



BioNeutra Global Corporation

CSE:BGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended
June 30, 2015

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") for BioNeutra Global Corporation ("BioNeutra" or the "Company"), prepared as of August 28th, 2015, should be read in conjunction with the interim condensed consolidated financial statements for the three months ended June 30, 2015 and the notes thereto.

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 International Financial Reporting Standards ("IFRS"). In addition, the Company's Audit Committee and Board of Directors provide an oversight role with respect to the Company's accounting and audit procedures and its public disclosures. The Audit Committee and Board of Directors have reviewed and approved this MD&A and the accompanying unaudited interim condensed consolidated financial statements.

The accompanying interim condensed consolidated financial statements are prepared in accordance with IFRS and are reported in Canadian dollars unless otherwise stated. These accounting principles require the Company to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure of contingent assets and liabilities. Management believes these estimates and assumptions are reasonable based on the information available at the time that these estimates and assumptions were made. These estimates and assumptions have been discussed with the Company's Audit Committee. Actual results may differ under different assumptions and conditions.

Additional information on the Company, including its annual audited consolidated financial statements, is 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 reflect the Company's current beliefs and are based on information currently available to the Company and on assumptions the Company believes are reasonable. 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. 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; timing and availability of external financing on acceptable terms; 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 is in the business of research and 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 Canadian Securities Exchange (the "CSE") under the symbol "BGA".

The Company's lead product, VitaFiber™, is an advanced functional and health food ingredient scientifically made from natural 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™ is naturally sweet and lower in calories than regular 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™ using its patented processes that naturally transform starch molecules from agriculture cereal crops including corn, wheat, barley, potato, or tapioca into the functional health molecules of isomalto-oligosaccharide (IMO). The VitaFiber™ manufacturing process is based upon a natural enzymatic conversion of starch molecules without any chemical modification involved, making VitaFiber™ a natural food ingredient. VitaFiber™ 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., Europe, the United Kingdom, and Mexico. VitaFiber™ is also available for retail purchase across the globe through Amazon.com and other direct-to-consumer retailers.



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 CSE website at www.thecse.ca.

HIGHLIGHTS FOR THE THREE MONTHS ENDED JUNE 30, 2015

- Sales for the three-month and six-month periods ended June 30, 2015 were \$4,254,712 and \$9,599,861 on gross margins of 42% and 50%, respectively. The Company's revenues during the most recently completed quarter were driven by strong sales of VitaFiber™ to food and beverage manufacturers targeting functional and health food markets and growing retail sales.
- The Company continued to post strong Adjusted EBITDA figures, totaling \$2,291,317 for the six-month period ended June 30, 2015 as compared with \$1,644,486 for the four-month period ended June 30, 2014.
- The Company's strong Adjusted EBITDA has had a very positive effect on the operational strength of its balance sheet. At June 30, 2015, the Company had a cash balance of \$4,186,822 and working capital of \$6,991,546. This represents a significant increase over the cash balance of \$2,084,687 and working capital of \$3,976,934 at December 31, 2014 and the cash balance of \$1,190,600 and working capital of \$2,903,747 at June 30, 2014.
- On April 23, 2015, BioNeutra North America entered into an agreement to purchase a mixed-use manufacturing and office building in Edmonton, Alberta, Canada. BioNeutra completed this purchase on August 21, 2015 and will now develop a commercial production line in this facility to produce functional food and beverage ingredients and products featuring IMO using the Company's patented IMO production processes. This IMO production line will be the first of its kind in North America and will make BioNeutra the exclusive North American producer of IMO products that feature Health Canada and European EFSA approval and FDA GRAS certification. This facility will also house BioNeutra's corporate head office and global training centre and will greatly expand its in-house research and development capabilities.
- On May 28, 2015, BioNeutra agreed to a private placement with a key strategic partner of 2,500,000 common shares at a price of \$0.40 per common share for gross proceeds of \$1,000,000. This private placement closed on July 15, 2015 and the Company intends to use the proceeds from this private placement for general working capital.
- On June 15, 2015, BioNeutra retained CHF Investor Relations ("CHF"), a highly-regarded Canadian investor relations firm, to assist the Company with investor relations and market making activities.



FUTURE PLANS AND OUTLOOK

BioNeutra is committed to maximizing its opportunities in Canada, the US, Europe, the UK, and Mexico, and is expanding into key emerging markets to promote VitaFiber™ as a healthy functional food and beverage ingredient. Consumers worldwide are now recognizing the positive lifestyle and health benefits of VitaFiber™. To satisfy the demands of the growing global middle class for functional and health food and beverage product ingredients, the Company continues to focus and expand its research and development efforts to create innovative IMO products to broaden its portfolio and generate additional revenue.

Because the market demand for VitaFiber™ is increasing, the Company is working to broaden its customer base of mainstream functional and health food and beverage manufacturers and pharmaceutical companies that create products incorporating VitaFiber™.

BioNeutra continues to work to expand its retail customer base. In early 2015 the Company successfully formed a relationship with Amazon.com to sell VitaFiber™ into a broad and robust retail customer base, and in the three-month period ended June 30, 2015, the Company recorded \$56,000 in sales through the online retailer. Furthermore, in July 2015, BioNeutra reached an agreement with a prominent health food and nutraceutical retailer in Germany and Belgium whereby that retailer will purchase VitaFiber™ from BioNeutra and sell it to its own retail customers.

On August 21, 2015, BioNeutra closed on the purchase of a mixed-use manufacturing and office building in Edmonton, Alberta. BioNeutra will now develop a commercial production line in this facility to produce functional food and beverage ingredients and products featuring IMO using the Company's patented IMO production processes. This IMO production line will be the first of its kind in North America and will make BioNeutra the exclusive North American producer of IMO products that feature Health Canada and European EFSA approval and FDA GRAS certification. This facility will also house BioNeutra's corporate head office and global training centre and will greatly expand its in-house research and development capabilities.

From an investor standpoint, BioNeutra is also very excited about its newly formed alliance with CHF Investor Relations, a respected Toronto-based investor relations firm. CHF will assist the Company with its investor relations and market making activities, and the Company is confident that their cooperative efforts will increase the Company's market liquidity and encourage and support financing for future endeavors by the Company.

FINANCIAL SUMMARY

Non-IFRS Measurements

The Company uses both IFRS and non-IFRS measures to make strategic decisions and set targets and believes that the non-IFRS measures provide useful supplemental information to investors. Adjusted EBITDA (as defined below), gross profit, gross margin and cash from operations are measures used by the Company that do not have a standardized meaning prescribed by IFRS and may not be comparable



to similar measures used by other companies.

“Gross profit” is defined as revenue less cost of sales. Cost of sales includes inventory, custom, duty and freight costs.

“Gross margin” is revenue less cost of sales, divided by revenue and expressed as a percentage.

“Adjusted EBITDA” is defined as net income before interest, income taxes, depreciation, amortization and non-cash charges. Readers are cautioned that Adjusted EBITDA should not be construed as an alternative to net income as determined in accordance with IFRS. Management uses Adjusted EBITDA as a measure of cash generation in its budgeting and financial reporting processes, recognizing that it does not reflect working capital and other balance sheet changes.

SUMMARY OF QUARTERLY RESULTS

For the Fiscal Quarters Ended:

	FY 2015		FY 2014				FY 2013	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	28-Feb	30-Nov
Consolidated								
Total revenue	4,254,712	5,345,149	4,031,678	3,404,759	4,467,060	1,156,839	2,129,847	1,718,863
Cost of sales	2,480,575	2,308,666	2,590,057	1,773,534	2,227,060	578,504	1,117,447	912,220
Gross profit (loss)	1,774,137	3,036,483	1,441,621	1,631,225	2,240,000	578,335	1,012,400	806,643
Net income (loss)	(96,835)	202,181	309,916	228,912	3,275,541	444,301	(706,617)	444,778
Comprehensive income (loss)	(183,498)	876,801	478,775	346,433	3,259,375	425,908	(643,072)	465,102
Current assets	13,664,827	9,659,231	6,944,582	6,469,618	5,951,125	3,910,957	4,088,983	3,001,452
Non-current assets	6,180,656	6,778,091	6,879,677	2,579,544	2,637,227	2,096,470	2,084,943	698,344
Total assets	19,845,483	16,437,322	13,824,259	9,049,162	8,588,352	6,007,427	6,173,926	3,699,796
Current liabilities	6,673,281	3,240,587	2,967,648	3,076,076	3,047,378	2,296,504	3,738,506	37,271
Non-current liabilities	187,500	187,500	218,750	218,750	218,750	218,750	510,000	1,094,041
Total liabilities	6,860,781	3,428,087	3,186,398	3,294,826	3,266,128	2,515,254	4,248,506	1,131,312
Cash and cash equivalents	4,186,822	5,228,933	2,084,687	1,984,876	2,701,721	1,641,635	1,190,600	748,379
Working capital	6,991,546	6,418,644	3,976,934	3,393,542	2,903,747	1,614,453	350,477	2,964,181
Equity	12,984,702	13,009,235	9,637,861	5,754,336	5,322,224	3,492,173	1,925,420	2,568,484
Net income per share								
Basic	0.00 ⁵	0.01 ⁴	0.01 ³	0.00 ²	0.06 ²	0.01 ²	-0.02 ¹	0.01 ¹
Diluted	0.00	0.01	0.01	0.00	0.06	0.01	-0.02	0.01
Dividends declared	---	---	---	579,736	---	---	---	---

Notes:

- For the net income per share for quarters between September 2013 - February 2014, weighted average number of shares of 30,473,114 was used.
- For the net income per share for quarters between March - September 2014, number of share of 57,973,561 was used.
- For the net income per share for quarter ended December 31 2014, weighted average number of shares of 33,703,742 was used.
- For the net income per share for quarter ended March 31, 2015, weighted average number of shares of 39,828,610 was used.
- For the net income per share for quarter ended June 30, 2015, weighted average number of shares of 43,053,120 was used.

Other than the quarters from October 2014 – June 2015, none of the quarters take the 10:1 share consolidation into consideration, since there was only BioNeutra North America's shares for these periods.



Over the past eight quarters, the general trend of the Company's revenues and gross profits has been positive. In addition, the Company has developed a strong cash, working capital and asset base. In the quarter ended June 30, 2015, the Company posted its third strongest quarterly sales revenues in the past eight quarters at \$4,254,712. As at June 30, 2015, the Company has increased its working capital by 8% quarter-over-quarter and 241% year-over-year to \$6,991,546. The Company has also increased its asset base by 21% quarter-over-quarter and 231% year-over-year to \$19,848,593.

The Company continues to exploit its worldwide distribution rights (outside China) for VitaFiber™ and has increased its sales with access to new international markets in Europe and the United Kingdom. International sales are supported by warehousing facilities in Los Angeles, Amsterdam and Edmonton.

Consumers worldwide are recognizing the positive lifestyle and health benefits of VitaFiber™, 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™ from numerous direct-to-consumer retail outlets, including from prominent global online retailer Amazon.com. The Company continues to add new retail partners, including a prominent health food and nutraceutical retailer in Germany and Belgium in July, 2015.

In the three-month period ended June 30, 2015, the Company recorded a net loss of \$96,835, as compared to a net income of \$1,785,824 for the three-month period ended June 30, 2014. The Company's level of net income during the most recent quarter was attributable to one-time expenses in the form of sales, marketing and professional expenses, all as further explained below.

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

Change in Year End and Comparison Period

Effective October 29, 2014, the Company completed the acquisition of BioNeutra North America and BioNeutra International. The acquisition of BioNeutra North America was considered a reverse acquisition for accounting purposes, with BioNeutra North America identified as the acquirer. BioNeutra North America's year-end was February 28, and as such the required comparison periods for the purpose of the interim condensed consolidated financial statements and this MD&A are the three-month and four-month periods ended June 30, 2014.

Revenue

Revenue from:	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Four Months Ended June 30, 2014
Sales	\$4,254,712	\$4,467,060	\$9,599,861	\$5,623,899

Total sales for the three-month period ended June 30, 2015 were \$4,254,712 and \$9,599,861 for the six-month period ended June 30, 2015, as compared with \$4,467,060 for the three-month period ended



June 30, 2014 and \$5,623,899 for the four-month period ended June 30, 2014.

The Company's strong sales are a result of continually increasing sales to major functional food and beverage manufacturers who in turn continue to experience significant growth in their own sales. In addition, the Company's customer base continues to grow as mainstream functional and health food and beverage manufacturers and pharmaceutical companies are creating products incorporating VitaFiber™.

Comparative sales for the three-month periods ended June 30, 2014 and 2015 were relatively consistent. The Company's average monthly sales for the six-month period ended June 30, 2015 of \$1,599,977 represent a 14% increase over average monthly sales for the four-month period ended June 30, 2014 of \$1,405,975.

Gross Profit

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Four Months Ended June 30, 2014
Sales	\$4,254,712	\$4,467,060	\$9,599,861	\$5,623,899
Cost of Sales	2,480,575	2,327,842	4,789,241	2,906,346
Gross Profit	1,774,137	2,139,218	4,810,620	2,717,553
Gross Margin %	42%	48%	50%	48%

The Company's gross profit was \$1,774,137 for the three-month period ended June 30, 2015 and \$4,810,620 for the six-month period ended June 30, 2015. This compares with \$2,139,218 for the three-month period ended June 30, 2014 and \$2,717,553 for the four-month period ended June 30, 2014.

The Company's gross margin as a percentage of sales was 42% for the three-month period ended June 30, 2015 and 50% for the six-month period ended June 30, 2015. This compares with 48% for the three-month period ended June 30, 2014 and 48% for the four-month period ended June 30, 2014.

Expenses

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Four Months Ended June 30, 2014
Professional fees	\$446,141	\$162,161	\$970,311	\$209,156
Sales and marketing	510,074	36,745	689,497	95,057
Salaries and benefits	165,748	117,445	337,652	155,703
Amortization	220,720	19,314	386,895	25,869
General and administrative	256,534	314,141	403,090	369,987
Management fee	84,600	64,800	174,000	85,080
Share-Based Compensation	-	-	744,896	-
Research and development	67,607	62,976	141,444	64,552
Warehouse costs	5,994	36,865	59,755	58,880



Interest and bank charges	4,484	5,684	10,044	6,180
Depreciation	5,754	8,295	10,484	9,600
Reorganization Cost	-	28,888	-	28,888
Total expenses	1,767,656	857,314	3,928,068	1,108,952
As a percentage of revenue	42%	19%	41%	20%

Total expenses were \$1,829,856 for the three-month period ended June 30, 2015 and \$3,990,268 for the six-month period ending June 30, 2015, representing increases from \$857,856 for the three-month period ended June 30, 2014 and \$1,108,952 for the four-month period ending June 30, 2014.

In general, the Company's expenses have increased as a result of increased business activities and growing sales. In addition, in the six-month period ended June 30, 2015 the Company several recorded significant one-time expenses. For one, the Company recorded a one-time professional fee expense in the amount of \$591,632 related to the favorable resolution and settlement of legal matters with a third party concerning the Company's intellectual property. The Company also recorded a one-time sales and marketing expense of \$349,818 payable to related parties Quintana International Ltd., Manlog Investment Limited, and Cycmax Science Company Limited. This non-cash sales and marketing expense was incurred pursuant to an agreement whereby the related parties were compensated for successfully developing markets for VitaFiber™ in Asia and Europe, for actively working with overseas manufacturers to further improve VitaFiber™ product quality, and for effectively developing new products for the Company.

In addition, the expenses for the six-month period ending June 30, 2015 include a non-cash stock-based compensation expense of \$744,896 for options issued to directors, employees and consultants of the Company, as further described in the Stock Options section below and a non-cash deferred income tax expense of \$683,834.

Other Income

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Four Months Ended June 30, 2014
Grants	\$10,667	\$66,019	\$24,417	\$66,019
Interest and other	11,969	12,328	11,972	13,328
Realized forex gain (loss)	(125,952)	25,633	(129,761)	(85,811)
Total Other Income	(\$103,316)	\$103,980	(\$93,372)	(\$6,464)

The Company has received and will continue to receive a grant from the provincial Government of Alberta in support of the Company's business development activities for the period from September 1, 2013 to August 31, 2015. For the three months ended June 30, 2015 the Company received a total of \$10,667 through this source of funding.

In the three-month period ended June 30, 2015, the Company realized a foreign exchange loss in the



amount of \$125,952 as a result of the strength of the US Dollar relative to the Canadian Dollar.

Income Tax Expense (Recovery)

During the three-month period ended June 30, 2015, the Company did not generate significant taxable income through its operations. However, as at June 30, 2015, the Company had Canadian tax losses with a tax benefit of \$828,808. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income that can be reduced by the tax losses. These losses may be carried forward and expire as follows:

Year	Tax Loss Expiring
2031	1,361,176
2032	965,615
2033	467,224
2034	157,041
2035	889,842
TOTAL	3,840,898

Net Income

Net Income	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Four Months Ended June 30, 2014
Net (loss) income	\$(96,835)	\$1,785,824	\$105,346	\$3,719,842

The Company recorded a net loss of \$96,835 for the three-month period ended June 30, 2015 and a net income of \$105,136 for the six-month period ended June 30, 2015 as compared with a net income of \$1,785,824 for the three-month period ended June 30, 2014 and \$3,719,842 for the four-month period ended June 30, 2014.

The Company's level of net income in the six-month period ended June 30, 2015 is a result of several significant non-cash expenses including:

- a \$744,896 non-cash share-based compensation expense;
- a \$686,834 non-cash deferred income tax expense; and
- a one-time non-cash sales and marketing expense of \$349,818 payable to related parties Quintana International Ltd., Manlog Investment Limited, and Cycmax Science Company Limited. This expense was incurred pursuant to an agreement whereby the related parties were compensated for successfully developing markets for VitaFiber™ in Asia and Europe, for actively working with overseas manufacturers to further improve VitaFiber™ product quality, and for effectively developing new products for the Company.



In addition, the Company recorded a one-time professional fee expense in the amount of \$591,632 related to the favorable resolution and settlement of legal matters with a third party concerning the Company's intellectual property.

The effect of these significant non-cash expenses is reflected in the Company's strong Adjusted EBITDA which totals \$2,291,317 for the six-month period ended June 30, 2015 as compared with \$1,644,486 for the four months ended June 30, 2014.

The Company's strong Adjusted EBITDA has had a positive effect on the operational strength of its balance sheet. As at June 30, 2015, the Company increased its cash balance to \$4,186,822 and its working capital to \$6,991,546, representing significant increases over the cash balance of \$2,084,687 and working capital of \$3,976,934 at December 31, 2014.

FINANCIAL CONDITION & LIQUIDITY

Cash provided by:	Six Months Ended June 30, 2015	Four Months Ended June 30, 2014
Operating Activities		
Net income	\$105,346	\$3,719,842
Items not affecting cash		
Depreciation	10,484	9,600
Amortization	386,895	25,869
Deferred income tax	683,834	(2,117,005)
Share Based Compensation	744,896	-
Change in non-cash working capital balances	(868,035)	515,575
	1,063,420	2,153,881
Investing Activities		
Cash acquired from acquisitions	-	26,439
Purchase of equipment	(26,055)	(46,927)
	(26,055)	(20,488)
Financing Activities		
Repayment to related parties	(1,291)	(156,242)
Advances from Related Parties	61,244	-
Dividends Paid	(120,801)	-
Proceeds from share issuance	1,030,000	-
Share Issuance Costs	(24,523)	-
	944,629	(156,242)
Effect of foreign exchange	120,141	(466,030)
Increase in cash	2,102,135	1,511,121
Cash, beginning of period	2,084,687	1,190,600
Cash, end of period	4,186,822	2,701,721



At June 30, 2015, the Company had a cash balance of \$4,186,822 and working capital of \$6,991,546. This represents a significant increase over the cash balance of \$2,084,687 and working capital of \$3,976,934 at December 31, 2014 and the cash balance of \$1,190,600 and working capital of \$2,903,747 at June 30, 2014.

Cash provided by operating activities during the six-month period ended June 30, 2015 was \$1,063,420, as compared with \$2,153,881 for the four-month period ended June 30, 2014.

The Company has a credit facility of \$500,000 to assist with working capital needs that is due on demand, bears interest at prime plus 1.75% per annum and is secured by a general security agreement on all assets of the Company. At June 30, 2015, the Company had not drawn on this credit facility.

At June 30, 2015, the Company had very healthy working capital and management is confident that the increasing consumer demand for functional and health food product ingredients like VitaFiber™ will not only result in recurring sales, but continue to increase revenues and profitability of the Company. The Company is committed to having VitaFiber™ included in the development of new and healthy functional food products that the market and consumers are demanding from food manufacturers.

On April 23, 2015, BioNeutra North America paid a \$500,000 cash deposit toward the \$7,850,000 purchase price of a mixed-use manufacturing and office building in Edmonton, Alberta, Canada. BioNeutra North America closed on this purchase on August 21, 2015 and the remainder of the purchase price was paid by way of \$6,000,000 in mortgage financing from Business Development Bank of Canada, \$1,250,000 in mortgage financing from the Vendor of the property, and \$100,000 in equity in the Company. The Company has begun the process of moving its office and research and development operations into this property and will commence construction of an IMO production line in Q3 2015. Management does not expect the cash or debt financing of this purchase to have material effects on liquidity or cash flow of the Company.

Additionally, on July 15, 2015, the Company closed a private placement with a key strategic partner of 2,500,000 common shares at a price of \$0.40 per common share for gross proceeds of \$1,000,000. The Company intends to use the proceeds from this private placement for general working capital.

Total Assets

The total assets of the Company were \$19,845,483 on June 30, 2015, as compared to \$16,437,322 on March 31, 2015 and \$13,824,259 on December 31, 2014. The \$3,408,161 increase in the Company's asset base during the most recent quarter was primarily the product of an increase in finished goods inventories of \$4,195,727 from March 31, 2015 resulting from the Company's increased inventory orders to meet anticipated market demand for VitaFiber™.

The Company's net investment in equipment remained stable in the most recent quarter, with a book value of \$1,607,133 at June 30, 2015, as compared to \$1,640,065 at March 31, 2015 and \$1,498,205 at December 31, 2014. The Company's equipment is made up primarily of laboratory equipment, production equipment, leasehold improvements, and furniture and office equipment. The change in



value of equipment since December 31, 2014 was a result of foreign exchange movement and the addition of various lab and office equipment.

The Company's net investment in intangible assets in the quarter decreased to \$3,743,424 at June 30, 2015 from \$4,017,927 at March 31, 2015 and \$3,867,539 at December 31, 2014. This decrease was primarily a result of booked depreciation on the valuation of the Company's key patents and trademarks concerning its VitaFiber™ production process and branding.

As at June 30, 2015, the Company maintained deferred Canadian tax losses with a tax benefit of \$828,808. During the three-month period ended June 30, 2015, the Company realized a net loss of \$96,835, and as a result did not have any taxable income generated through operations. However, when the Company realizes a taxable income generated through operations in the future, it will utilize a portion of the Canadian tax losses carried forward from prior years. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income that can be reduced by the tax losses. These losses may be carried forward and expire as follows:

Year	Tax Loss Expiring
2031	1,361,176
2032	965,615
2033	467,224
2034	157,041
2035	889,842
TOTAL	3,840,898

Total Liabilities

At June 30, 2015, the total liabilities of the Company were \$6,860,781, an increase from \$3,428,087 on March 31, 2015 and \$3,186,398 on December 31, 2014. This increase in total liabilities was primarily the result of a \$3,432,694 increase in accounts payable and accrued liabilities in the most recent quarter owing to inventory in transit that is booked as an account payable but is not actually payable until 60 days after receipt to the Company's warehouse facilities.

Total amount payable to related parties remained at \$146,525 at June 30, 2015. The amounts payable to a related party consists of funds held in trust for a private placement that was not concluded for a former director of BioNeutra International of \$59,953 and expenses paid by the former director on BioNeutra International's behalf of \$86,572. This amount payable to a related party is unsecured, non-interest bearing and has no terms of repayment.

In 2010, the Company executed an agreement for funding with the federal Government of Canada. As at December 31, 2014, the Company has received \$250,000 under that agreement. This funding is a repayable contribution to fund activity for a period from November 24, 2009 to December 31, 2014. The Company is required to repay the contributions in annual installments of \$31,250 from 2015 to 2022, and



the first installment of \$31,250 was paid in February 2015.

Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements during the three-month period ended June 30, 2015.

Related Party Transactions

The amounts receivable from parties are as follows:

Amounts Receivable from Related Parties		
	As at June 30, 2015	As at December 31, 2015
1168426 Alberta Ltd.	\$1,291	\$1,291
TOTAL	1,291	1,291

The amount receivable from 1168426 Alberta Ltd. is unsecured, bears no interest and has no terms of repayment. 1168426 Alberta Ltd. is a shareholder of the Company.

At June 30, 2015 the amount payable to a related party was \$146,525, consisting of funds held in trust for a private placement which was not concluded for a former director of BioNeutra International of \$59,953 and expenses paid by the former director on BioNeutra International's behalf of \$86,572. The amount payable to related party is unsecured, non-interest bearing and has no terms of repayment.

In the six-month period ended June 30, 2015, the Company engaged in the following related-party transactions:

- The Company paid management fees to 1168426 Alberta Ltd. of \$62,000, as compared to \$31,200 for the four-month period ended June 30, 2014.
- The Company paid management fees to 1767477 Alberta Ltd. of \$54,800, as compared to \$25,280 for the four-month period ended June 30, 2014.
- The Company paid management fees to Pak-Alberta Consultant Inc. of \$57,200, as compared to \$28,600 for the four-month period ended June 30, 2014.

In the six-month period ended June 30, 2015, the Company paid key management compensation of \$55,000, as compared to \$31,500 for the four-month period ended June 30, 2014.

Commitments

The Company has a lease agreement for its present Edmonton, Alberta location which expires September 30, 2015.

On April 23, 2015, BioNeutra North America entered into an agreement to purchase a building of



approximately 47,000 square feet comprised of manufacturing and office space situated on 2.65 acres of land in a light industrial area of Edmonton, Alberta, Canada. The Company intends to use this property for its head office, to establish Canadian manufacturing capacity, and to expand its research and development capabilities. The Company closed on this transaction August 21, 2015 and has begun the process of moving its office and research and development operations into this property and will commence construction of an IMO production line in Q3 2015. The Company employed a combination of cash, debt and equity to finance the purchase of this property and does not expect the cash or debt financing to have material effects on liquidity or cash flow of the Company.

INCOME TAXES

The Company's income tax expense comprises current and deferred taxes, and is recognized in the Company's statement of operations except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current income taxes is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unused tax losses and unused tax credits can be utilized.

Deferred income taxes are not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred income taxes is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

For information on the current income tax expenses and deferred income tax losses, please see the Income Tax Expense (Recovery) section above.

SHARE DATA

As at August 28, 2015, BioNeutra had 45,819,787 common shares outstanding and purchase warrants



exercisable for 3,300,000 common shares.

The outstanding common share purchase warrants were issued as part of a private placement of units that closed March 27, 2015. Each warrant entitles the holder to purchase one additional common share at a price of \$0.50 per common share for a period of 36 months following the date of closing, provided that if after four months and one day following the closing date the closing price of the common shares is equal to or exceeds \$1.00 for 20 consecutive trading days, then the warrants shall accelerate to expire on the date which is 30 days following the date a press release is issued by BioNeutra announcing the reduced warrant term or the date that written notice has been given to the warrant holder.

Stock Options

As at August 28, 2015, the Company had stock options outstanding and exercisable for 2,900,000 common shares at an exercise price of \$0.40 per common share pursuant to the Company's stock option plan.

Pursuant to the Company's stock option plan, the maximum number of shares reserved for issuance shall not exceed 10% of the issued and outstanding common shares of the Company. Stock options may be granted to directors, employees, management company employees and consultants. The exercise price of the options granted shall be determined by the Board of Directors in accordance with the policies of the CSE. No single participant may be issued options representing greater than 5% of the number of outstanding shares in any 12 month period unless the Company has obtained disinterested shareholder approval. The number of shares reserved for issuance to any one consultant of the Company may not exceed 2% of the number of outstanding shares in any 12 month period. The exercise price per common share for an option shall not be less than the greater of the closing market price of the common shares on (i) the trading day prior to the date of the grant of the option and (ii) the date of the grant of the option. Every option shall have a term not exceeding and shall therefore expire no later than 10 years after the date of grant. Terms of vesting of the options, the eligibility of directors, officers, employees, management company employees and consultants to receive options and the number of options issued to each participant shall be determined at the discretion of the Board of Directors, subject to the policies of the CSE.

The Company uses the Black-Scholes option pricing model to estimate the fair value of the stock options. During the six months ended June 30, 2015, the Company recorded a \$744,896 stock-based compensation expense. The following assumptions were used to estimate the fair value of the stock options granted during the six-month period ended June 30, 2015:

Annualized volatility	100.00%
Risk-free interest rate	1.25%
Expected life	3 years
Dividend rate	0.00%
Fair value per stock option	\$ 0.25



RISK FACTORS 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. 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

BioNeutra's operations rely on arrangements with third parties related to the manufacturing, production and commercialization of the Company's products. The Company's revenues are therefore dependent on the successful efforts of these third parties.

The Company's management has long-term relationships with multiple offshore 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.

As BioNeutra holds worldwide patents (except China) for the IMO production processes, the Company can effectively control the quality of the products created using its patent-protected process.

Competition

The functional food and beverage industry is characterized by competition and ongoing product development in all 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, sales, 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 personal efforts of its senior management. The Company



has in place a qualified and experienced senior management team that has successfully led the Company to increase revenues and expand market share in Canada, the United States, Europe, the United Kingdom, and Mexico.

Regulation

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 American 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.

The Company's senior management team monitors regulatory changes on a daily basis 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.

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 favour.

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.



On August 16, 2010, Chuang Ji Huang has filed a claim against BioNeutra Inc. seeking repayment of a \$100,000 loan with 10% annual rate from June 30, 2009 to date of judgement, repayment of \$187,939, pre-judgement interest and other damages as the court deems fit. BioNeutra Inc. counterclaimed for breach of agreement made and damages caused, claiming \$2,720,000 for monies due under an agreement together with interest thereon from June 30, 2009, \$12,843,939 for costs incurred and damages suffered due to the breach, \$2,000,000 aggravated, exemplary and punitive damages and costs. Nothing has happened in this litigation since 2012, and to account for this contingency, an amount of \$287,939 has been accrued in the Company's financial statements.

In March 2011, Flair Flexible Packaging (Canada) Corporation filed a Statement of Claim against BioNeutra Inc., 1475710 Alberta Ltd., and Cypress Food & Beverage seeking \$105,985 plus interest thereon from April 16, 2012 to the date of judgement and costs. BioNeutra Inc., 1475710 Alberta Ltd., and Cypress Food & Beverage filed a Statement of Defence. 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 potential loss cannot be reliably determined.

Product Liability Claims

The Company has implemented a stringent quality control program with its manufacturers and has never experienced a product recall or product liability claim. In the event of a product recall or product liability claim, the Company has in place 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 of risk, foreign currency 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 offshore manufacturers, dating back to 1998. The Company works closely on an ongoing basis with these manufacturers to nurture mutually beneficial relationships.

Exposure to Business Risks Associated with International Operations

The Company intends to continue efforts to increase its international operations 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. Additionally, international earnings may be subject to taxation by more than one jurisdiction, which may adversely affect the Company's effective tax rate, and changes in foreign exchange rates may also adversely affect the Company's revenue, earnings or other financial measures.

Management is confident that regulatory approvals received from Health Canada, the US FDA, and the European Food Safety Authority 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.

Investment in Research and Development

The Company 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. 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 is 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.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, amount receivable from related party, accounts payable and accrued liabilities, amounts payable to related parties, amounts payable to shareholders, note payable, contingent amount payable and repayable government contribution.

Financial Risk Management

The Company's activities are exposed to a variety of financial risks: credit 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.

Fair Value

The fair value of cash, accounts receivable, accounts payable and accrued liabilities, dividend payable, note payable, contingent amount payable and repayable government contribution payable approximates its carrying amount due to their short term nature. The fair value of amount receivable from related party, amounts payable to shareholders and amounts payable to related parties cannot be reliably determined due to their nature as they are non-interest bearing and have no terms of repayment.

The following provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are not observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) ; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at June 30, 2015, the Company had cash, classified as "fair value through profit or loss", measured at fair value - Level 1. All other financial instruments are measured at amortized cost using the effective



interest rate method.

Credit Risk

The Company's exposure to credit risk relates to cash and accounts receivable and 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 amount with a third party insurance company. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Company's maximum exposure to credit risk is equal to the carrying value of the financial assets. It is management's opinion that the level of credit risk is low due to the credit-worthiness of the counterparties involved.

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 and accounts payable 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.

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 note payable which bears a fixed interest rate. Management does not believe this risk is significant.

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 June 30, 2015, the Company was holding cash of \$4,186,822 (December 31, 2014 - \$2,084,687), accounts receivable of \$2,197,240 (December 31, 2014 - \$2,175,594) and had a working capital of \$6,991,546 (December 31, 2014 - \$3,976,934). Non-derivative financial liabilities of \$6,738,591 will be settled within one year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's Audit Committee, in consultation with Management and the Company's auditors, is responsible for development and deployment of the Company's accounting policies. All of the Company's audited financial statements are prepared in accordance with IFRS.



The accounting policies applied by the Company in this Management's Discussion and Analysis and the accompanying interim condensed consolidated financial statements are the same as those applied by the Company in its Management's Discussion and Analysis and accompanying audited financial statements for the ten months ended December 31, 2014.