMold™ in Canada in September 2012. The first shipments of the product started on October 15, 2012 on a limited basis within Canada and are re-commencing in June 2014. The Company is also in the process of seeking the necessary government approvals for selling a higher strength product in the United States to be called ZeroMold Plus™. The Company has made applications in Canada and the United States for a trademark for the names Zeromold™ and ZeroMold Plus™ and is considering making applications for trademark registrations in other jurisdictions as well.

B. Overall Performance

Anti-Microbial Filler Product Line

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 mold. Annual global revenue in the calcium carbonate filler industry approximates 140 billion dollars. The Company will produce anti-microbial filler that performs "filling" and "bulking" that will not attract moisture and consequently mold 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 bacteria, fungi, algae and other micro-organisms by suppression of their reproduction.

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 MM License Agreement was amended and restated to add Edward Pardiak, a Director of the Company, as a co-licensor and was again amended and restated on April 10, 2012 to add 2320696 Ontario Inc. and 2262554 Ontario Inc. , as co-licensors. Marcus Martin and Edward Pardiak, control 2320696 Ontario Inc. and 2262554 Ontario Inc. through holding companies controlled by them.

Pursuant to the License Agreement, the Company agreed to make payments aggregating to $300,000 for an interim license and the Company was granted an interim license to exploit certain intellectual property rights held by the licensor including the right to manufacture, use, market, sell, import, export, have, hold, distribute and promote an anti-microbial filler product to be produced utilizing or exploiting the intellectual property rights. In addition, the interim license also included the right to obtain an exclusive world-wide license to the intellectual property.

During the term of the interim license (up to 24 months subject to specified triggers), the Company agreed to obtain all legal and regulatory approvals required in connection with the exercise of the right to acquire the perpetual license. Upon acquiring the exclusive world-wide license to the intellectual property pursuant to the exercise of the Company's right under the License Agreement, the Company was obligated to issue 20 million Class A Shares as the initial consideration for the license and will pay ongoing royalties based on a percentage of the gross margin on sales made by the Company. The Company exercised its right to acquire the exclusive perpetual world-wide license to the intellectual property and know-how effective April 10, 2012.

The Company is in the process of developing and outfitting its pilot plant facility located in Parry Sound, Ontario. The facility will be used primarily for research and development relating to the Company's anti-microbial filler product and as testing and demonstration facility for customers.

Anti-Microbial Retail Product Line (Zeromold^{TM}**)**

The Company has developed a retail anti-mold product called Zeromold^{TM} and has made its first shipments in Canada of the product starting after year end on October 15, 2012 with the Company's exclusive Canadian distributor, at that time. The Company has filed trademark applications for Zeromold^{TM} in Canada and the ZeroMold Plus^{TM} in the United States and is considering making trademark applications in other jurisdictions.

Sales of the Zeromold^{TM} product line in the first quarter of 2013 included sales to the Company's exclusive Canadian distributor. The products shipped in these initial shipments included the 4 liter and 946ml bottles. Over 39,000 units were shipped totaling approximately $248,000 in sales to the distributor. Subsequent to the first quarter, the Company's agreement with its exclusive Canadian distributor was terminated and all products were returned to the Company. Net sales of the Company reflect shipments and all returned product from the distributor totaling $33,600 for the six months ended March 31, 2013.

The Company has taken steps to internalize its sales and marketing function in order to control the product roll out and production. The Company expects to have the product back in retailers in the third quarter of FY 2014.

C. Results of Operations

This analysis of the results of the Company's operations should be read in conjunction with the Company's unaudited condensed interim financial statements for the three months and six months ended March 31, 2014.

Licencing Fee

In January 2013 the Company announced that it had entered into a non-binding letter of intent with New South Biolabs ("Biolabs") pursuant to which Biolabs would become the Company's strategic logistics management partner responsible for enterprise resource planning, production and customer relationship management as pertaining to all "Zeromold" products destined for the southern United States, Mexico, South America and the Caribbean. Biolabs will also purchase Biosenta's first scale unit ringed product system and allocate resources to establish a facility for the Company's patented ringed product in the United States. Completion of the transaction is subject to a number of conditions, including completion of satisfactory due diligence reviews by both parties, negotiation and entering into definitive documents respecting the transactions acceptable to all parties, and obtaining all required approvals upon execution of definitive document respecting the transaction. Biolabs will pay Biosenta royalties on all products sold and a $600,000 non-refundable fee, of which $300,000 was recognized into income in FY 2013.

Revenues and Cost of Sales

The Company's net revenues for the six months ended March 31, 2013 were nominal based on small sample sales and totalled $1,128 ($33,609 in 2013).

During the past year, the Company has developed an internal sales team that has in turn developed an expansive sales and marketing program for both Canada and, pending EPA approval, the US. Sales are expected to commence and expand steadily starting in June 2014.

Administrative Costs

Administrative expenses significantly increased to $1,584,925 ($549,680 in 2013) for the three months ended March 31 and $2,081,527 ($1,079,209 in 2013) for the six month period. The majority of this increase is due to costs related to consulting from the bridge loan provider, and due to one-time costs related to the private raising of capital by one of the Directors of the Company. Generally, all categories of costs have increased in the current period as a result of the Company actively pursuing the development of both product lines, as well as building up the research and test facilities in Parry Sound.

Significant components of this expense include:

1. Management and consulting fees increased to $954,604 for three months in 2014 compared to $189,598 for the three months ended March 31, 2013, and $1,142,608 for six months in 2014 compared to $369,058 in the same period last year. Management and consulting fees include engineering, technical, packaging and marketing consultants used to develop the product lines. The majority of the increase is unique and one-time in nature as expenses and reimbursement of tax expenses related to the personal funding by one Director on behalf of the Company, and to fees related to consulting services provided by the bridge-loan lender, all of which was expensed in March 2014.
2. Legal and accounting fees marginally increased during the quarter to $129,192 in 2014 compared to $110,072 in 2013, and are down to $175,297 for six months in 2014 compared to $224,896 in 2013. The legal fees and professional fees are primarily incurred as a result of the high level of activity regarding product developments, license agreements, patents filings and increase in general corporate funding activity for the public Company.
3. Salaries and benefits expenses were consistent between years at $76,945 for the three months ended March 31, 2014 ($77,762 in 2013) and $148,963 for six months ($143,455 in 2013). Head office infrastructure costs increased gradually in 2014 in order to support activities of management and consultants involved in product development initiatives, as well as public company related expenditures.
4. Rent and occupancy costs increased to $32,545 ($27,188 in 2013) for the three months ended March 31, 2014 from $61,515 ($25,903 in 2013) for the six month period. The costs reflect occupancy costs for the Parry Sound facility and head office.
5. Vehicle, office and general, travel and insurance all increased in the six months of fiscal 2013 from the same period last year as a result of the Company actively pursuing the development of both of the Company product lines, as well as building up the research and test facilities in Parry Sound, Ontario.
6. Product development costs increased substantially to $234,835 for the quarter in 2014 compared to $40,062 in 2013, and $312,100 for six months in 2014 compared to $87,562 in 2013. This substantial increase is primarily due to a large increase in testing work being completed at SWRI in San Antonio Texas in support of the EPA approval for ZeroMold Plus™.

D. Liquidity and Capital Resources

At March 31, 2014, the Company had cash of $560,278 compared to $2,774 at September 30, 2013, and a working capital deficit of $1,261,929 as of March 31, 2014 compared to a working capital deficit of $2,138,426 at September 30, 2013. The improvement in the Company's working capital is the result of the Company completing two private placements for gross proceeds of $2.8 million in the first six months of fiscal 2014, which funded the decrease in payables and ongoing product development and head office operating expenditures for the development of the two product lines.

No new additions to were made to equipment for the three or six months ended March 31, 2014 after $118,044 was spent in fiscal 2013 related to equipment purchased for the Parry Sound facility.

On November 28, 2012, the Company issued 6,313,003 units at $0.20 per unit for aggregate consideration of $1,262,600, each unit consisting of one Class A share and one Class A share purchase warrant. Each warrant entitles the holder to purchase one additional Class A share in the capital of the Corporation at an exercise price of $0.30 per warrant to the extent such warrant is exercised on or before the date that is 18 months from the closing of the Offering.

On February 4, 2013, the Company issued 800,004 units at a price of $0.15 per unit for gross proceeds of $120,000. Each unit consists of one Class A Share and one half of one Class A Share purchase warrant. Each whole warrant entitles the holder to purchase one additional Class A Share in the capital of the Corporation at an exercise price of $0.20 per Warrant Share to the extent such Warrant is exercised on or before the date that is 18 months from the closing of the Offering.

The Company closed a private placement for 6,522,892 units at a price of $0.15 cents per unit on October 10, 2013. The company issued 6,522,892 units, each unit consisting of one Class A share and one-half of one Class A share purchase warrant. Each whole warrant entitles the holder to purchase one additional Class A share in the capital of the company at an exercise price of $0.20 cents per warrant share to the extent such warrant is exercised on or before the date that is 18 months from October 10, 2013.

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The Company closed a private placement for units at a price of $0.15 cents per unit on Jan 28, 2014. The company issued 7,461,536 units, each unit consisting of one Class A share and one-half of one Class A share purchase warrant. Each whole warrant entitles the holder to purchase one additional Class A share in the capital of the company at an exercise price of $0.20 cents per warrant share to the extent such warrant is exercised on or before the date that is 18 months from Jan 28, 2014.

The Company issued 8,000,000 shares to Bassett Financial Corp. at the then market price of $0.06 per share on March 27, 2014, as a fee for providing various services including completing three stages of funding through the balance of 2014. These services also include advisory services to assist in stabilizing the company and its current balance sheet risks to provide a more stable platform to support sales and other development activities. The shares were escrowed and will be released 1/3 upon the funding of a bridge loan (this has been completed), 1/3 upon completion of a financing of $1 million or more of equity or acceptable equivalent by July 31, 2014 and 1/3 upon completion of a financing of $2 million or more of equity or acceptable equivalent by October 31, 2014, provided the company achieves certain agreed upon milestones.

The Company closed a private placement for 3,600,000 shares at a price of $0.15 cents per unit on March 27, 2014 to satisfy a debt by the company to a Director who had sold shares on behalf of the Company and reinvested the proceeds into the company. The private placement covers shares sold and the tax effect of replacing them.

Share Capital				
	March 31, 2014		Sept 30, 2013	
	Number of shares	$ Amount	Number of shares	$ Amount
Balance, beginning of period	58,427,327	$6,492,066	51,314,320	$5,515,506
Shares issued for cash pursuant to a private placement	27,166,094	2,492,852	7,113,007	1,382,600
Shares issued for license agreements	-	-	-	
Shares cancelled due to licence agreements	-	-	-	
Less:				
Fair market value of warrants issued	-	175,880	-	376,440
Share issue costs	-	65,150	-	29,600
Balance – end of period	85,593,421	$9,225,950	58,427,327	$6,492,066

Please refer to note 12 and 13 of the unaudited condensed interim financial statements for the three months ended March 31, 2014 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 Canadian generally accepted accounting principles.

	2014	2013					2012	
	Q1	Q2	Q4	Q3	Q2	Q1	Q4	Q3
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Net margins/fees	-	-	-	-	142	164	-	-
Administrative expenses	(685)	(1,584)	(917)	(483)	(550)	(529)	(917)	(483)
Income/(Loss) for the period	(1,587)	(499)	(917)	(483)	(408)	(365)	(917)	(483)
	$	$	$	$	$	$	$	$
Income/(loss) per share	(0.02)	(0.01)	(0.03)	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)

F. Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as of March 31, 2013 or September 30, 2012.

G. Financial Instruments

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

H. Related Party Transactions

Refer to note 11 of the unaudited condensed interim financial statements for the three months and six months ended March 31, 2013 for the related party transactions.

I. Changes in Accounting Policies including Initial Adoption

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA announced that Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises were replaced by IFRS for fiscal years beginning on or after January 1, 2012. Accordingly, the conversion from Canadian GAAP to IFRS was applicable to the Company's financial statements starting with the first quarter of 2012.

The key IFRS dates were October 1, 2010 which was the transition date and October 1, 2011 which was the changeover date. An opening balance sheet as of October 1, 2010 according to IRFS has been prepared to facilitate the change over to IFRS reporting for 2011. The change over date is the date which the Company's financial statements will be prepared and reported according to IFRS.

IFRS has a similar conceptual framework to that of previous Canadian GAAP. There are differences in certain areas under recognition and measurement, as well as disclosure. In order for users to understand the impact of IFRS on the Company's financial statements, please refer to note 17 to the audited condensed interim financial statements for the year ended September 30, 2012. Overall there was no significant change or adjustment to the financial statements, except for deferred taxes. The most significant impact is that reclassification of items on the financial statements and additional note disclosure.

J. Risks

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 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 may increase in subsequent three months as consultants, personnel, and equipment associated with advancing the product development and commercial production of its products are added.

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.

Dependence on Management

The Company's business and operations are dependent on recruiting and retaining the services of a small number of key members of management and qualified personnel. The success of the operations and activities of the Company are dependent, to a significant extent, on the efforts and abilities of the management of the Company. Investors must be willing to rely, to a significant extent, on the discretion and judgment of the management of the Company. Furthermore, while the Company believes that it will be successful in attracting qualified personnel and retaining its current management team, there can be no assurance of such success.

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.