Sunora Foods Inc.

Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2015 and 2014

(unaudited)

Sunora Foods Inc.
Condensed Interim Consolidated Balance Sheet
(amounts in Canadian dollars)
(unaudited)

Assets	June 30, 2015	December 31, 2014 *(audited)*
Current assets		
Cash	$ 2,540,091	$ 1,784,147
Accounts receivable *(note 7 (c))*	1,073,617	1,440,990
Inventory *(note 3)*	393,965	741,047
Prepaid expenses	10,722	23,163
	4,018,395	3,989,347
Deferred tax asset	150,062	150,062
	$ 4,168,457	$ 4,139,409
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 591,699	$ 979,793
Income tax payable	159,107	80,465
Customer deposits	-	12,678
	750,806	1,072,936
Shareholders' Equity		
Share capital *(note 4)*	1,400,816	1,400,816
Warrants *(note 4(e))*	480,021	480,021
Contributed surplus *(note 6)*	86,157	86,157
Retained earnings	1,450,657	1,099,479
	3,417,651	3,066,473
	$ 4,168,457	$ 4,139,409

Commitment *(note 11)*

See accompanying notes to the condensed interim consolidated financial statements.

APPROVED BY THE BOARD

"signed" Steve Bank — Director

"signed" Alan Chan — Director

Sunora Foods Inc.
Condensed Interim Consolidated Statement of Income and Comprehensive Income
(amounts in Canadian dollars)
(unaudited)

	Three-month Period Ended June 30, 2015	Three-month Period Ended June 30, 2014	Six-month Period Ended June 30, 2015	Six-month Period Ended June 30, 2014
Sales	$ 3,233,996	2,836,903	$ 5,977,963	5,796,630
Cost of sales	2,934,022	2,627,296	5,372,814	5,479,823
Gross margin	299,974	209,607	605,149	316,807
Other				
General and administrative	113,158	54,270	210,693	207,014
Marketing and promotion	11,577	7,502	28,388	13,293
Bank charges and interest	4,639	1,778	6,543	4,717
Foreign exchange	28,410	(29,628)	(102,603)	(66,714)
Stock-based compensation *(note 5)*	-	-	-	45,901
	157,784	33,922	143,021	204,211
Income (loss) before income taxes	142,190	175,685	462,128	112,596
Income tax expense (recovery)	31,250	54,104	110,950	49,808
Net income (loss) and comprehensive income (loss)	$ 110,940	$ 121,581	$ 351,178	$ 62,788
Earnings per share				
Basic and diluted	$ 0.003	$ 0.003	$ 0.008	$ 0.001

See accompanying notes to the condensed interim consolidated financial statements.

Sunora Foods Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(amounts in Canadian dollars)
(unaudited)

	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Retained Earnings	Total
Balance at December 31, 2013	42,254,332	$ 1,400,816	$ 480,021	$ 40,256	$ 910,406	$ 2,831,499
Stock-based compensation *(note 5)*	-	-	-	45,901	-	45,901
Net income for the Period	-	-	-	-	62,788	62,788
Balance at June 30, 2014	42,254,332	$ 1,400,816	$ 480,021	$ 86,157	$ 973,194	$ 2,940,188
Net income for the Period	-	-	-	-	126,285	126,285
Balance at December 31, 2014	42,254,332	$ 1,400,816	$ 480,021	$ 86,157	$ 1,099,479	$ 3,066,473
Net income for the Period	-	-	-	-	351,178	351,178
Balance at June 30, 2015	42,254,332	$ 1,400,816	$ 480,021	$ 86,157	$ 1,450,657	$ 3,417,651

See accompanying notes to the condensed interim consolidated financial statements.

Sunora Foods Inc.
Condensed Interim Consolidated Statement of Cash Flows
(amounts in Canadian dollars)
(unaudited)

	Six-month Period Ended June 30, 2015	Six-month Period Ended June 30, 2014
Net cash inflow (outflow) related to:		
Operating activities		
Net Income	$ 351,178	$ 62,788
Items not affecting cash		
Stock-based compensation	-	45,901
Deferred income tax expense	-	39,624
Change in unrealized foreign exchange on US dollar cash	(14,950)	(24,722)
	336,228	123,591
Changes in non-cash working capital		
Accounts receivable	367,373	48,076
Income tax recoverable (payable)	78,642	18,527
Inventory	347,082	166,532
Prepaid expenses	12,441	6,926
Accounts payable and accrued liabilities	(388,094)	(330,696)
Customer deposits	(12,678)	(18,522)
	404,766	(109,157)
Increase in cash flow	740,994	14,434
Cash, beginning of period	1,784,147	1,646,563
Effect of exchange fluctuations on US dollar cash	14,950	24,722
Cash, end of period	$ 2,540,091	$ 1,685,719
Cash is comprised of:		
Cash held in Canadian dollars	2,002,194	1,111,268
Cash held in US dollars	537,897	574,451
	$ 2,540,091	$ 1,685,719

See accompanying notes to the condensed interim consolidated financial statements.

1. General business description

Sunora Foods Inc. ("Sunora" or the "Corporation"), is a trader of canola, olive and other food oils across Canada, the United States and internationally. Sunora is a publicly traded corporation, incorporated in Canada. The head office is located at 4616 Valiant Drive N.W., Calgary, Alberta, Canada, T3A 0X9.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 28, 2015.

(b) Basis of measurement

These consolidated financial statements have been prepared on an historical cost basis, except for certain financial assets and financial liabilities, which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation and its wholly-owned subsidiary.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

In preparation of the condensed interim consolidated financial statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2014.

(amounts in Canadian dollars)

3. Inventory

The cost of inventory recognized as an expense during the three and six month periods and included in cost of sales was $2,658,459 and $4,836,015, respectively (three and six month periods ended June 30, 2014 - $2,627,296 and $5,479,823). The inventory on hand consists of finished goods including product available for sale in bulk as well as packaged product available for sale.

4. Share capital and warrants

(a) Authorized
Unlimited number of common shares
Unlimited number of preferred shares (issuable in series)

(b) Issued

Common shares	**Number**	**Stated Value**
Balance, August 31, 2013	10,000	$ 1000
Elimination of SFL common shares	(10,000)	-
Shares issued in reverse acquisition	30,000,000	-
Shares previously issued by Thoroughbred	6,000,000	1,002,000
Shares issued for brokered private placement	4,587,667	367,013
Shares issued for non-brokered private placement	1,666,665	133,333
Share issue costs (less tax benefit of 20,105)	-	(102,530)
Balance, December 31, 2014 and June 30, 2015	42,254,332	$ 1,400,816

(c) Net income (loss) per share

The weighted average number of common shares used in the calculation of net income per share is as follows:

	June 30, 2015	**December 31, 2014**
Basic	42,254,332	42,254,332
Effect of dilutive instruments		
Common share options	183,503	-
Diluted	42,437,835	42,254,332

(amounts in Canadian dollars)

(d) Shares in escrow

At June 30, 2015, a total of 14,400,000 common shares (December 31, 2014 – 19,200,000) were held in escrow pursuant to TSXV requirements. The remaining shares will be released from escrow every 6 months by instalments of 4,800,000 common shares.

(e) Warrants

	Number	**Amount**
Warrants issued as part of brokered private placement	4,587,667	$ 321,137
Agent's warrants	344,075	30,967
Warrants issued as part of non-brokered private placement	1,666,665	116,667
Finder's warrants	124,999	11,250
Balance at December 31, 2014 and June 30, 2015	6,723,406	$ 480,021

5. Stock-based compensation

The Corporation has a stock option plan for officers, directors, employees and consultants and has authorized a pool of options to acquire common shares, not to exceed 10% of issued and outstanding common shares. Under the plan, the Board of Directors set the exercise price and expiry date for each option grant.

The following is a summary of the Corporation's outstanding stock options for the six-month period ended June 30, 2015 and the year ended December 31, 2014:

	Number of Options	**Weighted Average Exercise Price**	**Expiry Date**
Outstanding at August 31, 2013	-	-	-
Issued	600,000	$ 0.10	August 25, 2021
Outstanding at December 31, 2013	600,000	$ 0.10	August 25, 2021
Forfeited	(60,000)	$ 0.10	August 25, 2021
Outstanding at December 31, 2014	540,000	$ 0.10	August 25, 2021
Exercisable at December 31, 2014	540,000	$ 0.10	August 25, 2021
Issued	1,855,000	$ 0.15	March 23, 2020
Forfeited	(540,000)	$ 0.10	
Outstanding and exerciseable at June 30, 2015	1,855,000	$ 0.15	March 23, 2020

(amounts in Canadian dollars)

On March 23, 2015, 1,855,000 stock options were granted at an exercise price of $0.15/option to certain directors, officers, employees and consultants of the Corporation. The options expire in 5 years, on March 23, 2020 and vest 1/3 each 6 month anniversary of the grant date.

Of the stock options granted on March 23, 2015, 370,000 were not accepted therefore making the revised number of stock options granted to be 1,485,000.

6. Contributed surplus

The following summarizes changes in the Corporation's contributed surplus:

		June 30, 2015		December 31, 2014
Balance, beginning of period	$	86,157	$	40,256
Stock-based compensation (note 5)		-		45,901
Balance, end of period	$	86,157	$	86,157

7. Financial instruments

(a) Risk management

The Corporation's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. The Corporation employs risk management strategies and polices to ensure that any exposures to risk are in compliance with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, Sunora's management has the responsibility to administer and monitor these risks.

(b) Fair value of financial instruments

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of those instruments.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Cash is measured at fair value based on its Level 1 designation.

(c) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation performs ongoing credit evaluations of its customers and establishes an allowance for doubtful accounts based on credit risk applicable to certain accounts, historical trends and other relevant information. Management believes the risk is often mitigated by the size and reputation of the companies to which they extend credit.

As at June 30, 2015, the Corporation's maximum exposure to credit risk for accounts receivable is $1,073,617. Accounts receivable include amounts that are past due at the end of the reporting period for which the Corporation has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

(amounts in Canadian dollars)

	June 30, 2015	December 31, 2014
Current	$ 1,065,490	$ 1,333,071
60 - 90 days	-	105,641
Greater than 90 days	8,127	2,278
Accounts receivable	$ 1,073,617	$ 1,440,990

During the six month period ended June 30, 2015, sales to one customer (December 31, 2014 - one customer) represents 9% of the Corporation's total sales (December 31, 2014 – 17%).

The accounts receivable balance is widely diversified with the exception of three customers (December 31, 2014 – two customers) that represent 11%, 12% and 15% of the accounts receivable balance at June 30, 2015 (December 31, 2014 –10% and 18%).

Bad debt expense for the six month period ended June 30, 2015 was $Nil (December 31, 2014 - $148,260) which is included in general and administrative expenses. At June 30, 2015, the Corporation had allowance for doubtful accounts of $Nil (December 31, 2014 - $137,948).

The Corporation manages the credit exposure related to cash by selecting financial institutions with high credit ratings and monitors all short-term deposits to ensure an adequate rate of return. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Corporation's ongoing liquidity is impacted by various external events and conditions, including global economic conditions.

The financial liabilities on the consolidated balance sheet consist of accounts payable and accrued liabilities. The Corporation manages this risk through detailed monitoring of budgeted and projected operating results and cash requirements.

At June 30, 2015, the Corporation considered $Nil (December 31, 2014 - $Nil) of its accounts payable to be past due.

(e) Market risk

Market risk is the risk that changes in market prices, foreign exchange rates and interest rates will affect the Corporation’s net earnings or the value of financial instruments and are largely outside the control of the Corporation. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns. Primary market risks are as follows:

(i) Foreign currency risk

The Corporation is exposed to currency price risk on sales denominated in U.S. dollars (“USD”) and Singapore dollars (“SGD”) to the extent that the receipt of payment of the U.S. and Singapore denominated accounts receivable are subject to fluctuations in the related foreign exchange rate.

The carrying amounts of the Corporation's monetary assets and liabilities denominated in foreign currency at June 30, 2015 and December 31, 2014 are as follows:

	Foreign Currency	June 30, 2015	December 31, 2014
Cash	USD	431,214	547,756
Accounts receivable	USD	653,195	1,144,223
Accounts receivable	SGD	-	92,250
Accounts payable	USD	(213,006)	(427,818)

A $0.01 increase in the U.S. to Canadian dollar exchange rate would have resulted in an increase of $10,000 to net income for the period ended June 30, 2015. A $0.01 increase in the Singapore to Canadian dollar exchange rate would not have a significant impact on the net income for the period ended June 30, 2015.

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(amounts in Canadian dollars)

(f) Capital management

The Company's target Working Capital Ratio (Current Assets divided by Current Liabilities, which is an indicator of its ability to finance its on-going operations) is 2:1. The Company’s business has been managed with a strong working capital position which has enabled the Company to operate without debt. Additionally, the current nature of Sunora’s operations has enabled it to expand without making capital investments. Therefore, the Company believes it is in a very favorable position to expand in the future.

The Corporation optimizes its capital structure with a view to ensure a strong financial position to support its acquisition strategies. Sunora considers its capital structure to include shareholders’ equity and the Corporation strives to maximize the value associated to share capital.

Sunora’s share capital will be used as a basis to raise additional capital to pursue acquisitions. The Corporation's ability to raise additional equity financing is impacted by external factors, including global economic conditions. The Corporation is not subject to externally imposed capital requirements and the capital management policy has not changed during the six-month period ended June 30, 2015 or the year ended December 31, 2014.

8. Segmented information

The Corporation determines the geographic location of revenues based on the location of its customers. All of the Corporation's assets are located in Canada. The Corporation's revenues were earned as follows:

	3 months ended June 30, 2015	3 months ended June 30, 2014	6 months ended June 30, 2015	6 months ended June 30, 2014
United States	$ 1,831,148	$ 1,698,041	$ 3,616,683	$ 3,334,768
Canada	878,911	691,527	1,154,608	1,451,517
International	523,747	447,335	1,206,672	1,010,345
	$ 3,233,806	$ 2,836,903	$ 5,977,963	$ 5,796,630

9. Employee and executive compensation

Total employee wages and bonuses recognized in general and administrative expenses for the three and six month periods ended were $37,214 and $80,629, respectively (three and six month periods ended June 30, 2014 - $38,840 and $76,539).

The Corporation considers its key management personnel to be its Chief Executive Officer and non-executive directors. The compensation paid to the key management personnel consisted of wages and bonuses of $27,690 and $38,147 for the three and six month periods ended June 30, 2015, respectively (three and six month periods ended June 30, 2014 - $13,030 and $29,644).

(amounts in Canadian dollars)

10. Related party transactions

General and administrative expenses for the three and six month periods ended include $14,647 and $24,105 (three and six month periods ended June 30, 2014 - $13,501 and $24,494) of commissions on products sold from a company controlled by a director of the Corporation. $5,339 (December 31, 2014 - $10,374) is included in accounts payable and accrued liabilities at June 30, 2015.

11. Commitments

(a) Rent commitment

At December 31, 2014, the Corporation is committed under a lease on its office premises expiring August 31, 2017 for future minimum rental payments, excluding estimated operating costs as follows:

2015	15,052
2016	20,761
2017	13,841
	$ 49,654

(b) Investor Relations commitment

The Corporation is committed to payments of $1,250 twice monthly to the end of September 2015 for a total of $22,500 to an investor relations company.

12. Comparative Figures

Certain comparative figures have been reclassified to conform with the current period's presentation.