



BioNeutra Global Corporation

TSXV:BGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three month period ended
March 31, 2020

Introduction

The following Management's Discussion and Analysis ("MD&A") for BioNeutra Global Corporation ("BioNeutra" or the "Company"), was prepared as of July 13, 2020 for the three months ended March 31, 2020 and should be read in conjunction with the Company's March 31, 2020 interim condensed consolidated financial statements and the December 31, 2019 and December 31, 2018 audited annual consolidated financial statements. **Readers are encouraged to read the "Forward-Looking Information" and "Non-IFRS Measures" contained in this document.**

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. BioNeutra's Management is responsible for the information disclosed in this MD&A and is also responsible for ensuring procedures and controls exist within the Company that will provide reasonable assurances regarding the reliability of the Company's financial reporting and its compliance with IFRS. In addition, the Company's Audit Committee and Board provide an oversight role with respect to the Company's accounting and audit procedures and its public disclosures. The Audit Committee and Board have reviewed and approved this MD&A and the accompanying interim condensed consolidated financial statements.

Additional information on the Company, including its interim unaudited consolidated financial statements and its audited annual consolidated financial statements are available on SEDAR (www.sedar.com).

Forward-Looking Information

This MD&A may contain "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein may be forward-looking statements. Generally, forward-looking statements may be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "proposed", "is expected", "budgets", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved.

These forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These assumptions include, but are not limited to, demand for the Company's products, meeting budgets and forecasts and future costs and expenses being based on historical costs and expenses, adjusted for inflation, fluctuations in prevailing currency and interest rates, the Company's ability to access equipment and new technologies and ability to maintain relationships with key suppliers, the ability to attract and retain key personnel and other qualified employees, inherent risks associated with the conduct of the business, availability of financial resources or third-party financing and the impact of new laws and regulations or changes in existing laws, regulations or administrative practices on the part of regulatory authorities. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from any future results, level of activity, performance, or achievements expressed or implied by such forward-looking statements. Such risks and other factors may include but are not limited to: the stage of development of the Company's products; general business, economic, competitive, political and social uncertainties; the customer base for the Company's products; competition; delay or failure to receive regulatory approvals; changes in laws and regulations affecting the Company; intellectual property risks; and loss of key individuals.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws. Please see the section titled "Risk Factors and Uncertainties" below for a discussion of the risks, uncertainties and assumptions used to develop our forward-looking statements.

OVERVIEW OF THE BUSINESS

Through its wholly-owned subsidiaries, BioNeutra North America Inc. ("BioNeutra North America") and BioNeutra International Limited ("BioNeutra International"), the Company operates a business consisting of research, development, production and commercialization of ingredients for nutraceutical, functional and mainstream foods and beverages, with a focus on oligosaccharides. The company is listed on the TSX Venture Exchange (the "TSXV") under the symbol "BGA".

The Company's lead product, VitaFiber™ IMO is an advanced functional and health food ingredient naturally derived from agricultural products, is generally regarded as safe (GRAS) by the U.S. Food & Drug Administration and is European Food Safety Authority and Health Canada approved. VitaFiber™ IMO is naturally sweet and lower in calories than sugar and is a natural source of dietary fiber as it provides low calorie soluble prebiotic fiber for human digestive health.

The Company produces VitaFiber™ IMO using its patented corn processes that naturally transform starch molecules from agriculture cereal crops including tapioca, field pea or corn into the functional health molecules of isomalto-oligosaccharide (IMO). The VitaFiber™ IMO manufacturing process is based upon a natural enzymatic conversion of starch molecules without any chemical additives, making VitaFiber™ IMO a natural food ingredient. VitaFiber™ IMO is also non-GMO, vegan-friendly, gluten-free, Kosher and Halal certified and available as certified organic.

The Company's customers include a mix of small and medium enterprises and a number of high-profile food manufacturers in Canada, the U.S.A, Europe, Australia and Southeast Asia. VitaFiber™ IMO is also available for retail purchase across the globe through Amazon.com and Shopify.com.

Further information about BioNeutra is available on the Company's website at www.bioneutra.ca, the SEDAR website at www.sedar.com and on the TSXV website at www.tsx.com.

FINANCIAL HIGHLIGHTS

| (in 000's except per share amounts) | Three months ended | | Change | |
|---------------------------------------|--------------------|------------------|------------|---------|
| | March 31 2020 | March 31 2019 | \$ | % |
| Sales | \$ 7,166 | \$ 8,630 | \$ (1,464) | (17%) |
| Adjusted EBITDA ⁽¹⁾ | (827) | 62 | (889) | (1434%) |
| Adjusted EBITDA as a % of revenue | (12%) | 1% | (12%) | (1706%) |
| Adjusted (loss)/income ⁽¹⁾ | (1,124) | (268) | (856) | 319% |
| Net (loss)/income | \$ (1,125) | \$ (1,130) | \$ 5 | (0%) |
| Diluted per share | | | | |
| Adjusted EBITDA | \$ (0.02) | \$ 0.00 | (0.02) | (1456%) |
| Adjusted (loss)/income | (0.02) | - | (0.02) | |
| Net (loss)/income | \$ (0.02) | \$ - | (0.02) | |
| Total Assets | \$ 32,340 | \$ 38,253 | | |
| Working Capital | 1,361 | 8,726 | | |
| Long-term debt | 6,917 | 7,771 | | |
| Shareholders Equity | 5,865 | 16,841 | | |

(1) Refer to the "Non-IFRS Measures" section for a definition of non-GAAP terms as well as reconciliations for Adjusted EBITDA, Adjusted Operating (Loss) Income, and Adjusted (Loss) Income.

Q1 2020 HIGHLIGHTS

BioNeutra experienced a modest sales retraction in the first quarter of 2020 due to impact of an FDA ruling denying the Company's petition that IMO be classified as a fiber. Management was able to quickly to transition its operation to adjust for the onset of the Covid 19 pandemic. Research and development work on new products, some of which will be fully recognized in the USA market for soluble fiber content are being tested by several of our larger clients in anticipation of significant growth in demand.

First quarter gross margins fell marginally compared to the prior year comparable quarter as the Company was not able to pass on certain increased freight costs to its customers.

Sales for the three months ended March 31, 2020 were \$7,166,363, compared to sales of \$8,630,366 for the same period of 2019 a decrease of \$1,464,003 or 17%. The decrease quarter over comparable quarter was due to reduced demand from customers who required a fiber claim in their product.

Adjusted EBITDA for the first quarter of 2020 was negative \$827,000 compared to positive \$61,000 in the same comparable period in 2019. This decrease was due to lower margins as the Company saw lower sales due to the FDA denying BioNeutra's fiber petition, higher costs of inventory, and the non-recovery of certain freight costs. See "Non-IFRS Measures" at the end of this MD&A.

The Company recorded an adjusted net loss of \$1.1 million or negative \$0.02 per basic and diluted loss per share for the three months ended March 31, 2020.

BioNeutra had negative working capital of \$1.36 million at March 31, 2020 compared to \$8.73 at December 31, 2019. Working capital has fallen as the result of lower asset base, namely accounts receivable and inventory while accounts payable has seen an increase. Management is working with its one major vendors on extending its amount owing to a long term payable.

OUTLOOK

Management has taken many actions to respond to the results from a very difficult 2019 and the arrival of the Covid 19 pandemic which has negatively affected all regions and all aspects of the global economy. Despite these challenges, the first quarter demonstrated a stable operating performance and solid sales despite unprecedented headwinds. This demonstrates the value that our VitaFiber™IMO provides to our customers. No other product combines a unique sweet taste, prebiotic fiber benefits, and a multitude of formulation benefits that help our customers deliver healthy products to consumers all over the globe. Despite a negative FDA ruling denying our petition to classify VitaFiber™IMO as a fiber, we were able to maintain the vast majority of our customers. These customers appreciate other benefits of VitaFiber™IMO cannot easily be replaced without a noticeable change to the final product. VitaFiber™IMO works well in a variety of food products including bars, ice cream, and gummies.

We are pleased with our first quarter performance and the efforts by our team to continue to operate well in unprecedented conditions. The team was quickly able to adjust to operating remotely and all operations continued with very little interruption. During the quarter, Dr. Steve Jakeway came on board as our new Chief Operating Officer and subsequent to the end of the quarter, Branko Jankovic, CPA came on board as our new Chief Financial Officer. These appointments represent a significant strengthening of our management team as both have many years of experience and significant contacts working in our sector in a public company environment.

The year 2020 is beginning to shape up to be an exciting year and could see some significant change in the way BioNeutra operates. BioNeutra is also exploring several strategic relationships throughout its operations – any one of which could provide a positive impact to the Company.

Within North America and Western Europe, there is great excitement around plant-based proteins to supply the market with new products for the alternative meat market. This is a value-added market that is attracting large investments from both industry and governments. This business is complimentary to BioNeutra's operations as a by-product from the protein production process is used by BioNeutra to produce the VitaFiber™IMO products. This is an exciting trend for BioNeutra, one that will allow for a lot of mutual collaboration in the future.

BioNeutra continues to focus on innovation through the development of new products and processes. BioNeutra will be launching several new products in the second half of 2020. This includes a new product that will qualify as a fiber in the US and allow for expansion to those customers that require the fiber claim as well as the first organic IMO from peas manufactured in North America. The Edmonton plant is expected to be running at or near full capacity by the end of 2020. Additionally, BioNeutra continues to engage in research that the Company hopes to lead to new products in the future.

BioNeutra will soon be receiving the results of a recently completed triple blind placebo controlled clinical trial it conducted over the last year. This trial is intended to test the safety of a significantly higher dose of IMO in human consumption. The significance of this trial is that it may significantly expand the potential number of products that VitaFiber can be used as an ingredient. This is expected to drive sales higher once approvals have been obtained from various regulatory agencies. Stay tuned.

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS**Revenue**

| | Three months ended | | Change | |
|--------------|--------------------|------------------|------------|-------|
| | March 31 2020 | March 31 2019 | \$ | % |
| (in 000's) | | | | |
| Gross Margin | \$ 7,166 | \$ 8,630 | \$ (1,464) | (17%) |

Sales were \$7,166,000 for the three months ending March 31, 2020, representing a decrease of \$1,464,000 or 17% compared to the three months ending March 31, 2019 sales which were \$8,630,000. While sales remained steady to key customer accounts, the Company was negatively impacted by an FDA ruling denying a petition that IMO be classified as a fiber.

The Company was encouraged to see a positive trend with respect to retail sales which represents a diversification of sales revenue from its traditional business to business ingredient business. The Company anticipates launching new products in the second half of 2020 to target US based customers who require fiber content in their formulations as well as organic IMO from pea manufactured at BioNeutra's Edmonton facility.

Gross Margin

| | Three months ended | | Change | |
|-------------------------------------|--------------------|------------------|----------|-------|
| | March 31 2020 | March 31 2019 | \$ | % |
| (in 000's except per share amounts) | | | | |
| Gross Margin | \$ 1,768 | \$ 2,372 | \$ (604) | (25%) |
| % of sales | 24.7% | 27.5% | | (3%) |

The company recorded a gross profit of \$1,768,000 for the three months ending March 31, 2020 versus \$2,372,000 for the same period in 2019. The gross margin decrease is attributable to lower sales in the period, higher cost of inventory, and non-recovery of certain freight costs.

Expenses

| | Three months ended | | Change | |
|----------------------------|--------------------|------------------|-----------------|--------------|
| | March 31 2020 | March 31 2019 | \$ | % |
| (in 000's) | | | | |
| Salaries and benefits | \$ 715 | \$ 846 | \$ (131) | (15%) |
| General and administration | 218 | 622 | (404) | (65%) |
| Warehouse costs | 509 | 266 | 243 | 91% |
| Sales and marketing | 84 | 232 | (148) | (64%) |
| Professional fees | 26 | 113 | (87) | (77%) |
| Research and development | 116 | 68 | 48 | 71% |
| | \$ 1,668 | \$ 2,147 | \$ (479) | (22%) |
| Bad Debt | - | - | - | 100% |
| Total Expenses | \$ 1,668 | \$ 2,147 | \$ (479) | (22%) |

Salaries and benefits were \$715,000 in three months ending March 31, 2020 compared to \$846,000 for the same period in 2019. The 15% decrease is attributable to staff reductions in early 2020 as well as the fact that employee bonuses were paid in 2019 but not 2020.

Warehouse costs increased by 91% to \$509,000 for the three months ending March 31, 2020 compared to \$266,000 for the same period in 2019. The overstock, expiry, and slow movement for certain products due to changes in customer preferences increased the warehouse cost. Significant inventories that were classified as prepaid expenses on December 31, 2019 arrived at the warehouses in early 2020 and contributed to the increased cost.

MANAGEMENT'S DISCUSSION AND ANALYSIS*For the three month period ended March 31, 2020*

General and administration expenses were \$218,000 in the three months ending March 31, 2020 compared to \$622,000 for the same period in 2019. The previous period had significant expenses for the evaluation of new business opportunities and increased use of consulting services that were not incurred in 2020.

Research and development expenses increased to \$116,000 from \$68,000 for the three months ending March 31, 2020 versus March 31, 2019. The changes relate to the receipt and timing of SR&ED credits during the current year versus the previous year as well as the timing and payment of third party subcontractor invoices for clinical trial expenses.

Sales and marketing expenses decreased 64% to \$84,000 for the three-month period ending March 31, 2020 compared to \$232,000 for the same period in 2019. BioNeutra took measures to control the marketing expense in 2020 and was able to still maintain a consistent sales volume. As a result of the Covid 19 pandemic, travel related to marketing was suspended and several trade shows were cancelled resulting in a reclassification of payments made to prepaid expenses.

Professional fees were \$26,000 and \$113,000 for the three months ending March 31, 2020 and March 31, 2019. There was reduced demand for legal services in the current period.

Amortization

| (in 000's) | Three months ended | | Change | |
|---|--------------------|------------------|---------------|-------------|
| | March 31 2020 | March 31 2019 | \$ | % |
| Depreciation of property, plant and equipment | \$ 106 | \$ 33 | \$ 73 | 221% |
| Amortization of intangible assets | 150 | 226 | (76) | (34%) |
| | \$ 256 | \$ 259 | \$ (3) | (1%) |

Depreciation increased in 2020 as depreciation recorded on manufacturing assets was not allocated to inventory costs because the facility was operating at less than full capacity.

Other Income (Expenses)

| (in 000's) | Three months ended | | Change | |
|----------------------------|--------------------|------------------|-----------------|--------------|
| | March 31 2020 | March 31 2019 | \$ | % |
| Interest on long-term debt | \$ 110 | \$ 126 | \$ (16) | (13%) |
| Foreign exchange loss | 925 | 1,028 | (103) | (10%) |
| | \$ 1,035 | \$ 1,154 | \$ (119) | (10%) |

The foreign exchange loss for the three months ending March 31, 2020 was greatly impacted by unrealized losses as a result of a very strong US dollar which approached a \$1.42 exchange rate on March 31, 2020. As a result of large net US dollar liability position due to accounts payable, the strong exchange rate will trigger losses.

Interest on long-term debt was \$110,000 for the three months ending March 31, 2020 while it was \$126,000 for the comparable period in 2019. The modest decrease is due to lower principal balances owing on the mortgage.

SUMMARY OF QUARTERLY RESULTS

| (in 000's) | 2020 | 2019 | | | | 2018 | | |
|-------------------------|----------|---------|----------|---------|----------|----------|----------|-----------|
| | 31-Mar | 31-Dec | 30-Sep | 30-Jun | 31-Mar | 31-Dec | 30-Sep | 30-Jun |
| Total Revenue | \$ 7,166 | \$9,675 | \$10,373 | \$9,023 | \$ 8,630 | \$ 7,281 | \$ 8,390 | \$ 12,194 |
| Gross Margin | 1,768 | (2,277) | 831 | (289) | 2,372 | 1,048 | 2,347 | 3,982 |
| Net (loss)/income | (1,124) | (5,769) | (913) | (4,661) | (1,131) | 1,712 | (839) | 604 |
| Current assets | 18,097 | 20,637 | 20,565 | 19,810 | 22,366 | 23,178 | 22,797 | 21,954 |
| Non-current assets | 14,143 | 13,388 | 14,606 | 15,005 | 15,887 | 16,808 | 16,634 | 17,527 |
| Total assets | 32,240 | 34,025 | 35,171 | 34,815 | 38,253 | 39,986 | 39,431 | 39,481 |
| Current liabilities | 19,458 | 22,566 | 17,234 | 15,257 | 13,641 | 13,849 | 14,036 | 13,035 |
| Non-current liabilities | 6,917 | 6,746 | 6,967 | 7,189 | 7,771 | 8,078 | 9,749 | 9,689 |
| Total liabilities | 26,375 | 29,312 | 24,201 | 22,446 | 21,412 | 21,927 | 23,785 | 22,724 |
| Shareholders' Equity | 5,865 | 4,713 | 10,970 | 12,369 | 16,841 | 18,059 | 15,646 | 16,757 |
| Cash | 1,580 | 523 | 1,825 | 1,489 | 1,610 | 1,498 | 3,838 | 5,004 |
| Working capital | (1,361) | (1,928) | 3,331 | 4,553 | 8,726 | 9,329 | 8,761 | 8,919 |

The table above presents the Company's financial performance over the past eight quarters. Prior to the most recent quarter, the overall trend of the Company's revenues and gross profits has been positive. The Q1 2020 results are discussed above. The Company maintains a solid asset base with sellable inventory and a strong customer base.

BioNeutra continues to develop, protect and exploit its worldwide distribution rights for VitaFiber™ IMO. International sales are supported by warehousing facilities in the U.S. (Port Reading, NJ; Fontana, CA; Youngwood, PA) Europe, Amsterdam, Canada (Brampton, Quebec, & Edmonton), Australia - Melbourne, and India - Arshiya.

Consumers worldwide are recognizing the positive lifestyle and health benefits of VitaFiber™ IMO, and the Company is taking advantage of increasing market demand for functional and health food and beverage ingredient products on both business-to-business and business-to-consumer levels. Consumers around the globe are now purchasing VitaFiber™ IMO from numerous direct-to-consumer retail channels, including from prominent global online retailers such as Amazon.com. The Company will expand its product offerings in future quarters as well as increase production capacity at its offshore and domestic facilities.

FINANCIAL CONDITION & LIQUIDITY

The Company's primary liquidity needs are to fund ongoing operations, service existing debt obligations, fund capital expenditures, and finance growth opportunities. In addition, the Company must service its debt, including principal and interest payments and finance its working capital needs. The Company relies on cash from operations, bank indebtedness, long-term debt and equity financing. In managing capital, the Company estimates its future cash requirements by preparing a budget which establishes the activities for the upcoming year and provides estimates of the costs associated with these activities. Historically, funding for the Company's plan was primarily managed through the cash generated from operations and through obtaining financing. There are no assurances that funds will be made available to the Company when required.

| | March 31 | December 31 |
|---------------------|----------|-------------|
| (in 000's) | 2020 | 2019 |
| Current assets | \$18,097 | \$22,366 |
| Current liabilities | 19,458 | 13,641 |
| Working capital | -\$1,361 | \$8,726 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three month period ended March 31, 2020

As of March 31, 2020, the Company had working capital deficit of \$1,361,000 compared to positive working capital of \$8,726,000 at March 31, 2019. BioNeutra is currently reviewing potential options to reduce current liabilities.

| | March 31 | March 31 |
|-------------------------|----------|----------|
| (in 000's) | 2020 | 2019 |
| Operating activities | \$1,416 | \$(46) |
| Investing activities | (38) | (50) |
| Financing activities | (361) | (125) |
| Change in cash position | \$1,057 | \$112 |

For the three months ending March 31, 2020, \$1,416,000 cash was generated by operating activities compared to cash used of \$46,000 for the same period last year. The increase was due to decreased operating costs and inventory write downs as the Company had a stable quarter. Cash used by investing activities was \$38,000 for the period ending March 31, 2020 compared to cash used of \$50,000 for the same period in 2019, reflecting modest capital expenditures for both periods. Cash used in financing activities was \$361,000 for the period ending March 31, 2020 compared to cash used of \$125,000 for the same period in 2019. Financing activities include net proceeds/repayments of mortgages, interest paid on debts, and capital leases as well as repayment of government grants.

SHARE DATA

For the three-month period ended March 31, 2020, the Company had a weighted average of 46,448,787 common shares outstanding with no dilutive options for a fully diluted weighted average share count of 46,448,787.

RISK AND UNCERTAINTIES

The Company is exposed to a number of risks and uncertainties that may affect the operations and success of the Company. Management and the Board work to identify and manage these risks on an ongoing basis. Risk management is carried out by financial management in conjunction with overall corporate governance. Several of the most important risks facing the Company at the present time are as follows:

Economic Conditions

Changes in economic conditions, including without limitation, recessionary or inflationary trends, commodity prices, equity market levels, consumer credit availability, interest rates, consumers' disposable income and spending levels, unemployment, and overall consumer confidence can have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Dependence on Third Parties

The Company relies in part on contract manufacturers to produce its products, however that risk is partially mitigated by the production capacity of our new Canadian plant.

The Company's management has long-term relationships with multiple contract manufacturers dating back to 1998. The Company works closely on an ongoing basis with these manufacturers to establish and enhance their quality control systems and improve synergies with the Company's demands and operations. Since the Company produces its VitaFiber™ IMO using its own patent-protected processes, it can effectively control the quality of the IMO that is produced using these patent-protected processes.

Competition

The functional food and beverage industry is characterized by competition and ongoing product development in all of its phases. The Company competes with numerous other organizations in the development and sales of functional food and beverage ingredient products, including companies that have significant financial resources,

marketing and sales departments, staff and facilities. The Company's ability to remain viable in the future will depend on its ability to develop, maintain and exploit its intellectual property, remain cost effective, and develop markets for its products. Competitive factors in the manufacture and sales of functional food and beverage product ingredients include price, methods of production, and the ability to deliver products to market. If the Company is not able to compete effectively in this regard, its future growth may be negatively impacted.

Key Personnel

The success of BioNeutra depends upon the efforts of its senior management. The Company has in place a qualified and experienced senior management team that has successfully led the Company to revenue increases and market share development in North America, Europe, Australia/New Zealand and Southeast Asia.

Transportation and Distribution Network Risk

The Company relies on a large distribution network to manage the sale of inventory from the point of initial material inventory purchase to final customer sale. As common with industry practices, the Company has no formal long-term contract with its major inventory storage and distribution suppliers. A significant distribution to its transportation and distribution network could have a material adverse impact to the Company.

Regulatory Framework

BioNeutra, its subsidiaries and the products it sells are subject to a variety of laws and regulations, such as those enforced by Health Canada, the US-FDA, the European EFSA and others, and may become subject to additional laws, regulations and guidelines in the future. The financial and managerial resources necessary to ensure such compliance could escalate in the future which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Legal, tax and changes in the regulatory framework may occur that could adversely affect the Company, its subsidiaries and/or the shareholders of the Company. There can be no assurance that income tax, securities laws and other laws will not be changed in a manner which adversely affects the Company, its subsidiaries and/or the shareholders of the Company.

In order to manufacture and sell functional food and beverage product ingredients, the Company and its subsidiaries will require licenses from various governmental authorities. There can be no assurance that the Company and its subsidiaries will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Recent announcements in early 2020 by the US Food and Drug Administration have denied petitions to have IMO classified as fiber. This is an adverse event which will likely negatively impact sales.

The Company's senior management team monitors regulatory changes daily and is qualified and prepared to adjust to any significant regulatory changes to ensure that the operations of the Company will not be adversely affected.

Future Financing

BioNeutra's principal source of funds is cash generated from its subsidiaries. It is expected that funds from these sources will provide it with sufficient liquidity and capital resources to meet its current and future financial obligations at existing business levels. The Company intends to raise capital for its future business development.

Litigation

In the normal course of the Company's operations, or the operations of its wholly-owned subsidiaries, the Company may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may not be determined in the Company's favor.

Currently, BioNeutra North America is a party to ongoing litigation matters in Canada, the adverse outcome of which could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations.

- a. Vita US Inc. has filed an originating application against BioNeutra seeking the followings:
- A declaration that agency agreements between the parties are binding upon the Defendants;
 - An order requiring the Defendants to disclose all records they have with their dealings with leads provided to them by Vita US Inc.;
 - Costs of the application; and
 - Such other relief as the court deems just

No amount has been accrued in the Company's financial statements as the outcome of this matter cannot be determined and the amount of the loss cannot be readily determined. The total amount of the claim is \$75,000.

- b. A claim has been made by Mohammad Hassan Qureshi and Pak-Alberta Consultant Inc. as the plaintiff, against BioNeutra North America Inc. The action was filed March 17, 2017. BioNeutra has filed a Statement of Defense and a counterclaim in this matter. The Company has accrued \$643,000 as a provision for this potential claim. BioNeutra has filed a statement of defense and counterclaims totaling \$2.1 million for losses incurred as a result of actions of the plaintiff. No amount has been accrued in the Company's financial statements for the counterclaim, however the amount of the damage award, if any, on the counterclaim would be offset against the amount of a damage award, if any, to the plaintiff.

Subsequent Events

- a. Subsequent to the year end, the company renegotiated the terms of mortgage payable on its land and building. The mortgage holder has agreed to allow interest only payment for the months of May 2020, June 2020, and July 2020 and to extend the end date of the mortgage to July 15, 2043. This will result in lower repayments of \$23,929 plus interest commencing August 15, 2020 versus the current repayment of \$26,738 plus interest.
- b. Subsequent to the year end, the company renegotiated the terms of the mortgage payable on its manufacturing equipment. The mortgage holder has agreed to allow interest only payment for six months commencing June 1, 2020 with principal and interest payments recommencing on December 1, 2020. The ending amortization date was also extended to July 1, 2022 resulting in a monthly payment of \$36,289, a reduction from the current repayment of \$50,097.
- c. Early in 2020, the global economy was severely impacted by the Covid 19 pandemic. The Company generates most of its sales in the United States, the country most severely impacted by Covid 19 in terms of confirmed cases and deaths. The Company has been able to continue all of its operations to date and introduced changes to ensure the operations are maintained while ensuring the safety of its employees and all key stakeholders. The Company is however unable to determine the impact, if any, that the Covid 19 may have on its operations and profitability in 2020 and beyond.

Product Liability Claims

The Company has implemented a stringent quality control program with its manufacturers. In the event of a product recall or product liability claim, the Company has in place products' liability insurance to cover such risks.

Financial Risk

The Company may become exposed to a variety of financial risks, including but not limited to: credit risk, concentration risk, foreign exchange risk, interest rate risk and liquidity risk.

Adverse Weather Conditions, Natural Disasters, and Environmental Factors

Adverse weather conditions, natural disasters, and environmental factors for prolonged periods can materially impact the business, operating results and financial condition of the Company's subsidiaries and the operations of

third parties collaborating with the Company. As a result, the revenues and operating results of the Company may be adversely and negatively affected.

Customers

There is a risk that the Company's customers may not purchase the same amount of the Company's products as in the past, or that purchases may not be on similar terms. To mitigate customer-based risks, the Company's management works continually to increase the breadth and depth of the Company's customer base on both business-to-business and business-to-consumer fronts.

Suppliers

There is a risk that a major unexpected change in the supply of the Company's products could have a material adverse effect on the Company's business and financial condition. To mitigate supplier-based risks, the Company's management has developed long-term relationships with multiple contract manufacturers, dating back to 1998. The Company works closely on an ongoing basis with these manufacturers to nurture mutually beneficial relationships. In addition, the Company reduced this risk when it began operating its own production plant in 2018. This production line has been steadily increasing its efficiency and capability.

Exposure to Business Risks Associated with International Operations

The Company intends to continue efforts to increase its international operations beyond the U.S. and Europe and anticipates that international sales will continue to account for a significant portion of the Company's revenue. The Company's international operations are subject to certain risks and costs, including the difficulty and expense of administering business and compliance abroad, compliance with domestic and foreign laws, costs related to localizing products for foreign markets, translating and distributing products in a timely manner. International sales may also expose the Company to risk from political and economic instability, unexpected changes in governmental policies concerning import and export of goods, regulatory requirements, tariffs and other trade barriers. International earnings may be subject to taxation by more than one jurisdiction.

Management is confident that regulatory approvals received from Health Canada, the US FDA, and the European Food Safety Authority (EFSA) will aid and facilitate the Company's entry into new international markets. Additionally, Management of the Company has extensive experience with international business and a keen understanding of the risks associated with international expansion and operations.

Intellectual Property

The Company's competitive advantage is dependent on its intellectual property, including its patents and trademarks. As with all intellectual property, a risk exists that the Company's intellectual property could be challenged or struck out.

In light of such intellectual property risks, the Company vigorously monitors and defends against any infringement of its patents or trademarks. Additionally, the Company is involved in continuous research and development to grow and diversify its intellectual property asset base.

BioNeutra has made and will continue to make significant investments in research and development, production and commercialization of food and beverage ingredients, product development and related product opportunities. The Company donated its pilot plant equipment to the University of Alberta and partnered with the University in innovative projects to develop a number of oligosaccharide related products. Commercial success of such efforts depends on many factors including the degree of innovation of the products developed, sufficient support from our strategic partners, and effective distribution and marketing. Significant revenue from new product and service investments may not be achieved for a number of years, if at all. Moreover, new products and services may not receive regulatory approval, and even if they do receive regulatory approval, they may not be profitable.

In order to ensure that the Company makes informed decisions in allocating its research and development efforts, the Company's Board has implemented a Scientific Advancement Committee. The primary functions of this Committee are to advise the Board and management on scientific matters involving the Company's research and

development programs, to interact with academic and other outside research organizations, and to help the Company stay ahead of the curve and anticipate emerging concepts and trends in the functional food and beverage ingredient industry.

Cyber Security

BioNeutra has implemented various IT technology provisions, processes and practices designed to protect corporate networks, computers, programs and data from attack, damage or unauthorized access. This includes on-site, off-site aspects of IT systems and physical security of all aspect of the Company's business operations.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, investment, accounts payable and accrued liabilities, mortgages payable and repayable government contribution.

Financial risk management

The Company's activities are exposed to a variety of financial risks: credit risk, concentration risk, foreign currency risk, interest rate risk, and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance.

Liquidity risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital and cash flows. As at March 31, 2020, the Company was holding net cash of \$1,579,888 (December 31, 2019 - \$523,102), accounts receivable of \$3,797,069 (December 31, 2019 - \$3,298,533) and had a working deficiency of \$1,360,324 (December 31, 2019 - working capital deficiency of \$1,928,672) (see Going Concern- note 2). Non-derivative financial liabilities of \$19,457,796 (December 31, 2019 - \$22,526,171) will be settled within one year.

Credit risk

The Company's exposure to credit risk that relates to cash and accounts receivable arises from the possibility that the third party does not satisfy its contractual obligations. The Company minimizes its exposure to credit risk by keeping the majority of its cash with major chartered banks, reviewing new customers' credit history before extending credit, conducting regular reviews of its existing customers' credit performance and insuring the receivable balances to the extent possible with a third-party insurance company. The trade receivables are generally due for settlement within 60 days subsequent to the sales activities. An allowance for doubtful accounts is established based upon Expected Credit Loss Model. The Company's maximum exposure to credit risk is equal to the carrying value of the financial assets. There is no significant amount considered past due or impaired as of March 31, 2020 other than a single account which has a provision for loss established. It is management's opinion that the level of credit risk is low due to the credit-worthiness of the counterparties involved.

Concentration risk

The Company is exposed to credit risk on the accounts receivable from its customers. As at March 31, 2020, approximately 59% of the trade accounts receivable balance is owed from three customers (December 31, 2019 – 43% from two customers). The Company minimizes its exposure to the concentration of risk by developing a larger client base.

The Company obtains inventory from contract manufacturers and is dependent on them to supply substantially all of its inventory for resale. Should these suppliers substantially change their dealings with the Company, management is of the opinion that continued viable operations could be maintained through obtaining inventory from other manufacturers and the production line in Edmonton, Alberta.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of a change in foreign exchange rates. The Company is exposed to foreign currency risk on cash, accounts receivable, inventory, accounts payable and accrued liabilities and its provision for legal claim held in U.S. dollars and accounts receivable held in Euro. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The table below indicates the foreign currency to which the Company had exposure as at March 31, 2020 and December 31, 2019 in Canadian dollar terms. The table also illustrates the potential impact to the Company's net equity as at March 31, 2020 and December 31, 2019 if the Company's presentation currency had strengthened or weakened by 5% in relation to the U.S. dollar, with all other variables held constant. In practice, the actual result may differ materially from this sensitivity analysis.

| | Total Exposure | | Impact on Net Equity | | Impact on Net Equity | |
|----------------------|----------------|-------------|----------------------|-------------|----------------------|-------------|
| | March 31 | December 31 | March 31 | December 31 | March 31 | December 31 |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| (in 000's) | | | | | | |
| US Dollar | \$ 7,215 | \$ 4,965 | \$ 361 | \$ 473 | \$ 361 | \$ 473 |
| As a % of Net Equity | 125.23% | 190.53% | 6.26% | 9.52% | | |
| As a % of net income | | | | | -32% | -4% |

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate price risk on its mortgages payable and capital lease which bear a fixed interest rate, and interest rate cash flow risk on its floating rate mortgage payable. Management does not believe this risk is significant.

NON-IFRS MEASURES

The Company uses certain measures in this MD&A which do not have standardized meaning as prescribed by IFRS. These measures, which are derived from information reported in the annual consolidated financial statements, may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company. These non-IFRS measures are identified and defined as follows:

Adjusted Net (Loss) Income and Adjusted EBITDA

Adjusted net (loss) income is defined as net (loss) income before non-recurring events, net of corporate income taxes ("Adjusted Net (loss) income"). Management believes that in addition to net (loss) income, Adjusted net (loss) income is a useful supplemental measure that represents normalized net income from the business so that financial statement users can make insightful comparisons between current period and historical results. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, impairment charges, share-based payments and non-recurring events ("Adjusted EBITDA"). Management believes that in addition to net income, Adjusted EBITDA is a useful supplemental measure of operating performance that normalizes financing, depreciation, income taxes and other non-recurring charges which are not controlled at the operating level. The following table provides a reconciliation of net (loss) income under IFRS, as disclosed in the interim consolidated financial statements to Adjusted Net (loss)/income and Adjusted EBITDA:

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three month period ended March 31, 2020

| (in 000's except per share amounts) | Three months ended | | Change | |
|---------------------------------------|--------------------|---------------------|--------|--------|
| | March 31 2020 | March 31 2019 \$ | | % |
| Net (loss)/income | \$ (1,125) | \$ (1,131) | \$ 6 | (1%) |
| Add: | | | | |
| Impairment on inventory | - | 863 | (863) | (100%) |
| Adjusted (loss)/income ⁽¹⁾ | (1,125) | (268) | (857) | 320% |
| Add: | | | | |
| Interest | 111 | 126 | | |
| Income tax (recovery)/expense | (68) | (55) | (13) | 24% |
| Amortization of intangibles | 150 | 226 | (76) | (34%) |
| Depreciation expense | 105 | 33 | 72 | 218% |
| Adjusted EBITDA | \$ (827) | \$ 62 | (889) | |

Corporate Information

Officers and Directors

Curtis Sparrow, ^{(1) (2)}
Chairman of Board of Directors
Edmonton, Alberta

Jason Theiss, CPA, CA⁽¹⁾
Chairman of Audit Committee
Spruce Grove, Alberta

Dr. Jianhua Zhu
Chief Executive Officer, Director
Edmonton, Alberta

C.H. William (Bill) Cheung⁽¹⁾
Director
Edmonton, Alberta

William Wei ^{(1) (2)}
Director
Edmonton, Alberta

Corporate Office

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Auditors

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Edmonton, AB T5J 0H8

Shares Listed

Toronto Venture Exchange
Trading Symbol – BGA

Bankers

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Edmonton, Alberta T6L 6W6

Transfer Agent

Computershare Investor
Services
530 – 8th Avenue SW, #600
Calgary, Alberta T2P 3S8

(1) Member of Audit Committee

(2) Member of Compensation
Committee