

**Sunora Foods Inc.**  
**Financial Statements**  
**For the Nine-Month Periods Ended September 30, 2019 and 2018**

**Sunora Foods Inc.****Balance Sheet***(amounts in Canadian dollars)**(Unaudited)*

	<b>Sep-30</b>	<b>December 31,</b>
<b>Assets</b>	<b>2019</b>	<b>2018</b>
		<i>(Audited)</i>
Current assets		
Cash	\$ 3,178,647	\$ 3,535,161
Accounts receivable <i>(note 9 (c))</i>	1,194,836	1,070,121
Inventory <i>(note 5)</i>	267,234	243,374
Prepaid expenses and accrued interest	10,143	57,935
GST recoverable	2,595	13,535
	<u>4,653,455</u>	<u>4,920,126</u>
Deferred tax asset <i>(note 6 (b))</i>	49,372	67,734
	<u>\$ 4,702,827</u>	<u>\$ 4,987,860</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 642,560	\$ 946,137
Customer deposits	15,062	58,039
Dividend payable <i>(note 14)</i>	-	-
Income tax payable	17,003	-
	<u>674,625</u>	<u>1,004,176</u>
<b>Shareholders' Equity</b>		
Share capital <i>(note 7)</i>	1,170,251	1,190,751
Contributed surplus <i>(note 7 (d))</i>	771,858	771,858
Retained earnings	2,086,093	2,021,075
	<u>4,028,202</u>	<u>3,983,684</u>
	<u>\$ 4,702,827</u>	<u>\$ 4,987,860</u>
<i>Commitment (note 12)</i>		

*See accompanying notes to the financial statements.*

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

	Three-month Period Ended September 30, 2019	Three-month Period Ended September 30, 2018	Nine-month Period Ended September 30, 2019	Nine-month Period Ended September 30 2018
Sales	\$ 2,875,992	3,926,619	\$ 8,238,200	\$ 11,547,324
Cost of sales	<u>2,683,395</u>	<u>3,633,756</u>	<u>7,631,165</u>	<u>10,802,534</u>
Gross margin	<u>192,597</u>	<u>292,863</u>	<u>607,035</u>	<u>744,790</u>
Other				
General and administrative	109,101	118,156	350,939	384,321
Marketing and promotion	18,221	10,396	36,623	26,330
Bank charges and interest	2,222	1,941	7,154	8,263
Stock-based compensation	-	-	-	1,383
Foreign exchange	(4,013)	19,594	4,387	4,934
Interest income	<u>(12,880)</u>	<u>(9,586)</u>	<u>(34,368)</u>	<u>(26,855)</u>
Income from operations	<u>79,946</u>	<u>152,362</u>	<u>242,300</u>	<u>346,414</u>
Income tax expense (recovery) - Current	5,459	-	17,003	29,661
Income tax expense (recovery) - Deferred	<u>721</u>	<u>52,708</u>	<u>18,362</u>	<u>64,130</u>
	<u>6,180</u>	<u>52,708</u>	<u>35,365</u>	<u>93,791</u>
Net income (loss) and comprehensive income (loss)	\$ <u>73,766</u>	<u>99,654</u>	\$ <u>206,935</u>	\$ <u>252,623</u>
Earnings per share				
Basic and diluted	\$ <u>0.002</u>	<u>0.002</u>	\$ <u>0.005</u>	\$ <u>0.006</u>

See accompanying notes to the financial statements.

**Sunora Foods Inc.**  
**Statements of Changes in Equity**  
*(amounts in Canadian dollars)*  
*(Unaudited)*

	<b>Number of Common Shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Retained Earnings</b>	<b>Total</b>
<b>Balance at December 31, 2017</b>	42,254,332	1,400,816	770,475	1,762,819	\$ 3,934,110
Stock-based compensation	-	-	1,383	-	1,383
Share buyback	(1,584,500)	(210,065)			(210,065)
Net income (loss) and comprehensive income (loss)				258,256	258,256
<b>Balance at December 31, 2018</b>	40,669,832	1,190,751	771,858	2,021,075	\$ 3,983,684
Stock-based compensation (note 8)		-	-	-	-
Shares re-purchased	(154,500)	(20,500)			(20,500)
Net income and comprehensive income	-	-	-	206,935	206,935
Dividend payable (note 14)				(141,917)	(141,917)
<b>Balance at September 30, 2019</b>	<b>40,515,332</b>	<b>\$1,170,251</b>	<b>\$ 771,858</b>	<b>\$ 2,086,093</b>	<b>\$ 4,028,202</b>

*See accompanying notes to the financial statements.*

**Sunora Foods Inc.****Consolidated Statement of Cash Flows***(amounts in Canadian dollars)**(Unaudited)*

	<b>Nine-month Period Ended September 30, 2019</b>	<b>Nine-month Period Ended September 30, 2,018</b>
Net cash inflow (outflow) related to:		
Operating activities		
Net Income (loss)	\$ 206,935	\$ 252,623
Items not affecting cash		
Stock-based compensation	-	1,383
Deferred income tax adjustment	18,362	64,130
Change in unrealized foreign exchange on US dollar cash	<u>(12,477)</u>	<u>(9,996)</u>
	<u>212,820</u>	<u>308,140</u>
Changes in non-cash working capital		
Accounts receivable	(124,715)	143,286
Inventory	(23,860)	116,407
Prepaid expenses and accrued interest	47,792	259
GST recoverable	10,940	165,835
Accounts payable and accrued liabilities	(303,577)	24,004
Customer deposits	(42,977)	(441,190)
Income tax payable	<u>17,003</u>	<u>(46,239)</u>
	<u>(419,394)</u>	<u>(37,638)</u>
Cash inflow (outflow) from operations	(206,574)	270,502
Investing activities		
Shares re-purchased	(20,500)	(84,425)
Dividend paid	<u>(141,917)</u>	<u>-</u>
Cash inflow (outflow) from investing activities	<u>(162,417)</u>	<u>-</u>
Net cash inflow (outflow)	(368,991)	186,077
Cash, beginning of period	3,535,161	3,214,699
Effect of exchange fluctuations on US dollar cash	<u>12,477</u>	<u>9,996</u>
Cash, end of period	\$ <u>3,178,647</u>	\$ <u>3,410,772</u>
Cash is comprised of:		
Cash held in Canadian dollars	2,992,064	3,202,760
Cash held in US dollars stated in Canadian dollars	<u>186,583</u>	<u>208,012</u>
	\$ <u>3,178,647</u>	\$ <u>3,410,772</u>

*See accompanying notes to the financial statements.*

## Sunora Foods Inc.

### Notes to the Financial Statements

For the Nine-Month Periods Ended September 30, 2019 and 2018

*(amounts in Canadian dollars)*

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1. General business description

Sunora Foods Inc. ("Sunora" or the "Corporation"), 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").

(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 cash flow information.

(c) Functional and presentation currency

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

(d) 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.

**Sunora Foods Inc.**

**Notes to the Financial Statements**

**For the Nine-Month Periods Ended September 30, 2019 and 2018**

*(amounts in Canadian dollars)*

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3. Significant accounting policies

(a) Foreign currency translation

Monetary assets and liabilities, which are denominated in foreign currencies, are translated to the Corporation'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 sale. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(d) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, less sales taxes or duty.

The Corporation derives revenue from sale of food oil products. Revenue from each sale is recognized when control passes to the customer, which occurs upon shipment.

(e) 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 period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

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 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.

**Sunora Foods Inc.**

**Notes to the Financial Statements**

**For the Nine-Month Periods Ended September 30, 2019 and 2018**

*(amounts in Canadian dollars)*

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(f) Stock-based compensation

Stock options granted to directors, officers and employees of the Corporation 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.

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.

(g) Provisions and contingent liabilities

Provisions are recognized by the Corporation 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.

(h) 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.

(h) 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 Corporation's financial assets: cash and cash deposits and 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. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issues, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

During the process of reviewing accounts receivable for impairment, the probability of the non-payment of the trade receivable is assessed and provision for loss is recognized within operating expenses and the accounts receivable are stated net.



**Sunora Foods Inc.**

**Notes to the Financial Statements**

**For the Nine-Month Periods Ended September 30, 2019 and 2018**

*(amounts in Canadian dollars)*

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*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 Corporation has not designated any financial liability at fair value through profit or loss.

4. Cash and cash equivalents

Cash and cash equivalents include guaranteed investment certificates of \$2,500,000 as at September 30, 2019 (December 31, 2018 - \$2,250,000) bearing interest at a weighted average rate of 1.6% (December 31, 2018 - 1.66%) per annum with maturity dates on or before December 19, 2019.

5. Inventory and cost of sales

The cost of inventory and direct costs recognized during the nine-month period ended September 30, 2019 as cost of sales was \$7,631,165 (Year ended December 31, 2018 - \$7,168,778). The inventory on hand consists of:

	<b>September 30 2019</b>	<b>December 31 2018</b>
Bulk olive and MCT oil	\$ 213,638	\$ 123,423
Packaged products - canola oil	53,596	119,951
	<u>\$ 267,234</u>	<u>\$ 243,374</u>

**Sunora Foods Inc.****Notes to the Financial Statements****For the Nine-Month Periods Ended September 30, 2019 and 2018***(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 27% (2017 - 27%) to income or loss before income taxes as follows:

	<b>September 30, 2019</b>	<b>September 30, 2018</b>
Net income (loss) before tax	\$ 242,300	346,414
Expected income tax expense (recovery)	65,421	93,532
Stock-based compensation	-	(373)
Unrealized foreign exchange	(29,835)	(15,964)
Rate changes and other	(221)	16,597
Income tax expense (recovery)	<u>\$ 35,365</u>	<u>93,791</u>
Total income tax expense (recovery) is comprised of:		
Current income tax expense	\$ 17,003	29,661
Deferred income tax expense	18,362	64,130
	<u>\$ 35,365</u>	<u>93,791</u>

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

	<b>December 31, 2018</b>	<b>Recognized in profit or loss</b>	<b>September 30, 2019</b>
Deferred tax assets:			
Non-capital losses carried forward	\$ 16,225	(16,225)	\$ -
Undepreciated capital cost	51,509	(2,137)	\$ 49,372
	<u>\$ 67,734</u>	<u>\$ (18,362)</u>	<u>\$ 49,372</u>

**Sunora Foods Inc.****Notes to the Financial Statements****For the Nine-Month Periods Ended September 30, 2019 and 2018***(amounts in Canadian dollars)*

## 7. Share capital

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

	Number	Stated Value
Common shares		
Balance at December 31, 2017	42,254,332	1,400,816
Shares repurchased and cancelled	<u>(1,584,500)</u>	<u>(210,065)</u>
Balance at December 31, 2018	40,669,832	1,190,751
Shares repurchased	<u>(154,500)</u>	<u>(20,500)</u>
Balance at September 30, 2019	<u>40,515,332</u>	<u>1,170,251</u>

During the nine-month period ended September 30, 2019, the Corporation paid \$20,500 to repurchase 154,500 common share which will be cancelled in 2020.

- (c) The weighted average number of shares used in the calculation of earnings per share is as follows:

	September 30 2019	December 31, 2018
Basic	40,515,332	42,028,443
Effect of dilutive instruments:		
Common share options	<u>369,121</u>	<u>386,910</u>
Diluted	<u>40,884,453</u>	<u>42,415,353</u>

For the period ended September 30, 2019, the potential effect of the issuance of common shares upon the exercise of 2,075,000 options is dilutive and has, therefore, been considered in the calculation of diluted earnings (loss) per share.

- (d) Contributed surplus

	September 30 2019	December 31, 2018
Balance, beginning of period	\$ 771,858	\$ 770,475
Stock-based compensation	<u>-</u>	<u>1,383</u>
Balance, end of period	<u>\$ 771,858</u>	<u>\$ 771,858</u>

## 8. 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.

## Sunora Foods Inc.

### Notes to the Financial Statements

#### For the Nine-Month Periods Ended September 30, 2019 and 2018

(amounts in Canadian dollars)

On March 23, 2015, the Corporation granted 1,485,000 stock options to certain directors, officers, employees and consultants of the Corporation. The options expire on March 23, 2020 and one-third vest on each 6-month anniversary of the grant date. During 2018, 100,000 options were cancelled upon an employee leaving the Corporation.

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

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

The following is a summary of the Corporation's outstanding stock options at September 30, 2019 and at December 31, 2018:

	Number of options	Weighted Average Exercise Price	Expiry date
Outstanding at December 31, 2015	1,485,000	\$0.15	March 23, 2020
Issued	<u>690,000</u>	<u>\$0.15</u>	August 1, 2021
Outstanding at December 31, 2016 and 2017	2,175,000	\$0.15	
Forfeited upon termination of employment	<u>(100,000)</u>	<u>\$0.15</u>	March 23, 2020
Exercisable at December 31, 2018 and September 30, 2019	<u>2,075,000</u>	<u>\$0.15</u>	

#### 9. 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 policies 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.

There have been no changes from the prior period in the Corporation'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.

**Sunora Foods Inc.**

**Notes to the Financial Statements**

**For the Nine-Month Periods Ended September 30, 2019 and 2018**

*(amounts in Canadian dollars)*

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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.

(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. 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 period-end as further described in Note 2 (c).

As at September 30, 2019, the Corporation's maximum exposure to credit risk for accounts receivable is \$1,194,836 (December 31, 2018 - \$1,070,121). Accounts receivable include no amounts that are past due at the end of the reporting period.

	<b>September 30 2019</b>	<b>December 31 2018</b>
Current	\$ 1,194,836	\$ 1,070,121
Accounts receivable	<u>\$ 1,194,836</u>	<u>\$ 1,070,121</u>

During the period ended September 30, 2019, sales to two customers (period ended September 30, 2018 – four) represented 45.4% of the Corporation's total sales (period ended September 30, 2018 – 53%).

The accounts receivable balance has two customers (December 31, 2018 – four) which represent 32%, 22%, 42% and 20% of the accounts receivable balance at September 30, 2019 (December 31, 2018 - 28%, 20%, 19% and 10%) Bad debt expense for nine-month period ended September 30, 2019 was nil (year ended December 31, 2018 - nil). At September 30, 2019 and December 31, 2018, the Corporation had no allowance for doubtful accounts.

The Corporation manages the credit exposure of \$3,178,647 (December 31, 2018- \$3,535,161) 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.

## Sunora Foods Inc.

### Notes to the Financial Statements

#### For the Nine-Month Periods Ended September 30, 2019 and 2018

(amounts in Canadian dollars)

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(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.

At September 30, 2019, the Corporation had cash and cash equivalents of \$3,178,647 (December 31, 2018- \$3,535,161) available to settle accounts payable and accrued liabilities of \$642,560 (December 31, 2018 - \$946,137). The majority of the Corporation's financial liabilities mature in 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 Corporation 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 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. This risk is partly off-set by accounts payable denominated in USD.

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

	Foreign Currency	September 30 2019	December 31, 2018
Cash bank balance	USD	\$ 45,596	\$ 159,568
Accounts receivable	USD	\$ 902,543	\$ 625,371
Accounts receivable	SGD	\$ -	\$ -
Inventory	USD	\$ 112,998	\$ -
Accounts payable	USD	\$ (434,921)	\$ (487,475)
Customer deposits	USD	\$ (11,378)	\$ -

(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.

**Sunora Foods Inc.**

**Notes to the Financial Statements**

**For the Nine-Month Periods Ended September 30, 2019 and 2018**

*(amounts in Canadian dollars)*

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(iii) Commodity price risk

The nature of the Corporation's operations results in exposure to fluctuations in commodity prices. Commodity prices for canola oil 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 Corporation did not enter into any derivative financial contracts related to commodity prices during the periods ended June 30, 2019 and 2018 nor does it currently have any derivative financial contracts.

(f) Capital management

The Corporation'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 was 6.9:1 (December 31, 2018 – 4.9:1). The Corporation's business has been managed with a working capital position which has enabled the Corporation to operate without debt. Additionally, the current nature of Sunora's operations has enabled it to expand without making capital investments.

10. Employee and executive compensation

Total employee and management wages and bonuses recognized in general and administrative expenses for the nine-month period ended September 30, 2019 were \$163,362 (same period of 2018 - \$196,890).

The Corporation 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 \$80,317 (nine-month period ended September 30, 2018 - \$88,126) and stock-based compensation of nil (nine-month period ended September 30, 2018 - \$1,383).

11. Related party transactions

During the period, the Corporation had no transactions with one customer in China which is controlled by the father of Vice-President of the Corporation; his father is a major shareholder of the Corporation, holding 8,058,400 common shares, representing 19.74% of the shares in issue. There were no sales to this related party in in the nine-month period ended September 30, 2019 (nine-month period ended September 30, 2018 - \$488,196).

12. Commitments

(a) Rent commitment

Sunora is committed to its office premises lease for three years to August 31, 2020. Annual rent payments, excluding operating costs, are \$19,204, \$20,242 and \$22,280.

(b) Investor Relations commitment

The Corporation is committed to monthly payments of \$2,500 to an investor relations firm.

**Sunora Foods Inc.****Notes to the Financial Statements****For the Nine-Month Periods Ended September 30, 2019 and 2018***(amounts in Canadian dollars)*

## 13. Segmented information

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

The Corporation's sales, accounts receivable and inventory were attributed to the regions as follows:

	<b>Three-Month Period September 30, 2019</b>	<b>Three-Month Period September 30, 2018</b>	<b>Nine-Month Period September 30, 2019</b>	<b>Nine-Month Period September 30, 2018</b>
<b><u>Sales</u></b>				
USA	\$ 2,068,463	2,771,335	\$ 5,889,411	\$ 8,007,697
Canada	41,721	38,489	136,949	408,686
International	<u>765,808</u>	<u>1,116,795</u>	<u>2,211,840</u>	<u>3,130,941</u>
	<u>\$ 2,875,992</u>	<u>\$ 3,926,619</u>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b><u>Accounts receivable</u></b>				
USA			\$ 1,194,785	\$ 647,664
Canada			50	4,553
International			-	417,904
			<u>\$ 1,194,835</u>	<u>\$ 1,070,121</u>
<b><u>Inventory</u></b>				
USA			\$ 213,695	\$ 114,704
Canada			\$ 53,596	128,670
In transit			-	-
			<u>\$ 267,291</u>	<u>\$ 243,374</u>

## 14. Dividend paid

At its meeting of April 29, 2019, the Board declared Sunora's first ever dividend of \$0.0035 per share payable to shareholders on record on June 30, 2019. The dividend was paid on July 31, 2019. This is in line with the Board's commitment to create shareholder value evidenced by the cumulative share buy-back of 4.1% of its shares in issue.