BioNeutra Global Corporation

TSXV:BGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended
December 31, 2016 and 2015

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") for BioNeutra Global Corporation ("BioNeutra" or the "Company"), prepared as of April 28th, 2017, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016 and the notes thereto.

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("ISAB"). 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 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 audited consolidated financial statements.

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 the development, production, commercialization and ongoing research of ingredients for nutraceutical, functional and mainstream foods and beverages, with a focus on oligosaccharides (fibre/sweetener).

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, and the United Kingdom. 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 TSXV website at www.tsx.com.

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2016

Significant Sales Growth:

BioNeutra experienced another year of strong growth in 2016. Overall sales performance for the year ending December 31, 2016 was $26 million. This represents a $10 million (60%) increase from 2015. This was due to a significant jump in market demand for its VitaFiber IMO products due to increased customer demand for our existing and new food and beverage products. This includes our key markets of the U.S., Europe and Canada.

In order to respond to customer demand, BioNetra has invested in a Canadian production facility and a China-based joint venture to supplement our on going contract manufacturing partners. This enables BioNeutra to move towards a global footprint.

- Sales for the three-month and twelve-month periods ended December 31, 2016 were $6,935,244 and $25,990,616 on gross margins of 31% and 35%, respectively. The Company continue focusing on bringing its VitaFiber™ products to food and beverage manufacturers targeting functional and health food markets and growing retail sales for personal uses.

- The Company's Adjusted EBITDA remains strong at $3,780,075 for the twelve-month period ended December 31, 2016 as compared with $2,990,231 for the twelve-month period ended December 31, 2015.

- The Company's strong Adjusted EBITDA has had a very positive effect on the operational strength of its balance sheet. At December 31, 2016, the Company had working capital of $7,781,467. This represents a significant increase over the working capital of $6,759,777 as at December 31, 2015.

- **The Company expects its new Canadian production plant to be operational in 2017 and to operate 24/7 to meet growing demand for its products. The new 50,000 square foot facility will also house a state of the art retail production line, global training facilities, QA/QC and a suite of three labs which will expand its R & D capabilities and support its team of 5 PhDs.**

- **BioNeutra continues its leadership role with** VitaFiber™ **IMO approved by the** world's **top three regulators – Health Canada, FDA and the European Food Safety Authority for sale in 30 countries.**

SUMMARY OF QUARTERLY RESULTS

For the Fiscal Quarters Ended:

	FY 2016				FY 2015			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Consolidated								
Total revenue	6,935,244	8,130,203	6,339,087	4,586,082	3,943,127	2,501,537	4,254,712	5,345,149
Cost of sales	4,779,780	5,784,011	3,912,003	2,297,851	2,934,134	1,272,510	2,480,575	2,308,666
Gross profit (loss)	2,155,464	2,346,192	2,427,084	2,288,231	1,008,993	1,229,027	1,774,137	3,036,483
Net income (loss)	377,197	18,581	1,372,518	-688,739	137,667	-63,516	-96,835	202,181
Comprehensive income (loss)	585,490	88,983	1,372,997	-1,450,431	343,929	613,464	-183,498	876,801
Current assets	19,642,953	21,104,845	13,513,357	11,369,149	9,513,165	11,035,977	13,664,827	9,659,231
Non-current assets	16,955,338	17,232,469	15,788,323	15,937,957	17,265,433	15,127,453	6,180,656	6,778,091

Total assets	36,598,291	38,337,314	29,301,680	27,307,106	26,778,598	26,163,430	19,845,483	16,437,322
Current liabilities	11,861,486	13,550,671	5,715,243	4,864,381	2,753,388	4,119,452	6,673,281	3,240,587
Non-current liabilities	8,953,407	9,088,735	8,477,511	8,706,797	8,838,851	7,350,017	187,500	187,500
Total liabilities	20,814,893	22,639,406	14,192,754	13,571,178	11,592,238	11,469,469	6,860,781	3,428,087
Cash and cash equivalents	591,705	1,903,913	2,247,889	2,133,171	1,625,412	2,061,420	4,186,822	5,228,933
Working capital	7,781,467	7,554,174	7,798,114	6,504,768	6,759,777	6,916,525	6,991,546	6,418,644
Equity	15,783,398	15,697,909	15,108,926	13,735,928	15,186,359	14,693,961	12,984,702	13,009,235
Net income per share								
Basic	0.00[5]	0.00[5]	0.03[5]	-0.01[5]	0.00[4]	0.00[3]	0.00[2]	0.01[1]
Diluted	0.00	0.00	0.03	-0.01	0.00	0.00	0.00	0.01

Notes:

1. For the net income per share for quarter ended march 31 2015, weighted average number of shares of 39,828,610 was used.
2. For the net income per share for quarter ended June 30 2015, weighted average number of shares of 43,053,120 was used.
3. For the net income per share for quarter ended September 30 2015, weighted average number of shares of 43,957,882 was used.
4. For the net income per share for quarter ended December 31 2015, weighted average number of shares of 48,086,399 was used.
5. For the net income per share for quarters ended March 31 2016 to December 31, 2016, weighted average number of shares of 45,949,787 was used.

Over the past eight quarters, the general trend of the Company's revenues and gross profits has been positive. In addition, the Company's working capital and asset base remains strong. *As at December 31, 2016, the Company has increased its working capital by 15% year-over-year to $7,781,467. The Company has also increased its asset base by 37% year-over-year to $36,598,291.*

The Company continues to exploit its worldwide distribution rights 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 Edison, Los Angeles, Pittsburgh, Amsterdam, Toronto 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 in Europe.

In the twelve-month period ended December 31, 2016, the Company recorded a net income of $1,079,557, as compared to a net income of $179,497 for the twelve-month period ended December 31, 2015. The Company's current year net income was attributable to increased sales during the year.

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

Revenue

Revenue from:

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Twelve Months Ended December 31, 2016	Twelve Months Ended December 31, 2015
Sales	$6,935,244	$3,943,127	$25,990,616	$16,044,525

Total sales for the three-month period ended December 31, 2016 were $6,935,244 and $25,990,616 for the twelve-month period ended December 31, 2016, as compared with $3,943,127 for the three-month period ended December 31, 2015 and $16,044,525 for the twelve-month period ended December 31, 2015.

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™.

Gross Profit

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Twelve Months Ended December 31, 2016	Twelve Months Ended December 31, 2015
Sales	$6,935,244	$3,943,127	$25,990,616	$16,044,525
Cost of Sales	4,779,780	2,934,135	16,773,645	8,995,885
Gross Profit	2,155,464	1,008,993	9,216,971	7,048,640
Gross Margin %	31%	26%	35%	44%

The Company's gross profit was $2,155,464 for the three-month period ended December 31, 2016 and $9,216,971 for the twelve-month period ended December 31, 2016. This compares with $1,008,993 for the three-month period ended December 31, 2015 and $7,048,640 for the twelve-month period ended December 31, 2015.

The Company's gross margin as a percentage of sales was 31% for the three-month period ended December 31, 2016 and 35% for the twelve-month period ended December 31, 2016. This compares with 26% for the three-month period ended December 31, 2015 and 44% for the twelve-month period ended December 31, 2015.

The Company's lower gross margin for the twelve-month period ended December 31, 2016 were attributed to volume discounts offered to large customers.

Expenses

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Twelve Months Ended December 31, 2016	Twelve Months Ended December 31, 2015
Professional fees	65,825	-137,792	262,448	1,239,402
General and administrative	428,348	422,300	1,075,253	1,056,943
Sales and marketing	475,785	-6,777	869,443	892,319
Salaries and benefits	851,099	205,362	1,750,842	750,431
Share based compensation	--	--	-	744,896
Amortization of intangible assets	222,241	190,016	882,541	681,556
Research and development	106,069	188,183	386,683	400,741
Management fees	62,433	84,782	316,233	343,382
Warehouse costs	193,848	360	703,619	202,354
Interest on long-term debts	132,814	135,599	450,870	154,662
Depreciation of property, plant and equipment	67,821	110,644	290,974	145,941
Interest and bank charges	-6,235	62	25,096	21,320
Reorganization costs	--	--	--	--
Listing expense	--	--	--	--
Total expenses	2,600,048	1,192,739	7,014,002	6,633,947
As a percentage of revenue	37.5%	30.2%	27.0%	41.3%

Total expenses were $2,600,048 for the three-month period ended December 31, 2016 and $7,014,002 for the twelve-month period ending December 31, 2016, representing increases from $1,192,739 for the three-month period ended December 31, 2015 and increases from $6,633,947 for the twelve-month period ending Dec 31, 2015. The Company's expenses have increased as a result of current sales growth and (scale-up) preparations and start of the production plant under construction. This includes additional staff for sales, QA/QC, regulatory affairs and production. The required timelines for in market production require preparation, approvals, certifications and training of personnel as part of the start-up process. Increased sales over various geographical markets requires increased product warehousing capacity to provide superior customer service.

Other Income

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Twelve Months Ended December 31, 2016	Twelve Months Ended December 31, 2015
Grants	$18,625	$20,514	$40,338	$58,681
Interest and other	-295,452	22,768	19,652	34,916
Debt forgiveness	--	86,572	--	86,572
Foreign exchange gain (loss)	1,407,071	214,469	-107,269	318,496
Total Other Income	$1,130,244	$344,323	$-47,279	$498,665

The decrease in other income for the year is mainly due to foreign currency exchange loss of $107,269 (gain of $318,496 in 2015).

Income Tax Expense (Recovery)

As at December 31, 2016, the Company had Canadian tax losses with a tax benefit of $422,253 (2015 - $877,562). 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	$1,369,963
2032	47,982
2033	74,536
2034	120,496
2035	--
Total	$1,612,977

Net Income

Net Income

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Twelve Months Ended December 31, 2016	Twelve Months Ended December 31, 2015
Net income (loss)	$377,197	$137,667	$1,079,557	$179,497

The Company recorded a net income of $377,197 for the three-month period ended December 31, 2016 and a net income of $1,079,557 for the twelve-month period ended December 31, 2016 as compared with a net income of $137,667 for the three-month period ended December 31, 2015 and $179,497 for the twelve-month period ended December 31, 2015.

The Company's increased net income in the twelve-month period ended December 31, 2016 is the result of strong sales growth during the year.

FINANCIAL CONDITION & LIQUIDITY

Cash provided by:	Twelve Months Ended December 31, 2016	Twelve Months Ended December 31, 2015
Operating Activities		
Net income (loss)	$1,079,557	$179,497
Items not affecting cash		
Interest and financing fee amortized	450,870	154,212
Depreciation of property, plant & equipment	290,974	145,941

Amortization of intangible assets	882,541	681,556
Deferred income tax	576,493	733,861
Debt forgiveness	--	-86,572
Share based compensation	--	744,896
Change in non-cash working capital balances	-2,264,617	-2,071,887
	1,015,818	481,504
Investing Activities		
Term deposit	--	-500000
Purchase of property, plant & equipment	-2,341,277	-9,730,264
Purchase of intangible assets	-235,330	-300,349
	-2,576,607	-10,530,613
Financing Activities		
Repayment to shareholders	--	-2,044
Proceed from mortgage	1,000,085	8,750,000
Repayment of mortgage	-80,000	--
Financing fee paid	-11,320	-140,033
Interest paid	-434,624	-117,846
Dividends paid	--	-120,801
Repayment of government contribution	-31,250	-31,250
Proceeds from sale and leaseback	--	89,479
Repayment of capital leases	-53,920	-12,573
Proceeds from share issuance	--	2,095,000
Payment of share issuance costs	-	-42,094
	388,971	10,467,838
Effect of foreign exchange	138,111	-878,004
Increase/(Decrease) in cash	-1,022,707	-459,275
Cash, beginning of period	1,625,412	2,084,687
Cash, end of period	$591,705	$1,625,412

At December 31, 2016, the Company had a working capital of $7,781,467. This represents a significant increase over the working capital of $6,759,777 at December 31, 2015.

Cash generated in operating activities during the twelve-month period ended December 31, 2016 was $1,015,818, as compared to cash of $481,504 generated for the twelve-month period ended December 31, 2015.

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 December 31, 2016, 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.

Total Assets

The total assets of the Company were $36,598,291 on December 31, 2016, as compared to $26,778,598 on December 31, 2015. The increase in the Company's asset base was primarily the product of an increase in inventory, accounts receivable, and fixed assets of property, plant and equipment.

The Company's inventories increased to $15,194,342 at December 31, 2016, as compared to $6,270,570 at December 31, 2015. This is due to different VitaFiber product types and jurisdictions required different warehouse locations.

The Company's accounts receivable increased to $3,747,044 at December, 2016, as compared to $1,552,821 at December 31, 2015. This increase is attributed by significant increase in sales.

The Company's property, plant and equipment increased to a net book value of $12,787,950 at December 31, 2016, as compared to $11,749,552 at December 31, 2015. The Company's property, plant and equipment is made up primarily of land, building, laboratory equipment, production equipment, and furniture and office equipment.

Total Liabilities

At December 31, 2016, the total liabilities of the Company were $20,814,893, increased from $11,592,239 on December 31, 2015. This increase in total liabilities was primarily the result of increase in accounts payable pertains to inventories and corporation taxes.

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. The

Company paid the first installment of $31,250 in February 2015, and the second instalment of $31,250 in February 2016.

Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements during the twelve-month period ended December 31, 2016.

Related Party Transactions

Key management includes all persons named or performing the duties of Chief Executive Officer, Chief Financial Officer, President, Vice-President and Directors of the Company. The compensation paid to key management for services is shown below:

	December 31, 2016	December 31, 2015
Key Management Salaries	$604,227	$200,000
Directors fees	$52,750	$116,250
Share-based compensation	--	$480,458
Management fees paid to 1168426 Alberta Ltd., a company controlled by Jianhua Zhu – President/CEO*	$106,667	$122,000
Management fees paid to 1767477 Alberta Ltd., a company controlled by Raymond Yong – CFO*	$96,667	$108,800
Management fees paid to Pak-Alberta Consultant Inc., a company controlled by Mohammad Qureshi – SVP Regulatory	$118,900	$112,400

* Jianhua Zhu and Raymond Yong became salary employees effective October 1, 2016.

SHARE DATA

As at December 31, 2016, BioNeutra had 45,949,787 common shares outstanding and purchase warrants exercisable for 3,170,000 common shares.

SHARE CAPITAL (COMMON SHARES)

	December 31, 2016	December 31, 2015
Issued and Outstanding	45,949,787	45,949,787

WARRANTS

	Number of Warrants	Exercise Price
Warrants granted - March 25, 2015	3,300,000	$0.50
Warrants exercised	-130,000	$0.50
Balance, December 31, 2015 and 2016	3,170,000	$0.50

The outstanding common share purchase warrants of 3,170,000 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 warrantholder.

Stock Options

As at December 31, 2016, the Company had stock options outstanding and exercisable for 2,620,000 common shares at an exercise price of $0.40 per common share pursuant to the Company's stock option plan.

STOCK OPTIONS

	Number of Options	Exercise Price
Options granted Feb. 12, 2015	3,000,000	$0.40
Options exercised	-100,000	$0.40
Balance, Dec. 31, 2015	2,900,000	$0.40
Options expired	-280,000	$0.40
Balance, Dec. 31, 2016	2,620,000	$0.40

The Company uses the Black-Scholes option pricing model to estimate the fair value of the stock options. There were np stock option granted during the year ended December 31, 2016. During the twelve months ended December 31, 2015, the Company recorded a $744,896 stock-based compensation expense.

FUTURE PLANS AND OUTLOOK

BioNeutra is committed to maximizing its opportunities in Canada, the US, Europe, and the UK, 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. Sales through retail channels such as Shopify, Paypal and health food stores are also on the rise. In the year ended December 31, 2016, the Company recorded $360,000 in retail sales. *The Company is setting up a packaging line to produce retail size packages to meet consumer demands*.

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

Given the increasing demand for VitaFiber, BioNeutra is building a Canadian plant, scheduled to be operational in 2017, which will internalize some of our production needs. At the same time we have entered into a joint venture with a manufacturer in China. These combined actions will give BioNeutra greater flexibility to directly provide product while balancing growth with our contract manufacturers.

As BioNeutra holds international patents for the IMO production process, 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, and the United Kingdom.

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. The Company intends to raise capital for its planned future expansion.

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.

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 $224,179, 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 $324,179 has been accrued in the Company's financial statements.

Flair Flexible Packaging (Canada) Corporation has filed a Statement of Claim against BioNeutra et al. seeking $105,985 plus interest thereon from April 16, 2012 to the date of judgement and costs. The Statement of Claim and Statement of Defense have both been filed. The amount has been accrued in the Company's financial statements.

Vita US Inc. has filed an originating application against BioNeutra seeking a declaration that agency agreements between the parties are binding upon BioNeutra; and 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 the court deems just.

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 17th 2017. BioNeutra has filed a Statement of Defense in this matter.

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.

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. In addition, the Company will minimize this risk by having its own production plant ready in 2017.

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 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

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 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 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.

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 AND RISK MANAGEMENT

The Company's financial instruments consist of cash, accounts receivable, investment, accounts payable and accrued liabilities, note payable, bank operating line, mortgage and loan 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, concentration of 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 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 December 31, 2016, 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.

The carrying amounts and fair values of the Company's financial instruments are presented in the table below:

	December 31, 2016		December 31, 2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets at FVTPL:				
Cash	$ 591,705 (A)	$ 591,705	$ 1,625,412 (A)	$ 1,625,412

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Loans and Receivables:						
Accounts receivable	3,747,044	(A)	3,747,044	1,513,201	(A)	1,513,201
Investment	504,378	(A)	504,378	532,767	(A)	532,767
Other Financial Liabilities:						
Accounts payable and accrued liabilities	**10,149,365**	**(A)**	**10,149,365**	2,261,197	(A)	2,261,197
Note payable	**324,179**	(A)	**324,179**	324,179	(A)	324,179
Repayable government contribution	**187,500**	**(B)**	**N/A**	218,750	(B)	N/A
Mortgages payable	**9,670,085**	**(C)**	**9,645,269**	8,750,000	(C)	8,750,000
Capital lease	**102,986**	**(C)**	**102,986**	156,906	(C)	156,906

(A) The fair value of accounts receivable, investment, accounts payable and accrued liabilities, note payable approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.
(B) The fair value of repayable government contribution cannot be determined as there is no market for financial instruments which bear no interest.
(C) The fair value of mortgages payable and capital lease are determined by discounting the future contractual cash flows under the current financing arrangements at a discount rate that represents an approximation to the borrowing rates presently available to the Company for debts with similar terms to maturity. The fair value of mortgage payable and capital lease are measured at fair value-Level 2.

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 December 31, 2016, the Company was holding cash of $591,705 (December 31, 2015 - $1,625,412), accounts receivable of $3,747,044 (December 31, 2015 - $1,552,821) and had a working capital of $7,781,467 (December 31, 2015 - $6,759,777). Non-derivative financial liabilities of $11,861,486 (2015 - $2,753,388) will be settled within one year.

Credit risk

The Company's exposure to credit risk relates to cash, accounts receivable and investment 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.

Concentration of risk

The Company is exposed to credit risk on the accounts receivable from its customers. As at December 31, 2016, approximately 50% (December 31, 2015 – 47% from two customers) of the trade accounts receivable balance is owed from three customers. Sales to three major customers represent 36% of the Company's total sales for the year ended December 31, 2016 (2015 – 59% from two customers). The Company minimizes its exposure to the concentration of risk by developing a larger client base.

The Company obtains inventory from companies in Asia and is dependent on them to supply substantially all 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 until construction of a full-scale facility can be completed.

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.

The table below indicates the foreign currency to which the Company had exposure as at December 31, 2016 and 2015 in Canadian dollar terms. The table also illustrates the potential impact to the Company's net equity as at December 31, 2016 and 2015 if the Company's presentation currency had strengthened or weakened by 5% in relation to the USdollar, with all other variables held constant. In practice, the actual result may differ materially from this sensitivity analysis.

	Total Exposure		Impact on Net Equity	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
U.S. dollar	$ 15,224,785	$ 14,728,968	$ 761,239	$ 736,448
As a % of Net Equity	96.46%	99.49%	4.83%	4.85%

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, 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 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.

"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.

	December 31, 2016	December 31, 2015
Net Income	$1,079,557	$179,497
L/T debt interest	450,870	154,662
Deferred Income tax	576,493	733,861

Current income tax	499,640	
Stock options expense		744,896
Depreciation of property, plant & equipment	290,974	145,941
Amortization of intangible assets	882,541	681,556
Related parties SM expenses		349,818
Adjusted EBITDA	$3,780,075	$2,990,231

CAPITAL MANAGEMENT AND CAPITAL RESOURCES

The Company's object, when managing capital is to maintain adequate cash resources to support planned activities which include the continuing operations of the business. The Company includes shareholders' equity of $15,783,398 (2015 - $15,186,359) and mortgages payable of $9,670,085 (2015 - $8,750,000) in the definition of capital. In managing capital, the Company estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates 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.

The Company entered into an agreement with a manufacturer in China which will manufacture production equipment based on design and specifications from the Company. The total cost is expected to be $3,000,000. Agriculture Financial Services Corporation (AFSC) provided a loan of $2,736,000 for this project' and the balance of the funding of this project will be financed by cash generated from operations. As at December 31, 2016, a total cost of $2,400,000 has been paid to the manufacturer in China.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after December 31, 2016. Many are not applicable or do not have a significant impact to the Company and have been excluded from below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 "Financial Instruments" ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for the Company's fiscal year beginning January 1, 2018. The Company is currently assessing the impact of this standard on its financial statements.

IFRS 15 Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services. IFRS 15 is effective for the Company's fiscal year beginning January 1, 2018. The Company is currently assessing the impact of this standard on its financial statements.

IFRS 16 Leases was issued by the IASB in January 2016. The new standard replaces IAS 17 Leases and requires lessees to recognize all leases on the balance sheet. IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee—the lease customer), treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements. Earlier application is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. IFRS 16 is effective for the Company's fiscal year beginning January 1, 2019. The Company is currently assessing the impact of this standard on its financial statements.

SUBSEQUENT EVENTS

The Company signed a credit facility agreement with TD Canada Trust (the "Agreement") on February 17, 2017. This agreement increases the credit limit for the operating line of credit mentioned in Note 4 to a maximum of $2,000,000 and also added a revolving facility of $500,000 to assist with the acquisition of equipment and/or leasehold improvements.

The operating line of credit facility is due on demand, bears interest at prime plus 1.50% per annum and is secured by first charge on accounts receivable and inventories.

The committed revolving facility of $500,000 to assist with acquisition of equipment and/or leasehold improvements is available at the Company's option by way of:

a) Fixed rate term loan which bears interest at a fixed rate to be determined by the bank set out in the Rate and Payment Terms Notice and is due maximum 5 years from the date of each drawdown; or
b) Floating rate term loan which bears interest at prime plus 1.50% per annum and is due maximum 1 year from the date of each drawdown

This committed revolving facility is secured by a general security agreement and is subject to debt service coverage of not less than 120% at all times.

CONCLUSION

BioNeutra concluded a record breaking year, with an increase in sales of $10 Million dollars. BioNeutra with our lead product "VitaFiber", is being recognized around the world as an important Food Additive to supplement the growing demand for healthier products. We will continue to develop new products to meet this world demand. The background of our Scientific team will allow us to introduce new and healthier products and our outlook for 2017 and beyond is very exciting. We will begin production in 2017, with our new plant located in Edmonton, that will be the first of its kind in North America. This facility will be capable of 5,000 metric tonnes per year, and will allow us to not only produce, but to develop new products.

INVESTOR RELATIONS:

Mr. Bill Smith

Chairman & Senior Vice President
Tel: (780) 466-1481 (Ext. 117)
Email: bill.smith@bioneutra.ca

Corporate Offices:
9608 – 25th Avenue NW
Edmonton, AB T6N 1J4

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