# Sunora Foods Inc.

## Financial Statements

## For the Three-Month Periods Ended March 31, 2020 and 2019

## (unaudited)

**Sunora Foods Inc.**
**Balance Sheets**
**As at March 31, 2020 and December 31, 2019**
*(amounts in Canadian dollars)*

| | | March 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash *(note 4)* | $ | 3,615,375 | $ | 3,281,809 |
| Accounts receivable *(note 9(c))* | | 1,399,975 | | 1,434,853 |
| Inventory *(note 5)* | | 190,622 | | 207,630 |
| Prepaid expenses and accrued interest | | 22,756 | | 29,898 |
| GST recoverable | | 8,763 | | 4,508 |
| | | 5,237,491 | | 4,958,698 |
| Right-of-use asset (notes 3(d) and 14) | | 62,647 | | 67,122 |
| Deferred tax asset *(note 6 (b))* | | 49,515 | | 50,620 |
| | $ | 5,349,653 | $ | 5,076,440 |
| **Liabilities** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued liabilities | $ | 1,040,032 | $ | 919,555 |
| Customer deposits | | 74,433 | | - |
| Income taxes payable | | 14,914 | | 6,749 |
| Lease liability *(note 14)* | | 17,060 | | 17,240 |
| | | 1,146,439 | | 943,544 |
| Lease liability *(note 14)* | | 48,283 | | 52,456 |
| **Shareholders' Equity** | | | | |
| Share capital *(note 7)* | | 1,170,251 | | 1,170,251 |
| Contributed surplus | | 771,858 | | 771,858 |
| Retained earnings | | 2,212,822 | | 2,138,331 |
| | | 4,154,931 | | 4,080,440 |
| | $ | 5,349,653 | $ | 5,076,440 |

*Commitments (notes 12 and 14)*

*See accompanying notes to the financial statements.*

APPROVED BY THE BOARD

**Sunora Foods Inc.**
**Statements of Income and Comprehensive Income**
**For the Three-Month Periods Ended March 31, 2020 and 2019**
*(amounts in Canadian dollars)*

| | Three-Month Period Ended March 31 2020 | Three-Month Period Ended March 31 2019 |
|---|---|---|
| Sales | $ 2,546,421 | $ 2,631,582 |
| Cost of sales | 2,395,571 | 2,441,158 |
| Gross margin | 150,850 | 190,424 |
| Expenses | | |
| General and administrative | 109,259 | 126,001 |
| Marketing and promotion | 4,139 | 11,721 |
| Bank charges and interest | 6,070 | 2,046 |
| Amortization *(notes 3(d) and 14)* | 4,475 | - |
| Foreign exchange | (82,472) | 50,238 |
| Interest income | (10,714) | (12,233) |
| | 30,757 | 177,773 |
| Income from operations before income taxes | 120,093 | 12,651 |
| Income tax expense - current *(note 6 (a))* | 44,497 | - |
| Deferred income tax expense *(note 6 (b))* | 1,105 | (3,909) |
| | 45,602 | (3,909) |
| Net income and comprehensive income | $ 74,491 | $ 16,560 |
| Earnings per share | | |
| Basic and diluted | $ 0.002 | $ 0.000 |

*See accompanying notes to the financial statements.*

| | Number of Common Shares | Share Capital | Contributed Surplus | Retained Earnings | Total |
|---|---|---|---|---|---|
| **Balance at December 31, 2018** | 40,669,832 | 1,190,751 | 771,858 | 2,021,075 | $ 3,983,684 |
| Dividend paid | - | - | - | (141,917) - | 141,917 |
| Share buy back *(note 7(c))* | (154,500) | (20,500) | - | - | (20,500) |
| Net income and comprehensive income | - | - | - | 259,173 | 259,173 |
| **Balance at December 31, 2019** | 40,515,332 | 1,170,251 | 771,858 | 2,138,331 | $ 4,080,440 |
| Net income and comprehensive income | - | - | - | 74,491 | 74,491 |
| **Balance at March 31, 2020** | 40,515,332 | $ 1,170,251 | $ 771,858 | $ 2,212,822 | $ 4,154,931 |

*See accompanying notes to the financial statements.*

**Sunora Foods Inc.**
**Statements of Cash Flows**
**For the Three-Month Periods Ended March 31, 2020 and 2019**
*(amounts in Canadian dollars)*

| | Three-Month Period Ended March 31 2020 | Three-Month Period Ended March 31 2019 |
|---|---|---|
| Net cash inflow (outflow) related to: | | |
| Operating activities | | |
| Net income and comprehensive income | $ 74,491 | $ 16,560 |
| Items not affecting cash | | |
| Amortization | 4,475 | - |
| Deferred income tax expense | 1,105 | (3,909) |
| Change in unrealized foreign exchange on US dollar cash | (39,634) | 32,043 |
| | 40,437 | 44,694 |
| Changes in non-cash working capital | | |
| Accounts receivable | 34,878 | 240,242 |
| Inventory | 17,008 | 48,233 |
| Prepaid expenses and accrued interest | 7,142 | 21,987 |
| GST recoverable | (4,255) | 7,872 |
| Accounts payable and accrued liabilities | 121,888 | (152,180) |
| Customer deposits | 74,433 | (34,165) |
| Income tax payable | 6,749 | - |
| | 257,843 | 131,989 |
| Cash flow from (used in) operations | 298,280 | 176,683 |
| Financing activities | | |
| Re-purchase of Company's shares *(note 7(b))* | - | (16,490) |
| Lease payments | (4,353) | - |
| Cash flow used for financing | (4,353) | (16,490) |
| Increase (decrease) in cash flow | 293,927 | 160,193 |
| Cash, beginning of period | 3,281,809 | 3,535,161 |
| Effect of exchange fluctuations on US dollar cash | 39,634 | (32,043) |
| Cash, end of period | $ 3,615,370 | $ 3,663,311 |
| Cash, in Canadian dollars, is comprised of: | | |
| Cash held in Canadian dollars | 3,352,840 | 3,201,127 |
| Cash held in US dollars | 262,535 | 462,184 |
| | $ 3,615,375 | $ 3,663,311 |

*See accompanying notes to the financial statements.*

1. General business description

Sunora Foods Inc. ("Sunora" or the "Company"), is a trader and supplier 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.

The shares of Sunora are traded on the TSX Venture Exchange under the symbol SNF.

2. Basis of presentation

(a) Statement of compliance

These 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 financial statements were approved and authorized for issuance by the Board of Directors on May 25, 2020.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in note 3. In addition, these financial statements have been prepared using the accrual basis of accounting, except for the statement of cash flows.

(c) Adoption of New Accounting Standards

The adoption of the following new standards, interpretations and amendments were included in the financial statements for the year beginning January 1, 2019.

On January 1, 2019 the Company adopted IFRIC 23 Uncertainty over income tax treatments ("IFRIC 23"). IFRIC 23 requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes that it is not probably that a taxation authority will accept an uncertain tax treatment, the entity shall reflect the uncertainty in determining the effect on taxable income, tax bases, unused tax losses, unused tax credits or tax rates based on either the most likely amount, or expected value. The adoption of IFRC 23 did not have any impact on the financial statements.

By the adoption of IFRS 16, the Company recognized a right-of-use asset and corresponding lease liabilities related to their office lease of $85,021 and $85,201 respectively as of January 1, 2019. This recognition did not have a material impact on the Company's financial statements.

(d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

(e) Use of estimates and judgments

The preparation of financial statements 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. By their nature, estimates are subject to estimation uncertainty.

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.

The following discussion sets forth management's most critical estimates, judgements and assumptions in preparation of the financial statements:

*Valuation of accounts receivable*

The valuation of accounts receivable is based on management's best estimate of the recoverable amount, after allowing for expected credit losses predicated upon on-going client relationships and default history.

*Valuation of inventory*

The Company evaluates its inventory to ensure it is carried at the lower of average cost and net realizable value. Costs include all expenses to bring the goods to sale. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

*Share-based compensation*

The amounts recorded relating to the fair value of stock options and warrants issued are based on estimates using a Black-Scholes option pricing model which considers the future volatility of the Company's share price, market price of the Company's shares at grant date, expected lives of the options and warrants, expected forfeiture rates, expected dividends and other relevant assumptions. These estimates affect the amount recognized as stock-based compensation expense in the statement of income and comprehensive income.

*Current and deferred taxes*

Provisions for current taxes are made using the best estimate of the amount expected to be paid based on a review of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

*Foreign currency translation and operations*

The functional currency of the Company is determined based on management's assessment of the currency of the primary economic environment in which the entity operates. As functional currency determines how income and expense items and assets and liabilities denominated in foreign currencies are translated and where exchange differences are recognized, a change in the functional currency could have a significant effect on the amounts recorded in the financial statements.

*Contingencies*

Contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. Management has not identified any specific contingencies at this time.

*Recognition of lease liabilities*

In the adoption of IFRS 16 – *Leases*, management has used the lease term including the renewal option to expire on August 31, 2023. The incremental borrowing rate applied to set up the right-of-use asset and lease liability was 8%.

3. Significant accounting policies

(a) Foreign currency translation

Monetary assets and liabilities, which are denominated in foreign currencies, are translated to the Company's functional currency at period end exchange rates, and transactions included in the statement of income and other comprehensive income are translated at average rates prevailing during the period. Non-monetary assets and liabilities are measured at the exchange rate in effect at the transaction date and are not retranslated. Exchange gains and losses resulting from the translation of these amounts are included in the statement of income and other comprehensive income.

(b) Cash and cash equivalents

Cash and cash equivalents consist of amounts held in current bank accounts and highly liquid short-term investments, including those with maturities of less than three months.

(c) Inventory

Inventory is carried at the lower of average cost and net realizable value. Cost is determined using the average cost method or a specific item basis depending on the nature of the product inventory. Inventory consists of bulk oils, packaging materials and finished goods comprised of food oils. Costs include all expenses to bring the goods to a state ready for sale. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Allowances are made against obsolete or damaged inventories and charged to the cost of sales. The reversal of any write-down of inventory arising from an increase in net realizable value is recognized as a reduction in cost of sales in the period in which the reversal occurred.

(d) Right-of-use asset

Right-of-use assets comprises the capitalized value of the lease of Sunora's office premises on basis of the discounted present value of future lease payments. Amortization is provided on a straight-line basis over the term of the lease. This carrying value of this assets is presented net of amortization to date.

(e) Lease liability

The lease liability represents the discounted present values of future lease payments. The carrying value of this liability is the remaining lease liability; it will be extinguished over the term of the lease. The interest component of the lease payments is included in the line item 'Bank charges and interest' in the Statement of Operations.

(f) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company

and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, less sales taxes or duty.

The Company has a 5-step approach for determining revenue which can be summarized as follows:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company derives revenue from sale of food oil products. Revenue from each sale is recognized when control passes to the customer, which generally occurs upon shipment in 'freight on board' contracts (FOB) or, in the case of sales made with 'cost, insurance and freight' terms (CIF) when the product reaches port. Most of Sunora's sale contracts are CIF.

(g) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of income and comprehensive income except to the extent that it relates to items recognized directly in equity or other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

(h) Stock-based compensation

Stock options granted to directors, officers and employees of the Company are accounted for using the fair value method under which compensation expense is recorded based on the estimated fair value of the options at the grant date using the Black-Scholes option pricing model.

The Company measures stock-based payments to non-employees, if applicable, at the fair value of the goods or services received at the date of receipt of the goods or services. If the fair value of the goods or services cannot be measured reliably, the value of the options granted will be measured using the Black-Scholes option-pricing model.

Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation cost is expensed over the vesting period with a corresponding increase in contributed surplus. When stock options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(i) Provisions and contingent liabilities

Provisions are recognized by the Company when it has legal or constructive obligation as a result of past events, or if it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

(j) Earnings per share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that would occur if in-the-money stock options and warrants were exercised. The Company uses the treasury stock method for outstanding stock options and warrants which basis assumes that all outstanding stock options with exercise prices below average market prices are exercised and assumed proceeds plus the unamortized portion of stock-based compensation are used to purchase the Company's common shares at the average market price during the period.

(k) Financial instruments

*i. Financial assets*

All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories: amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The Company's financial assets: cash and cash deposits and accounts receivables are measured at amortized cost.

*ii. Amortized cost*

These assets arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely the payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

*(amounts in Canadian dollars)*

During the process of reviewing accounts receivable for impairment, the probability of the non-payment of the trade receivable is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for trade accounts receivables. For trade accounts receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within operating expenses in the statement of comprehensive loss. On confirmation that the trade accounts receivable will not be collectable, the gross carrying value of the asset is written down by the associated provision.

*iii. Financial liabilities*

All financial liabilities are initially recorded at fair value and designated upon inception into one of the following two categories: fair value through profit and loss or amortized cost. Accounts payable and accrued expenses are stated at amortized cost. The Company has not designated any financial liability at fair value through profit or loss.

4. Cash

Cash includes short-term guaranteed investment certificates of $2,500,000 as at March 31, 2020 (December 31, 2019- $2,500,000) bearing interest at a weighted average rate of 1.75% (2019- 1.75%) per annum with maturity ranging from April 17, 2020 to May 11, 2020.

5. Inventory and cost of sales

The cost of inventory and direct costs recognized during the quarter as cost of sales was $2,395,571 (Quarter ended March 31, 2019 - $2,441,158). The inventory on hand consists of bulk oil and finished goods, as follows:

| | | March 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| Bulk olive, canola and MCT oil | $ | 105,235 | $ | 157,269 |
| Packaged olive and canola oil | | 85,387 | | 50,361 |
| | $ | 190,622 | $ | 207,630 |

*(amounts in Canadian dollars)*

6. Income taxes

(a) Income tax recovery differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 25% (2019 - 28%) to income or loss before income taxes.

| | March 31, 2020 | March 31, 2019 |
|---|---|---|
| Income from operations before income taxes | $ 120,093 | $ 12,651 |
| Expected income tax expense (recovery) | $ 30,023 | $ 3,542 |
| Unrealized foreign exchange loss (gain) | 14,131 | (8,972) |
| Rate changes and other | 1,508 | 1,521 |
| Income tax expense | $ 45,662 | $ (3,909) |
| Total income tax expense (recovery) comprises: | | |
| Current income tax expense | $ 44,497 | $ - |
| Deferred income tax expense | 1,105 | (3,909) |
| | $ 45,602 | $ (3,909) |

(b) The components of the Company's deferred income tax assets and associated movements are as follows:

| | December 31, 2019 | Recognized in profit or loss | March 31, 2020 |
|---|---|---|---|
| Deferred tax assets: | | | |
| Undepreciated capital cost tax pool | 50,620 | 1,105 | $ 49,515 |
| | $ 50,620 | $ 1,105 | $ 49,515 |
| | **December 31, 2018** | **Recognized in profit or loss** | **December 31, 2019** |
| Deferred tax assets: | | | |
| Non-capital losses carried forward | $ 16,225 | 16,225 | $ - |
| Undepreciated capital cost tax pool | 51,509 | 889 | $ 50,620 |
| | $ 67,734 | $ 17,114 | $ 50,620 |

*(amounts in Canadian dollars)*

7. Share capital

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

(b) Issued
During the quarter, no shares were re-purchased. (2019, the Company paid $20,500 to repurchase 154,500 common shares which were cancelled).

(c) The number of common shares used in the calculation of earnings per share were as follows:

| Common shares | **Number** | **Stated Value** |
|---|---|---|
| Balance at December 31, 2018 | 40,669,832 | 1,190,751 |
| Re-purchased and cancelled | (154,500) | (20,500) |
| Balance at December 31, 2019 | 40,515,332 | $ 1,170,251 |
| Balance at March 31, 2020 | 40,515,332 | $ 1,170,251 |

For the three-month period ended March 31, 2020, the potential effect of the issuance of common shares upon the exercise of 90,000 options is non-dilutive and therefore, has not been considered in the calculation of diluted earnings (loss) per share.

(d) Shares in escrow

At March 31, 2020 and December 31, 2019, no common shares were held in escrow.

(e) Earnings per shares

The weighted number of shares used in the calculation of Earnings Per Share was 40,515,323 (2019 - 40,550,407).

8. Stock-based compensation

The Company 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.

On March 23, 2015, the Company granted 1,485,000 stock options to certain directors, officers, employees and consultants of the Company. The options expired on March 23, 2020.

*(amounts in Canadian dollars)*

On August 1, 2016, the Company granted 690,000 stock options to certain employees and consultants of the Company. The options expire on August 1, 2021 and one-third vest on each 6-month anniversary of the grant date.

On January 1, 2020, Shawn Li resigned as Vice President of the Company. Consequently, his unexercised 600,000 options were formally cancelled on April 1, 2020.

The fair value of the options was determined using the Black-Scholes option pricing model.

The following is a summary of the Company's outstanding stock options for the quarter ended March 31, 2020 and year ended December 31, 2019.

| | **Number of options** | **Weighted Average Exercise Price** | **Expiry date** |
|---|---|---|---|
| Outstanding at December 31, 2015 | 1,485,000 | $0.15 | March 23, 2020 |
| Issued | 690,000 | $0.15 | August 1, 2021 |
| Outstanding at December 31, 2018 | 2,175,000 | $0.15 | |
| Forfeited by ex-employee in 2018 | (100,000) | $0.15 | March 23, 2020 |
| Outstanding at December 31, 2019 | 2,075,000 | $0.15 | |
| Forfeited by ex-employee in 2020 | (600,000) | $0.15 | August 1, 2021 |
| Expired on March 23, 2020 | (1,385,000) | $0.15 | March 23, 2020 |
| Outstanding at March 31, 2020 | 90,000 | $0.15 | August 1, 2021 |

9. Financial instruments

(a) Risk management

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

There have been no changes from the prior year in the Company's exposure or responses to financial risks.

(b) Fair value of financial instruments

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

*(amounts in Canadian dollars)*

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 not observable and significant to the overall fair value measurement.

(c) Credit risk

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

Expected credit losses associated with accounts receivable requires management to assess certain forward looking and macroeconomic factors to determine whether there is a significant increase in credit risk as well as expected provisions on the balance outstanding at year-end as further described in Note 2 (c).

As at March 31, 2020, the Company's maximum exposure to credit risk for accounts receivable is $1,399,975 (December 31, 2019 - $1,434,853). Accounts receivable include amounts that are past due at March 31, 2020 and at December 31, 2019 as follows:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Accounts receivable | | |
| Current | $ 670,539 | $ 527,020 |
| Overdue less than 90 days | 729,435 | 907,833 |
| | $ 1,399,975 | $ 1,434,853 |

During the three-month period ended March 31, 2020, sales to two customers (three-month period ended March 31, 2019 – two) represented 45.1% of the Company's total sales (three-month period ended March 31, 2019 – 45.4%).

The accounts receivable balance has three customers which represent 42%, 9% and 12% respectively of the accounts receivable balance at March 31, 2020 (December 31, 2019 – one customer, representing 57%). At March 31, 2020 and December 31, 2019, the Company had no allowance for doubtful accounts.

The Company manages the credit exposure of $3,615,375 (December 31, 2019- $3,281,809) related to cash and cash equivalents 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 Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Company's ongoing liquidity is impacted by various external events and conditions, including global economic conditions.

At March 31, 2020, the Company had cash and cash equivalents of $3,615,375 (December 2019 - $3,281,809) available to settle accounts payable and accrued liabilities and taxes of $1,054,946 ( December 2019 - $926,204). The majority of the Company's financial liabilities mature within 60 days and all are subject to normal trade terms.

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

(e) Market risk

Market risk is the risk that changes in market prices, foreign exchange rates and interest rates will affect the Company's net earnings or the value of financial instruments and are largely outside the control of the Company. The objective of the Company 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 Company 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. This risk is partly offset by accounts payable denominated in USD.

The carrying amounts of the Company's monetary assets and liabilities denominated in foreign currency are as follows:

| | **Foreign Currency** | | **March 31, 2020** | | **December 31, 2019** |
|---|---|---|---|---|---|
| Cash at bank | USD | $ | 185,053 | $ | 229,252 |
| Accounts receivable | USD | $ | 846,228 | $ | 1,039,783 |
| Accounts receivable | SGD | $ | 166,013 | $ | 87,513 |
| Accounts payable | USD | $ | (622,162) | $ | (504,756) |

(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 Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(iii) Commodity price risk

The nature of the Company's operations results in exposure to fluctuations in commodity prices. Commodity prices for food oils are impacted by global economic and political events that dictate the levels of supply and demand. Management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when it deems appropriate. The Company did not enter into any derivative financial contracts related to commodity prices during the three-month period ended March 31, 2020 and the year ended December 31, 2019 nor does it currently have any derivative financial contracts.

(f) Capital management

The Company's minimum desired 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 working capital ratio for March 31, 2020 was 4.6:1 (December 31, 2019 – 5.3:1). The Company's business has been managed with a 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.

The Company optimizes its capital structure with a view to ensure a strong financial position to take advantage of new opportunities. Sunora considers its capital structure to include shareholders' equity and the Company strives to maximize the value associated to share capital.

Sunora has the ability to issue share capital to raise additional capital to pursue acquisitions. The Company's ability to raise additional equity financing is impacted by external factors, including global economic conditions. The Company is not subject to externally imposed capital requirements and the capital management policy has not changed during the quarter ended March 31, 2020 and the year ended December 31, 2019.

10. Employee and executive compensation

Total employee and management wages and bonuses recognized in general and administrative expenses for the three-month period ended March 31, 2020 was $55,845 (three-month period ended March 31, 2019 - $59,174).

The Company considers its key management personnel to be its Chief Executive Officer, Vice-President and non-executive directors. The compensation paid to the key management personnel consisted of wages and bonuses of $20,706 for the three-month period ended March 31, 2020 (three-month period ended March 31, 2019 - $27,392) and no stock-based compensation.

11. Related party transactions

During the year, the Company had transactions with one customer in China which is controlled by the father of the Vice-President of the Company; his father is a major shareholder of the Company, holding 8,058,400 common shares, representing 19.9% of the shares in issue. There were no sales to this related party in the three-month periods ended March 31, 2020 and March 31, 2019.

12. Commitments

The Company is committed to monthly payments of $2,500 to an investor relations firm. This arrangement can be changed or terminated at any time at the Company's option

13. Segmented information

The Company operates in one business segment in multiple locations. Although the Company derives its revenues globally, all sales are attributed to the Canadian head office. The Company determines the geographic location of revenues based on the location of its customers. Many of the same products are offered for sale in all geographic regions at approximately the same average gross margins.

*(amounts in Canadian dollars)*

The Company's sales, accounts receivable, inventory and non-current assets were attributed to the regions as follows:

| | Three-Month Period Ended March 31, 2020 | Three-Month Period Ended March 31, 2019 |
|---|---|---|
| Sales | | |
| USA | $ 1,756,797 | $ 1,876,369 |
| Canada | 51,324 | 67,200 |
| International | 738,300 | 688,014 |
| | $ 2,546,421 | $ 2,631,582 |

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Accounts receivable | | |
| USA | $ 1,200,544 | $ 1,145,970 |
| Canada | 33,999 | 2,962 |
| International | 165,431 | 285,921 |
| | $ 1,399,975 | $ 1,434,853 |
| Inventory | | |
| USA | $ 85,387 | $ 50,361 |
| Canada | 105,236 | 157,269 |
| International | - | - |
| | $ 190,623 | $ 207,630 |
| Non-current assets | | |
| USA | $ - | $ - |
| Canada | 112,162 | 117,742 |
| International | - | - |
| | $ 112,162 | $ 117,742 |

14. Lease commitment and liability

The Company is committed to a lease of its office premises which terminates on August 31, 2020 with a 3-year renewal option on the same terms which renewal is expected to be exercised. The minimum rent, lease payments and interest for the duration of the lease.

*(amounts in Canadian dollars)*

| | Right-of Use Asset | Lease Liability |
|---|---|---|
| Carrying value at December 31, 2019 | $ - | $ - |
| Recognized on adoption of IFRS 16 | 85,021 | 85,021 |
| Amortization | (17,899) | - |
| Lease payments | - | (8,623) |
| Interest expense | - | (6,702) |
| Carrying value at December 31, 2019 | $ 67,122 | $ 69,696 |
| Amortization | (4,475) | - |
| Lease payments | - | (3,026) |
| Interest expense | - | (1,327) |
| Carrying value at March 31, 2020 | $ 62,647 | $ 65,343 |
| | | |
| Lease liability - current | | 17,060 |
| Lease liability - long-term | | 48,283 |
| | | $ 65,343 |

15. Subsequent event

The impact of COVID-19 in Canada and on the global economy increased significantly. Certain risks which may affect the Company include:

- changes in foreign currency exchange risks,
- supply chain disruptions,
- dealing with the suspension or termination of contracts,
- the introduction of government incentives and aid.

In addition, if the impacts of COVID-19 continue there could be further impact on the entity and its major customers, suppliers and other third-party business associates that could impact the timing and amounts realized on the Company's assets and future profitability. At this time, the full potential impact of COVID-19 on the entity is not known.