



BioNeutra Global Corporation

TSXV:BGA

OTCQB:BGACF

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three month and nine month
period ended September 30, 2020

Introduction

The following Management's Discussion and Analysis ("MD&A") for BioNeutra Global Corporation ("BioNeutra" or the "Company"), was prepared as of November 18, 2020 for the three and nine months ended September 30, 2020 and should be read in conjunction with the Company's September 30, 2020 interim condensed consolidated financial statements and the December 31, 2019 and December 31, 2018 audited annual consolidated financial statements. **Readers are encouraged to read the "Forward-Looking Information" and "Non-IFRS Measures" contained in this document.**

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

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

Forward-Looking Information

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

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

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

OVERVIEW OF THE BUSINESS

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

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

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

The Company is the only IMO manufacturer with a North American facility that is capable of producing products to capture the demand from increasing "BUY LOCAL" trends. Additionally, the growth of organic markets are particularly relevant with customers increasingly demanding organic products; these products are the focus of Edmonton manufacturing operations and provide the Company with the highest margins.

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

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three month and nine month period ended September 30, 2020

FINANCIAL HIGHLIGHTS

(in 000's except per share amounts)	Three months ended				Nine months ended			
	Sept 30 2020	Sept 30 2019 \$	Change %		Sept 30 2020	Sept 30 2019 \$	Change %	
Sales	\$ 5,845	\$ 10,373	\$ (4,528)	(44%)	\$ 19,394	\$ 28,026	\$ (8,632)	(31%)
Adjusted EBITDA ⁽¹⁾	385	1,266	(880)	(70%)	285	(520)	805	(155%)
Adjusted EBITDA as a % of revenue	7%	12%	(6%)	(46%)	1%	(2%)	3%	(179%)
Adjusted (loss)/income ⁽¹⁾	(69)	1,067	(1,136)	(106%)	(1,025)	(1,079)	54	(5%)
Net (loss)/income	\$ (69)	\$ (913)	\$ 844	92%	\$ (1,025)	\$ (6,705)	\$ 5,680	(85%)
Diluted per share								
Adjusted EBITDA	\$ 0.01	\$ 0.03	(0.02)	(67%)	\$ 0.01	(0.01)	0.02	100%
Adjusted (loss)/income	(0.00)	0.02	(0.02)	0%	(0.02)	(0.02)	0.00	0%
Net (loss)/income	\$ (0.00)	(0.02)	0.02	200%	\$ (0.02)	\$ (0.14)	0.12	700%
Total Assets					\$ 26,474	\$ 35,171		
Working Capital					(1,607)	3,332		
Long-term debt					6,551	6,967		
Shareholders Equity					4,239	10,970		

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

Q3 and YTD 2020 HIGHLIGHTS

The Company continued to operate well in a challenging business environment brought on by COVID-19 and competitive pricing pressures.

BioNeutra experienced a reduction in sales in both the three and nine month periods ending September 30, 2020. The reductions were a result of several factors including COVID-19, the fiber petition in US market, reduced new product development by customers, and lower selling prices to certain customers due to competitive pressures. Despite the reduction in sales, management counteracted its impact on the Company by among other things, improved cost controls and reduced spending on sales and marketing activities.

The third quarter gross margin percentages increased compared to the same quarter a year earlier as the Company's third quarter in 2019 had additional cost due to supply chain interruptions that resulted in significant extra costs to service customer accounts. The positive numbers were also helped by improved inventory management. The upswing for Q3 was reduced because the Company had to absorb tariffs imposed in the US that could not be passed on to our customers.

Regarding the fiber concern in US market, the Company has developed a new product high in fiber content which will be fully recognized in the USA market for soluble fiber content by the FDA. This product is commercially available and currently being tested by several clients and we anticipate substantial growth for this product.

The Company has placed a strong emphasis on cash control and managing liquidity to ensure it is in a position to deal with any uncertainties the Pandemic may cause. The Company is pleased that during the third quarter it was able to reduce debt, while increasing its cash position.

Management was able to quickly transition all of its sales and administrative operations to working remotely when the economy was locked down. Manufacturing operations in Edmonton are currently running as planned and most of the employees are now working at the office, however the Company is prepared to resume remote operations if required through legislative lockdowns or soaring infection rates. The safety of BioNeutra employees will always be a top priority.

Sales for the three months ended September 30, 2020 were \$5,845,000 and \$19,394,000 for the nine months ended September 30, 2020. While these figures represent declines of 44% and 31% compared to the same periods in 2019, the overall financial performance of the Company was stable through maintaining stable supply chains, improved inventory control, and controlling expenses.

Adjusted EBITDA for the three and nine months ended September 30, 2020 at \$385,000 and \$285,000 versus \$1,266,000 and \$(520,000) demonstrating management's commitment to reduce costs to align with a decline in sales.

The Company recorded a net loss of \$(69,000) in the third quarter and this contributed to a net loss of \$(1,025,000) for the nine months ended September 30, 2020. This is a tremendous improvement over corresponding periods in 2019 which showed net losses of \$(913,000) and \$(6,705,000).

BioNeutra had negative working capital of \$1,607,000 at September 30, 2020 compared to positive \$3,332,000 at September 30, 2019. Working capital has fallen largely as the result of inventory write downs in the fourth quarter of 2019 reflecting slow moving and expired inventory. Management is working with its one major vendor on extending its amount owing to a long term payable, although at this time the balance remains classified as a current liability.

OUTLOOK

Management has taken a range of actions to respond to the results from a very difficult 2019 and the arrival of the Covid 19 pandemic which has negatively affected all geographic regions and all aspects of the global economy. The majority of the Company's personnel worked remotely in the second quarter and delivered a profit and during the third quarter, the entire Company was back working at the office. Despite these challenges, a loss of some business due to fiber petition issue in US market, and competitive pressures, 2020 demonstrated a stable operating performance despite unprecedented headwinds. This demonstrates the value that our VitaFiber[®]IMO provides to our customers. No other product combines a unique sweet taste, prebiotic fiber benefits, and a multitude of formulation benefits that help our customers deliver healthy products to consumers all over the globe. Our customers appreciate the unique taste and formulation benefits of VitaFiber[®]IMO that cannot easily be replaced without a noticeable change to the final product. VitaFiber[®]IMO works well in a variety of food products including bars, ice cream, yogurts, and confectionaries including gummies.

We appreciate the stability of our third quarter and year to date performance and the efforts by our team to continue to operate well in unprecedented conditions. The team was quickly able to adjust to operating remotely and all operations continued with very little interruption. The restructuring of the management team made earlier this year has helped in navigating the challenges upon us and the opportunities ahead.

BioNeutra is currently exploring several strategic relationships throughout its operations including an exclusive supply agreement with a significant customer. Multiple new products have been produced and are currently being evaluated by customers.

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

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

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BioNeutra anticipates a relatively modest capital upgrade in early 2021 at the Edmonton production facility which will allow for a significant increase in production capacity to serve anticipated increased demand for organic and North American produced IMO.

On October 28, 2020 the BioNeutra began trading in the United States on the OTCQB Venture Marketplace under the symbol "BGACF". It is anticipated that trading on the OTCQB will enhance trading liquidity, broaden the shareholder base, and provide better access to and ease of trading of the Company's shares for current and future US based shareholders.

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

Revenue

(in 000's)	Three months ended				Nine months ended			
	Sept 30	Sept 30	Change		Sept 30	Sept 30	Change	
	2020	2019	\$	%	2020	2019	\$	%
Sales	\$ 5,845	\$ 10,373	\$ (4,528)	(44%)	\$ 19,394	\$ 28,026	\$ (8,631)	(31%)

Sales were \$5,845,000 for the three months ended September 30, 2020, representing a decrease of \$4,528,000 or 44% compared to sales for the three months ending September 30, 2019 sales which were \$10,373,000. The quarter was affected by the impact of Covid 19, some customer losses because of the fiber petition issue in US market, and competitive pricing pressures. Sales for the nine month period ended September 30, 2020 were \$19,394,000 versus \$28,026,000 for the same period in 2019, a decrease of 31%. This decrease is mainly attributable to losses of customers that were impacted by the fiber ruling in the US, slower customer demand due to pandemic economic slow downs, and increased pricing pressures.

The Company was encouraged to see a positive trend continuing with respect to online retail sales in the third quarter. Online sales represent a diversification of sales revenue from BioNeutra traditional B2B ingredient business. Sales in this segment have been trending upwards and new opportunities beyond online are currently being explored. The Company anticipates launching new products in the second half of 2020 to target US based customers who require fiber content in their formulations as well as organic IMO from pea manufactured at BioNeutra's Edmonton facility.

Gross Margin

(in 000's)	Three months ended				Nine months ended			
	Sept 30	Sept 30	Change		Sept 30	Sept 30	Change	
	2020	2019	\$	%	2020	2019	\$	%
Gross Margin	\$ 1,544	\$ 831	\$ 713	86%	\$ 5,459	\$ 2,915	\$ 2,545	87%
% of sales	26.4%	9.2%		17%	28.1%	16.5%		12%

The company recorded a gross profit of \$1,544,000 for the three months ending September 30, 2020 versus \$831,000 for the same period in 2019. The comparative period was materially impacted by supply chain problems that have since been rectified. The current period was negatively impacted by decreased sales due to the pandemic, customer losses or sales reductions due to the fiber petition issue in the US market, abs pricing pressures.

The gross margin for the nine month period ended September 30, 2020 was also materially higher than the same period in 2019 as margins increased to \$5,459,000 versus \$2,915,000.

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Expenses

(in 000's)	Three months ended				Nine months ended			
	Sept 30 2020	Sept 30 2019	Change		Sept 30 2020	Sept 30 2019	Change	
			\$	%			\$	%
Salaries and benefits	\$ 439	\$ 723	\$ (284)	(39%)	\$ 1,793	\$ 2,273	\$ (480)	(21%)
Warehouse costs	230	155	75	49%	1,194	801	392	49%
General and administrative	314	439	(126)	(29%)	878	1,692	(814)	(48%)
Professional fees	75	286	(211)	(74%)	326	764	(437)	(57%)
Sales and marketing	201	273	(72)	(26%)	364	745	(381)	(51%)
Research and development	35	7	29	437%	219	255	(36)	(14%)
	\$ 1,295	\$ 1,883	\$ (588)	(31%)	\$ 4,774	\$ 6,531	\$ (1,757)	(27%)
Bad Debt	-	-	\$ -	100%	-	\$ 830	\$ (830)	100%
Total Expenses	\$ 1,295	\$ 1,883	\$ (588)	(31%)	\$ 4,774	\$ 7,361	\$ (2,587)	(35%)

The Company reduced its expenses significantly in 2020 versus 2019 for both the three and nine months ended September 30, 2020. These reductions for expenses exclusive of bad debts were \$588,000 or 31% for the three months period ended September 30, 2020 and \$1,757,000 or 27% for the nine months ended September 30, 2020.

Salaries and benefits were \$439,000 and \$1,793,000 for the three and nine month periods ended September 30, 2020 compared to \$723,000 and \$2,273,000 for the respective periods in 2019. The decrease is attributable to staff reductions in early 2020 as well as the fact that employee bonuses were paid in the first quarter 2019 but not 2020. In addition, Covid 19 relief funding from the CEWS program was recognized in 2020 as an expense reduction. The amounts recognized were \$351,000 in the three months ended September 30, 2020 and \$542,000 for the nine months ended September 30, 2020.

Warehouse costs increased to \$230,000 and \$1,194,000 for the three and nine months ended September 30, 2020 compared to \$155,000 and \$801,000 for the same periods in 2019. The overstock, expiry, and slow movement for certain products due to changes in customer preferences increased the warehouse cost. Significant inventories that were classified as prepaid expenses on December 31, 2019 arrived at the warehouses in early 2020 and contributed to the increased cost.

General and administration expenses were \$314,000 and \$878,000 in the three and nine months ended September 30, 2020 compared to \$439,000 and \$1,692,000 for the same periods in 2019. The previous period had significant expenses for the evaluation of new business opportunities and increased use of consulting services that were not incurred in 2020.

Professional fees were \$75,000 and \$326,000 for the three and nine months ended September 30, 2020 compared to \$286,000 and \$764,000 for the three and nine months ended September 30, 2019. There was reduced demand for legal services in the current periods vs. the previous periods.

Sales and marketing expenses were \$201,000 and \$364,000 for the three and nine months ended September 30, 2020 compared to \$273,000 and \$745,000 for the same periods in 2019. BioNeutra took measures to control the marketing expense in 2020. As a result of the Covid 19 pandemic, travel related to marketing was suspended and several trade shows were cancelled resulting in a reclassification of payments made to prepaid expenses. During the third quarter of 2020 the Company did incur expenditures to a third party marketing company to assist in developing alternative marketing strategies to better engage new customers.

Research and development expenses were \$35,000 and \$219,000 for the three and nine months ending September 30, 2020 compared with \$7,000 and \$255,000 for the same periods in 2019. The changes relate to the receipt and timing of SR&ED credits during the current year versus the previous year as well as the timing and payment of third party subcontractor invoices for clinical trial expenses.

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Amortization

(in 000's)	Three months ended				Nine months ended			
	Sept 30 2020	Sept 30 2019	Change		Sept 30 2020	Sept 30 2019	Change	
			\$	%			\$	%
Depreciation of property, plant and equipment	\$ 239	\$ 21	\$ 219	1055%	\$ 635	\$ 76	\$ 559	738%
Amortization of intangible assets	108	175	(67)	(38%)	408	639	(232)	(36%)
	\$ 347	\$ 196	\$ 151	77%	\$ 1,042	\$ 715	\$ 327	46%

Depreciation increased in 2020 to \$239,000 and \$635,000 for the three and nine months ended September 30, 2020 from \$21,000 and \$76,000 for the same periods in 2019 as depreciation recorded on manufacturing assets was not allocated to inventory costs in 2020 because the facility was operating at less than full capacity. During 2020 an additional \$224,000 of depreciation was capitalized to the cost of pea derived inventory manufactured in Edmonton.

Financing Expenses (Income)

(in 000's)	Three months ended				Nine months ended			
	Sept 30 2020	Sept 30 2019	Change		Sept 30 2020	Sept 30 2019	Change	
			\$	%			\$	%
Interest on long-term debt	\$ 85	\$ 104	\$ (20)	(19%)	\$ 278	\$ 332	\$ (54)	(16%)
Foreign exchange (gain) loss	(136)	(63)	(73)	115%	401	1,060	(660)	(62%)
	\$ (52)	\$ 41	\$ (53)	129%	\$ 678	\$ 1,392	\$ (714)	(51%)

The foreign exchange gain for the three months ended September 30, 2020 was impacted by unrealized gains because of a weakening US dollar in Q3. As a result large net US dollar liability position due to accounts payable, the weaker exchange rate will trigger gains.

Interest on long-term debt was \$85,000 and \$278,000 for the three and nine months ended September 30, 2020 while it was \$104,000 and \$332,000 for the comparable periods in 2019. The decrease is due to lower principal balances owing on the mortgage outstanding in 2019 and the payout of a vendor take back mortgage in Q4 2019.

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SUMMARY OF QUARTERLY RESULTS

(in 000's)	2020			2019				2018
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Total Revenue	\$5,845	\$6,339	\$ 7,166	\$ 9,675	\$ 10,373	\$9,023	\$ 8,630	\$ 7,281
Gross Margin	1,544	2,147	1,768	(2,277)	831	(289)	2,372	1,048
Net (loss)/income	-69	168	(1,124)	(5,769)	(913)	(4,661)	(1,131)	1,712
Current assets	14,076	16,389	18,097	20,637	20,565	19,810	22,366	23,178
Non-current assets	12,397	13,105	14,143	13,388	14,606	15,005	15,887	16,808
Total assets	26,474	29,494	32,240	34,025	35,171	34,815	38,253	39,986
Current liabilities	15,683	18,010	19,458	22,526	17,234	15,257	13,641	13,849
Non-current liabilities	6,551	6,735	6,917	6,746	6,967	7,189	7,771	8,078
Total liabilities	22,234	24,745	26,375	29,312	24,201	22,446	21,412	21,927
Shareholders' Equity	4,239	4,749	5,865	4,713	10,970	12,369	16,841	18,059
Cash	2,500	2,492	1,580	523	1,825	1,489	1,610	1,498
Working capital	(1,607)	(1,621)	(1,361)	(1,889)	3,331	4,553	8,726	9,329

The table above presents the Company's financial performance over the past eight quarters. Prior to 2020, the overall trend of the Company's revenues and gross profits has been positive. The 2020 results are discussed above.

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

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

FINANCIAL CONDITION & LIQUIDITY

(in 000's)	Sept 30	December 31
	2020	2019
Current assets	\$14,076	\$20,637
Current liabilities	15,683	22,526
Working capital	\$ (1,607)	\$ (1,889)

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

As of September 30, 2020, the Company had a working capital deficit of \$1,607,000 compared to a working capital deficit of \$1,889,000 at December 31, 2019. BioNeutra is currently reviewing potential options to reduce current liabilities. The Company has been having on-going discussions with a long-term strategic partner to negotiate the

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deferral of some balances due beyond the next year so that these balances will be reflected as long-term liabilities. This would improve the working capital.

	Sept 30 2020	Sept 30 2019
(in 000's)		
Operating activities	\$2,713	\$1,160
Investing activities	(68)	(177)
Financing activities	(696)	(816)
Change in cash position	\$1,948	\$166

For the nine months ending September 30, 2020, \$2,713,000 of cash was generated by operating activities compared to cash generated of \$1,160,000 for the same period last year. The increase was due to decreased operating costs and decreased inventories and prepaids offset partially by lower current liabilities. Cash used by investing activities was \$68,000 for the nine period ending September 30, 2020 compared to cash used of \$177,000 for the same period in 2019, reflecting modest capital expenditures for both periods. Cash used in financing activities was \$696,000 for the nine month period ending September 30, 2020 compared to cash used of \$816,000 for the same period in 2019. Financing activities include net proceeds/repayments of mortgages, interest paid on debts, and capital leases as well as repayment of government loans.

SHARE DATA

For the three-month period ended September 30, 2020, the Company had a weighted average of 46,448,787 common shares outstanding with no dilutive options for a fully diluted weighted average share count of 46,448,787. No changes in share capital have occurred in 2020.

RISK AND UNCERTAINTIES

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

COVID-19

The emergence of the COVID-19 pandemic in early 2020 has impacted the global economies and the Company in 2020. The impact of the pandemic and its duration is unknown at this time. The Company has taken action to adjust to the pandemic including successfully implementing a remote work plan. Due to the uncertainty of what the impact of the pandemic will be for the Company going forward, the Company is continually assessing its risks in all aspects of its business and offers its current assessment of the impact of COVID-19.

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. The COVID-19 pandemic has resulted in a particularly harsh business slowdown in Europe and reduced sales to our customers as this was one of the first regions to go into a major economic shut down. Orders in the US have been deferred and although this may not be a permanent loss of sales, it may result in increased volatility of quarterly financial results.

Dependence on Third Parties

The Company relies in part on contract manufacturers to produce its products, however that risk is partially mitigated by the production capacity of our new Canadian plant. To date the COVID-19 pandemic has not impacted the supply chain and the Company has been able to access inventory as required .

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

Competition

The functional food and beverage industry is characterized by competition and ongoing product development in all of its phases. The Company competes with numerous other organizations in the development and sales of functional food and beverage ingredient products, including companies that have significant financial resources, marketing and sales departments, staff and facilities. The Company's ability to remain viable in the future will depend on its ability to develop, maintain and exploit its intellectual property, remain cost effective, and develop markets for its products. Competitive factors in the manufacture and sales of functional food and beverage product ingredients include price, methods of production, and the ability to deliver products to market. If the Company is not able to compete effectively in this regard, its future growth may be negatively impacted.

Key Personnel

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

COVID-19 has not impacted the Company's personnel as the Company was quickly able to transition to remote operations during economic shutdowns and is prepared to do so again if required.

Transportation and Distribution Network Risk

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

There has been no impact on the Company from COVID-19 and the Company has had full access to all of its required logistic services.

Regulatory Framework

BioNeutra, its subsidiaries and the products it sells are subject to a variety of laws and regulations, such as those enforced by Health Canada, the US-FDA, the European EFSA and others, and may become subject to additional laws, regulations and guidelines in the future. The financial and managerial resources necessary to ensure such compliance could escalate in the future which could have a materially 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 daily and is qualified and prepared to adjust to any significant regulatory changes to ensure that the operations of the Company will not be adversely affected.

Future Financing

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

The COVID-19 impact is expected to make raising capital for future business development more difficult.

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 materially adverse effect on the Company's assets, liabilities, business, financial condition and results of operations.

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

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

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

Product Liability Claims

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

Financial Risk

The Company may become exposed to a variety of financial risks, including but not limited to: credit risk, concentration risk, foreign exchange risk, interest rate risk and liquidity risk. The Company believes all of these risks are elevated due to COVID-19.

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.

A negative impact from COVID-19 on our customers will likely decrease sales and increase credit risk.

Suppliers

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

While there has been no noted COVID-19 impact by the Company, an interruption in the future could result in reduced sales and have a major detrimental impact on the Company, including being able to manufacture products in Edmonton.

Exposure to Business Risks Associated with International Operations

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

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

To date the Company has noted the impact of COVID-19 has varied by region and largely dependent on what the local COVID-19 situation is. For example, some of the most severe COVID-19 impact was first noted in Europe, leading to large scale economic shutdowns, and reduced sales for the Company in that region. In the US we have noted some customers have deferred deliveries to subsequent periods.

Intellectual Property

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

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

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

In order to ensure that the Company makes informed decisions in allocating its research and development efforts, the Company's Board has implemented a Scientific Advancement Committee. The primary functions of this Committee are to advise the Board and management on scientific matters involving the Company's research and development programs, to interact with academic and other outside research organizations, and to help the Company stay ahead of the curve and anticipate emerging concepts and trends in the functional food and beverage ingredient industry.

Cyber Security

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

FINANCIAL INSTRUMENTS

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

Financial risk management

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

Liquidity risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital and cash flows. As at September 30, 2020, the Company was holding net cash of \$2,499,523 (December 31, 2019 - \$523,102), accounts receivable of \$1,512,756 (December 31, 2019 - \$3,298,533) and had a working capital deficiency of \$1,606,781 (December 31, 2019 - working capital

deficiency of \$1,888,824) (see Going Concern- note 2). Non-derivative financial liabilities of \$15,683,108 (December 31, 2019 -\$22,526,171) will be settled within one year.

Credit risk

The Company's exposure to credit risk that relates to cash and accounts receivable arises from the possibility that the third party does not satisfy its contractual obligations. The Company minimizes its exposure to credit risk by keeping the majority of its cash with major chartered banks, reviewing new customers' credit history before extending credit, conducting regular reviews of its existing customers' credit performance and insuring the receivable balances to the extent possible with a third-party insurance company. The trade receivables are generally due for settlement within 60 days subsequent to the sales activities. An allowance for doubtful accounts is established based upon Expected Credit Loss Model. The Company's maximum exposure to credit risk is equal to the carrying value of the financial assets. There is no significant amount considered past due or impaired as of September 30, 2020 other than a single account which has a provision for loss established. It is management's opinion that the level of credit risk is low due to the credit-worthiness of the counterparties involved.

Concentration risk

The Company is exposed to credit risks on the accounts receivable from its customers. As at September 30, 2020, approximately 73% of the trade accounts receivable balance is owed from four customers (December 31, 2019 – 43% from two customers). The Company minimizes its exposure to the concentration of risk by developing a larger client base.

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

Foreign currency risk

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

The table below indicates the foreign currency to which the Company had exposure as at September 30, 2020 and December 31, 2019 in Canadian dollar terms. The table also illustrates the potential impact to the Company's net equity as at June 30, 2020 and December 31, 2019 if the Company's presentation currency had strengthened or weakened by 5% in relation to the U.S. dollar, with all other variables held constant. In practice, the actual result may differ materially from this sensitivity analysis.

	Total Exposure		Impact on Net Equity		Impact on Net Equity	
	Sept 30,	December 31	Sept 30,	December 31	Sept 30,	December 31
	2020	2019	2020	2019	2020	2019
US Dollar	\$ 5,001,579	\$ 4,964,765	\$ 250,079	\$ 472,510	\$ 250,079	\$ 472,510
As a % of Net Equity	157.37%	190.53%	7.64%	9.52%		
As a % of net income					-33%	-4%
As a % of Comprehensive					-65%	-3%

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate price risk on its mortgages payable and

capital lease which bear a fixed interest rate, and interest rate cash flow risk on its floating rate mortgage payable. Management does not believe this risk is significant.

NON-IFRS MEASURES

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

Adjusted Net (Loss) Income and Adjusted EBITDA

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

(in 000's)	Three months ended Sept 30		Nine months ended Sept 30	
	2020	2019	2020	2019
Net (loss)/income	\$ (69)	\$ (1,312)	\$ (1,025)	\$ (6,612)
Add:				
Loss profit on one time product sales	-	1,832	-	1,832
Contingent liability	-	11	-	959
One time bad debt allowance	-	-	-	830
Impairment on inventory	-	536	-	1,912
Adjusted Net income (Loss)	\$ (69)	\$ 1,067	\$ (1,025)	\$ (1,079)
Add:				
Interest	104	127	332	391
Income tax (recovery)/expense	3	(124)	(65)	(547)
Amortization of intangibles assets	108	175	408	639
Depreciation expense	239	21	635	76
Adjusted EBITDA	\$ 385	\$ 1,266	\$ 285	\$ (520)

Corporate Information

Officers and Directors

Curtis Sparrow, ⁽¹⁾
Chairman of Audit Committee
Edmonton, Alberta

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

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

William Wei ⁽¹⁾
Director
Edmonton, Alberta

Peter Watson
Chairman of the Board
Edmonton Alberta

Christine O'Neil
Director
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(1) Member of Audit Committee