

**FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1 – Name and Address of Company:

Biosenta Inc. (“**Biosenta**”)
18 Wynford Drive, Suite 704
Toronto, Ontario
M3C 3S2

Item 2 - Date of Material Change:

June 23, 2023

Item 3 – News Release:

The news release attached hereto as Schedule “A” was disseminated over Globenewswire on June 23, 2023.

Item 4 – Summary of Material Change:

On June 23, 2023, Biosenta announced it has entered into an agreement with 1943391 Ontario Ltd. (“**194**”) and its shareholders to terminate the existing joint venture agreement between Biosenta and 194 and issue certain securities as consideration.

Item 5 – Full Description of Material Change:

5.1 Full Description of Material Change

The material change is fully described in the press release attached hereto.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 – Reliance on subsection 7.1(2) of National Instrument 51-102:

Not applicable.

Item 7 - Omitted Information:

Not applicable.

Item 8 – Executive Officer:

Am Gill
President and Chief Executive Officer
416-410-2019

Item 9 – Date of Report:

June 26, 2023

Schedule “A”

BIOSENTA ANNOUNCES ENTERING INTO OF AGREEMENT TO TERMINATE JOINT VENTURE

TORONTO, ONTARIO, June 23, 2023 – Biosenta Inc. (the “**Company**” or “**Biosenta**”) (CSE: ZRO) is pleased to announce that it has come to an agreement (the “**Agreement**”) with 19443391 Ontario Inc. (“**194**”) and its shareholders to terminate the existing joint venture agreement (the “**JV Agreement**”) between the Company and 194 and issue certain securities as consideration (the “**Transaction**”). As 194 is considered a “related party” to Biosenta (as such term is defined in Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”), the Transaction is considered a “related party transaction” within the meaning of MI 61-101.

Business Rationale

The Company has initiated preliminary discussions with potential licensing partners about licensing its technology with the goal of commercialization. It has also had discussions with its advisors about the potential for raising capital in the public markets. Feedback from such potential partners and advisors has consistently been that the current JV Agreement, including 194’s exclusive license in and to Biosenta’s technology pursuant to such agreement, presents a barrier to commercialization and to raising capital. Pursuant to the Agreement, the exclusive license in favour of 194 will be terminated thereby allowing Biosenta to license its technology to other potential licensees.

For certainty, while the Company has had initial conversations with potential licensees, these conversations are preliminary, and the Company has not entered into any definitive agreements with any such partners.

Description of Agreement

Pursuant to the Agreement, the JV Agreement (which was originally announced on February 28, 2018) will be terminated, the security agreement granted thereunder to 194 will be amended to contemplate a release of the security in the circumstances described above, and all indebtedness owing to 194 and related persons from Biosenta will be extinguished. As consideration, Biosenta will issue to 194 (i) 3,000,000 common shares in the capital of Biosenta (“**Common Shares**”) at an aggregate subscription price equal to \$1,200,000, being \$0.40 per share; and (ii) a non-transferrable promissory note in the principal amount of \$6,500,000 (the “**Note**”). Interest on the Note will accrue at a rate of prime plus 3% per annum and will be payable quarterly, subject to a 120 day interest holiday. 194 may elect that any interest payment be satisfied in Common Shares at the then-current market price, however, no more than 500,000 Common Shares in the aggregate shall be issued to satisfy any interest. Unless otherwise agreed to as between the Company and 194, the amounts owing under the Note will be payable within 30 days of any public issuance by the Company of Common Shares for cash proceeds as follows: (a) until the Company has raised aggregate net proceeds of \$5,000,000 from one or more of such Common Share issuances, 60% of the net proceeds of such issuance will be used to repay the Note; and (b) at and after the Company has raised aggregate net proceeds of \$5,000,000 from one or more common share

issuances, 50% of the net proceeds of any such issuance will be used to repay the Note. The Note will mature on December 31, 2025.

The Common Shares issued to 194 and the Note will carry substantially the following legend: “Unless permitted under securities legislation, the holder of this security must not trade the security before [the date that is 4 months and a day after the distribution date].”

If the closing of the Transaction occurs, the Agreement provides that 194 will be granted the right to nominate two nominees to serve on the board of directors of Biosenta (the “**Board**”), subject to requirements of applicable law and the CSE, if 194 at any time holds not less than 25% of the outstanding Common Shares. If at any time 194 holds between 15% and 25% of the Common Shares, it shall have the right to nominate one individual to the Board. In connection with these nomination rights, 194 and its shareholders have agreed to customary standstill and confidentiality provisions.

The Agreement may be terminated by all parties on mutual agreement, or at any time by any party if the counterparty is in breach or closing conditions in favour of such party will not be satisfied by the outside date (August 30, 2023), so long as the party wishing to terminate is not then in breach of the Agreement.

The JV Agreement will be terminated on the closing date of the Transaction. Closing of the Transaction is subject to the satisfaction of certain customary closing conditions. Biosenta does not expect that any third party approvals are required to be obtained in order to close the Transaction.

A copy of the Agreement will be available on SEDAR within the time required by applicable law.

MI 61-101

As 194 is considered a “related party” of Biosenta, the Transaction will be considered a “related party transaction” within the meaning of MI 61-101. Bill Connor and Paul Kalata are the sole shareholders of 194 and each has beneficial ownership of, or control or direction over, directly or indirectly, or a combination of beneficial ownership of, and control or direction over, directly or indirectly, securities of Biosenta carrying more than 10% of the voting rights attached to all Biosenta’s outstanding voting securities.

In connection with the Transaction, 194, will be issued 3,000,000 Common Shares and may be issued up to 500,000 additional Common Shares. As of the date hereof, 194 and its shareholders, Bill Connor and Paul Kalata, beneficially own or control, directly or indirectly, whether alone or jointly or in concert with each other, an aggregate of 7,101,824 Common Shares and 687,475 common share purchase warrants, representing approximately 30.34% of the issued and outstanding Common Shares on a non-diluted basis and 32.33% on a partially diluted basis.

Following completion of the Transaction and assuming 500,000 additional Common Shares are issued on conversion of the interest under the Note, 194 and its shareholders, Bill Connor and Paul Kalata, will own or control, directly or indirectly, 10,601,824 Common Shares, representing

approximately 39.40% of the then issued and outstanding Common Shares on a non-diluted basis and 40.91% on a partially diluted basis.

The Company is exempt from the formal valuation requirement per section 5.5(b) of MI 61-101 as the Company is listed only on the CSE, and no exchanges specified in 5.5(b) of MI 61-101. To the knowledge of the Company and its directors and senior officers, after reasonable inquiry, there is no prior valuation as to the subject matter of, or is otherwise relevant to, the Transaction that has been made in the 24 months prior to the date hereof. The Company is relying on the financial hardship exemption from the requirement to obtain minority approval, pursuant to section 5.7(e) of MI 61-101 based on the following: (i) the Company is in serious financial difficulty; (ii) the Transaction is designed to improve the financial position of the Company; (iii) the Company has one or more independent directors (as defined in MI 61-101) in respect of the Transaction; (iv) paragraph (f) of section 5.5 of MI 61-101 is not applicable; (v) each director of the Company (including for certainty, all independent directors) acting in good faith, has determined that items (i) and (ii) above apply and that the terms of the Transaction are reasonable in the circumstances of the Company; and (vi) there is no other requirement, corporate or otherwise, to hold a meeting to obtain any approval of the holders of any class of affected securities.

In the coming days, a material change report will be filed under the Company's profile on SEDAR in connection with the Transaction. In light of the Company's financial situation, closing is expected to proceed before the expiration of 21 days from the date of filing the material change report, a delay contemplated in section 5.2(2) of MI 61-101. This shorter period is reasonable and necessary in the circumstances due to the Company's liquidity constraints and the fact that any delay in closing could further result in lost opportunity costs to the Company in respect of finding and advancing conversations with potential licensing partners.

Other than the Agreement itself, Biosenta has not entered into any agreement with an "interested party" (as such term is defined in 61-101) or joint actor with an interested party in connection with the Transaction and Biosenta has no knowledge of an agreement between such parties and a related party.

The Transaction has been unanimously approved by the Board. As no member of the Board has an interest in the Transaction, no special committee of the Board was formed to evaluate the Transaction.

Additional Disclosure Required by 61-101

Pursuant to section 5.2(1) of 61-101, the table below sets out the securities beneficially owned, controlled or directed by 194 and its shareholders, Bill Connor and Paul Kalata:

Registered Shareholder	Owned/ Controlled/ Directed By	Securities	Percentage of Securities prior to completion of the Transaction(1)	Percentage of Securities following completion of the Transaction(1)(2)
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1943391 Ontario Ltd.	50% owned by Bill Connor 50% owned by Paul Kalata	753,207 Common Shares 376,604 Warrants	4.69%	16.78%
1698791 Ontario Limited	Bill Connor	4,120,126 Common Shares 310,871 Warrants	18.39%	16.06%
Paul Kalata	Paul Kalata	41,066 Common Shares	0.17%	0.15%
DK Financial Canada Inc.	Paul Kalata	2,187,425 Common Shares	9.08%	7.93%

Notes:

(1) Partially diluted basis.

(2) Includes 500,000 additional Common Shares assuming conversion of the interest under the Note.

About Biosenta

Biosenta is a Canadian-based company that develops and manufactures a range of safe and environmentally sound chemical compounds for household and industrial applications.

Forward Looking Information

This press release contains forward-looking information within the meaning of applicable securities laws (“forward-looking statements”), including forward-looking statements relating to completion of the Transaction; the consequences of not completing the Transaction; and other expectations and assumptions concerning the Transaction. Such forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements or developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the failure of the parties to satisfy the conditions to the completion of the Transaction; the occurrence of any event, change or other circumstance that could give rise to the termination of the Agreement; significant transaction costs and unknown liabilities. If any such risks actually occur, they could impact the potential for discussion, agreement or completion of the Transaction and/or materially adversely affect the Company’s business, financial condition or results of operations. In that case, the trading price of the Company’s common shares could decline, perhaps materially. Readers are cautioned not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Forward-looking statements are provided for the purposes of providing information about management’s current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. The Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-

looking statements to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

Disclaimer

The CSE has in no way passed upon the contents of this news release and further, has neither approved nor disapproved of the contents of this news release. Neither the CSE nor its Regulation Services Provider (as such term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this release.

For further information please contact:

AM GILL, PRESIDENT AND CEO BIOSENTA INC. PHONE: 416-410-2019