Management Discussion and Analysis
For the Six-Month Period ended June 30, 2018

This Management Discussion and Analysis ("MD&A") for the six months ended June 30, 2018 is derived from and should be read in conjunction with the condensed interim consolidated financial statements of Sunora Foods Inc. ("Sunora" or the "Company") for the six months ended June 30, 2018. This MD&A is effective August 27, 2018 and provides information on the operating activities, performance and financial position of the Company and is intended to assist in understanding the dynamics of the Company's business and key factors underlying its financial results.

On July 4, 2018, the Company was amalgamated with its wholly-owned subsidiary, Sunora Foods Ltd. This event has no impact on the information presented in this MD&A.

FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking statements" which may include, but are not limited to, statements with respect to the future financial or operating performance of the Company. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes" or variation (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or to be achieved. Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and perception of trends, current conditions, expected developments and other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Although the Company has attempted to identify important factors that could cause actions, events or results to differ materiality from those described in the forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of the MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

DESCRIPTION OF BUSINESS

Sunora Foods Inc. (“Sunora”) is a Calgary-based trader and supplier of canola, other food oils and related commodities. Currently, the Company is a relatively modestly-sized player participating in an international business populated by some of the largest companies in the world. It has successfully maintained a niche position that has been achieved by building strong relationships with its suppliers and customers through a history of competitive pricing, consistent quality, and reliable and responsive service. While the Company regularly cooperates with many of these companies, it also occasionally competes with companies that have far greater resources.

Sunora’s has achieved a measure of success for over twenty years and has weathered both economic upturns and downturns by remaining true to its commitment to its industry, its customers and suppliers, with a coherent long-term business vision. Sunora receives orders from its customers in the food oil processing, retail and food services markets. The Company contracts with food oil processing facilities ("Seed Crushers") where food oil seeds are crushed to produce food oils including canola and other food oils. Sunora’s sales are conducted through its experienced sales agents located across North America, South America, Africa, Asia, the Middle East, Eastern Russia, Australia and New Zealand. Sunora prides itself on its quality food oil products and intends to continue its global expansion as well as enhance its position as a supplier of food oil to the health food industry.

HIGHLIGHTS

The following highlights are from the condensed interim consolidated financial statements:

	6 months ended June 30, 2018	6 months ended June 30, 2017
Sales	$ 7,620,706	$ 6,644,917
Claim settlement	$ -	$ 434,684
Net income and comprehensive income	$ 152,970	$ (176,616)
Earnings per share - basic and diluted	$ 0.004	$ (0.004)
	June 30, 2018	**December 31, 2017**
Cash	$ 3,300,529	$ 3,214,699
Other assets	$ 1,797,799	$ 2,048,768
Total liabilities	$ 1,009,865	$ 1,329,357
Shareholders' equity	$ 4,088,463	$ 3,934,110

Sunora had 15% higher sales for the six-month period ended June 30, 2018 than for the comparative six-month period. Most of this increase was attributable to increased overseas sales.

The claim settlement in the six-month period ended June 30, 2017 relates to a vendor who alleged that Sunora wilfully did not accept deliveries of soybean oil pursuant to a contract. Although Sunora did not accept liability, on the recommendation of legal counsel management settled the claim.

The income from operations before taxes for the six-month period ended June 30, 2018 was $194,053 compared to $173,702 for the six-month period ended June 30, 2017, before the claim settlement.

Earnings (loss) per share - basic and diluted for the six months ended June 30, 2018 were $0.004 compared to a loss of ($0.004), for the comparative period.

Sunora’s had a cash balance of $3,300,529 at June 30, 2018 slightly higher from December 30, 2017. Its strong working capital position continues to allow management to keep current on all obligations.

The other assets of Sunora as at June 30, 2018 were comprised primarily of accounts receivable, inventory, income tax recoverable and a deferred tax asset. Liabilities - all current - consist primarily of accounts payable and accrued liabilities and customer deposits. The decrease in other assets from December 30, 2017 to June 30, 2018 is due to changes in working capital items as part of normal operations.

FINANCIAL POSITION

Assets		Jun-30 2018		December 31, 2017
Current assets				
Cash	$	3,300,529	$	3,214,699
Accounts receivable		1,369,120		1,304,280
Inventory		257,328		426,631
Prepaid expenses and accrued interest		13,533		31,285
GST recoverable		9,695		10,620
Income tax recoverable		-		116,407
		4,950,205		5,103,922
Deferred tax asset		148,123		159,545
	$	5,098,328	$	5,263,467
Liabilities				
Accounts payable and accrued liabilities	$	946,052	$	1,256,855
Customer deposits		34,152		72,502
Income tax payable		29,661		-
		1,009,865		1,329,357
Shareholders' Equity				
Share capital		1,400,816		1,400,816
Contributed surplus		771,858		770,475
Retained earnings		1,915,789		1,762,819
		4,088,463		3,934,110
	$	5,098,328	$	5,263,467

Current assets

Sunora's current assets consist of cash, accounts receivable, prepaid expenses, inventory and income tax recoverable. Cash is held for working capital requirements and to fund expansion costs for new markets and customers. A policy of conserving cash is rigorously followed by management in order to sustain operations and not hamper its marketing strategies. Accounts receivable increased by 5% but is in a comparable range to that of December 30, 2017, due to continuing efforts by management to control the Company's credit and collections. The 40% decrease in inventory is due to a change in the mix of customer orders with more of these shipped directly from Canada; there was a decline in smaller orders shipped from warehouses.

At June 30, 2018, the accounts receivable balance is widely diversified except for four customers (December 31, 2017 – three) which represent 6%, 14%, 21% and 22% respectively of the accounts receivable balance (December 31, 2017 – 33%, 20% and 13%).

Current liabilities

Sunora's current liabilities consist of accounts payable and accrued liabilities, customer deposits, and income taxes payable. Accounts payable decreased by 25% since December 30, 2017, due to normal fluctuations in business activity in the period. As in the past, Sunora is committed to its policy to manage its trade payables on a current basis and maintain its excellent credit standing.

Working capital

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. Current Assets comprise cash, accounts receivable, prepaid expenses, inventory and income tax recoverable; current liabilities include accounts payable and accrued liabilities, customer deposits, and income taxes payable. The amounts of accounts receivable, inventory and accounts payable and accrued liabilities at a point in time are the direct result of sales and purchases and how the Company manages collections, supplier credit and inventory levels, which in turn is manifested in the available cash. At June 30, 2018, the Working Capital Ratio was 4.9:1 compared to 3.8:1 at December 30, 2017. The Company's business has been consistently 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 sales without making capital investments. Therefore, the Company believes it is in a very favourable position to continue to take advantage of opportunities and expand in the future.

OPERATIONS

	Three-month Period Ended June 30, 2018	Three-month Period Ended June 30, 2017	Six-month Period Ended June 30, 2018	Six-month Period Ended June 30, 2017
Sales	$ 3,684,694	3,164,688	$ 7,620,706	$ 6,644,917
Cost of sales	3,514,527	2,911,004	7,168,778	6,158,534
Gross margin	170,167	253,684	451,928	486,383
Other				
General and administrative	131,882	121,476	266,165	250,164
Marketing and promotion	7,719	16,428	15,933	28,314
Bank charges and interest	3,698	2,192	6,322	5,159
Stock-based compensation	-	9,846	1,383	23,709
Foreign exchange	(2,852)	26,501	(14,659)	15,668
Interest income	(8,999)	(5,284)	(17,269)	(10,333)
	131,448	171,159	257,875	312,681
Income from operations	38,719	82,525	194,053	173,702
Claim settlement	-	434,684	-	434,684
Income before income taxes	38,719	(352,159)	194,053	(260,982)
Income tax expense (recovery) - Current	(13,832)	(108,984)	29,661	(84,366)
Income tax expense (recovery) - Deferred	5,711	-	11,422	-
	(8,121)	(108,984)	41,083	(84,366)
Net income (loss) and comprehensive income (loss)	$ 46,840	(243,175)	$ 152,970	$ (176,616)
Earnings per share				
Basic and diluted	$ 0.001	$ (0.006)	$ 0.004	$ $ (0.004)

DISCUSSION OF OPERATIONS

Sales

During the six-month period ended June 30, 2018, sales to three customers (June 30, 2017 – two) represented 53% of the Corporation’s total sales (June 30, 2017 – 43%).

Sunora's International sales increased 84% in the six-month period ended June 30, 2018 compared to the same period of 2017. There is a trend to greater awareness of healthy food choices in in emerging markets overseas.

The Company operates in the single segment of food oil and related commodities. Competition is always a significant factor in the food oil industry. The Company determines the geographic location of revenues based on the location of its customers. The geographic categories presented are the United States, Canada and International; International comprises various regions in South America, Africa, Asia, the Middle East, Eastern Russia, Australia and New Zealand.

The Company's revenues were earned as follows:

	6 months ended June 30, 2018	6 months ended June 30, 2017
USA	$ 5,235,524	$ 5,075,540
Canada	370,197	475,480
International	2,014,985	1,093,897
	$ 7,620,706	$ 6,644,917

Cost of sales

Cost of sales consists of purchases of food oil, packaging, freight and custom duties. Sunora achieved a gross margin of 5.9% in the six-month period ended June 30, 2018, compared to 7.3% in the six-month period ended June 30, 2017. The gross margin in the six-month period ended June 30, 2018 was significantly impacted by product introduction overseas. These margins also tend to fluctuate due to the proportion of packaged oil sales to bulk oil sales; bulk oil has a lower margin structure.

General and administration

General and administrative expenses increased modestly in the six-month period ended June 30, 2018 compared to the same period of 2017. These expenses consist of salaries, rent, travel, and other office overhead expenses.

Marketing and promotion

A direct correlation to Sunora's increased sales has been its marketing efforts. Over the years, Sunora has established good relationships with its sale staff, giving them more flexibility and autonomy as mutual trust has developed in these relationships. In North America, Sunora has worked with brokers who have introduced new customers to the Company. Sales to independent distributors have also grown, mostly in overseas countries, which have given Sunora entry into many foreign markets. Product sales to foreign distributors and for other customers are final and not returnable.

Foreign exchange

The foreign exchange gain or loss is primarily a result of inventory purchases and sales, which are denominated in foreign currencies. In addition, this includes the unrealized foreign exchange gain or loss on the following foreign currency denominated balances:

	Foreign Currency	June 30 2018	December 31, 2017
Cash bank balance	USD	$ 511,155	$ 523,494
Accounts receivable	USD	$ 950,005	$ 859,894
Accounts receivable	SGD	$ 92,074	$ 183,668
Accounts payable	USD	$ (597,192)	$ (644,045)
Customer deposits	USD	$ (18,459)	$ (44,302)

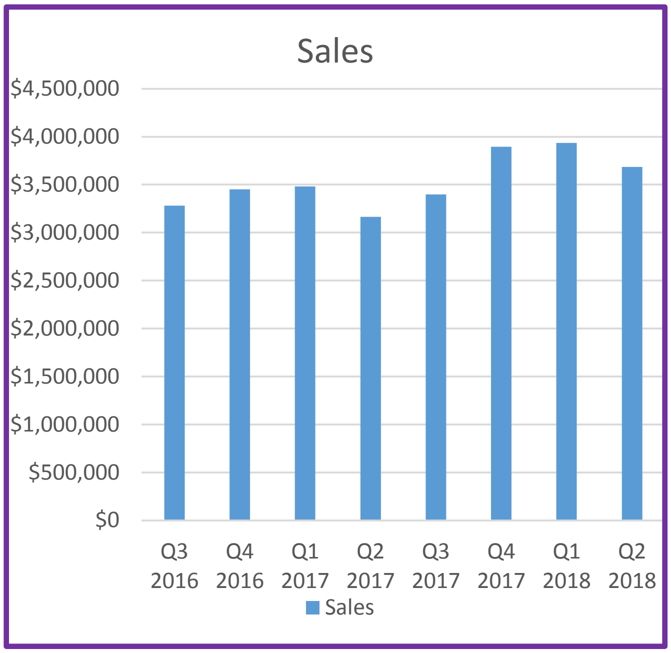
QUARTERLY RESULTS

	Three months ended June 30, 2018	Three months ended March 31, 2018	Three months ended December 31, 2017	Three months ended September 30, 2017
	Q2	*Q1*	*Q4*	*Q3*
Sales	$ 3,684,694	$ 3,936,012	$ 3,893,887	$ 3,396,872
Cost of sales	3,514,527	3,654,250	3,651,552	3,181,049
Gross margin	170,167	281,762	242,335	215,823
Other				
General and administrative expenses	131,882	134,285	159,589	123,332
Marketing and promotion	7,719	8,214	12,739	29,946
Bank charges and interest	3,698	2,623	1,692	1,792
Foreign exchange loss (gain)	(2,852)	(11,807)	12,297	32,528
Stock-based compensation	-	1,383	3,975	6,055
	140,447	134,698	190,292	193,653
	29,720	147,064	52,043	22,170
Interest income	8,999	8,270	7,696	5,772
Claim settlement	-	-	-	-
Income before income taxes	38,719	155,334	59,739	27,942
Income tax expense				
Current income tax (recovery)	(13,832)	43,493	25,360	7,824
Deferred income tax	5,711	5,711	-	-
Net income (loss) and comprehensive income (loss)	$ 46,840	$ 106,130	$ 34,379	$ 20,118
Earnings per share - basic and diluted	$ 0.001	$ 0.003	$ 0.001	$ 0.000

QUARTERLY RESULTS (continued)

		Three months ended June 30, 2017		Three months ended March 31, 2017		Three months ended December 31, 2016		Three months ended September 30, 2016
		Q2		*Q1*		*Q4*		*Q3*
Sales	$	3,164,687	$	3,480,230	$	3,449,793	$	3,281,156
Cost of sales		2,911,004		3,247,531		3,144,439		2,952,174
Gross margin		253,683		232,699		305,354		328,982
Other								
General and administrative expenses		121,477		128,687		177,460		122,351
Marketing and promotion		16,428		11,886		13,524		29,609
Bank charges and interest		2,192		2,966		2,539		4,173
Foreign exchange loss (gain)		26,502		(11,317)		(12,371)		(7,510)
Stock-based compensation		9,846		13,863		36,041		7,256
		176,445		146,085		217,193		155,879
		77,238		86,614		88,161		173,103
Interest income		5,284		5,049		-		-
Claim settlement		(434,684)		-		-		-
Income before income taxes		(352,162)		91,663		88,161		173,103
Income tax expense								
Current income tax (recovery)		(108,984)		24,618		20,396		50,231
Deferred income tax		-		-		(11,571)		-
Net income (loss) and comprehensive income (loss)	$	(243,178)	$	67,045	$	79,336	$	122,872
		0						
Earnings per share - basic and diluted	$	(0.006)	$	0.002	$	0.002	$	0.003

QUARTERLY SALES



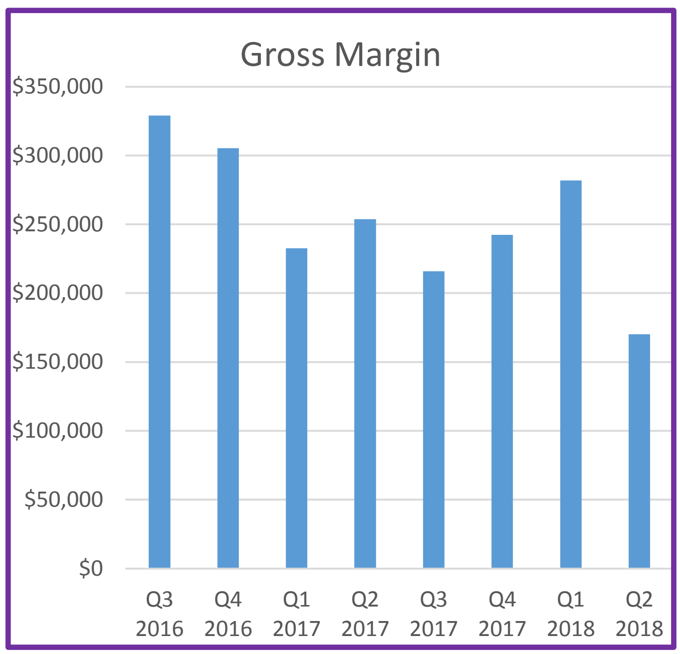
Sales in the six-month period ended June 30, 2018 increased by 14.7% compared to the same period of 2017.

Sales in the second quarter of 2018 declined from the first quarter by 6.4%; sales increased 1.1% from the fourth quarter of 2017 which in turn increased 14.6% from the third quarter. The 2017 third quarter sales increased by 7.3% over the second quarter while 2017 second quarter sales decreased by 9.1% compared to the first quarter of 2017 due to seasonal factors.

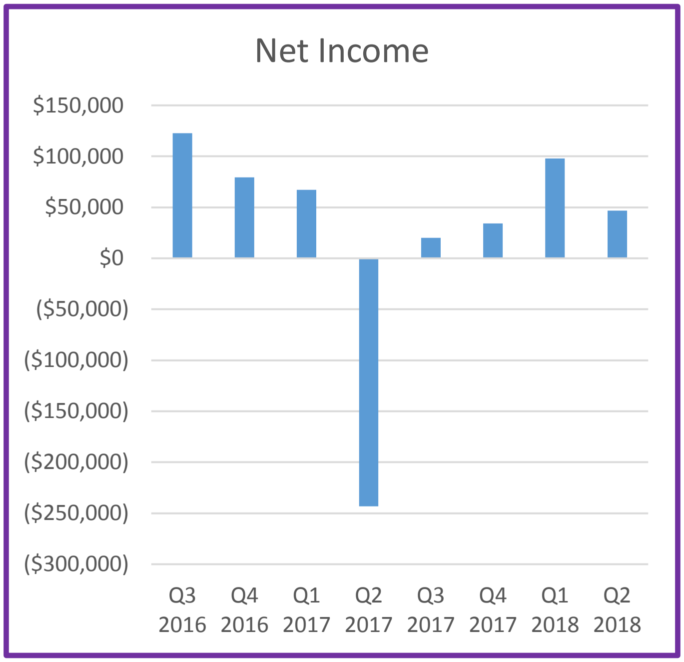
QUARTERLY GROSS MARGIN

Gross margin for the six-month period ended June 30, 2018 was 5.9% compared to 7.3% for the six-month period ended June 30, 2017. This decrease was due primarily to product introduction overseas. Increases in the proportion of bulk oil sales versus package oil products also had some impact.

Gross margin for the second quarter of 2018 was 4.6% compared to the first quarter's 7.2% Gross margin for the first quarter of 2018 was 7.2% compared to the fourth quarter of 2017 at $6.2%; 6.4% for third quarter of 2017, 8.0% for the second quarter and 6.7% for the first quarter of 2017.



QUARTERLY NET INCOME



The net income before taxes for the six-month period ended June 30, 2018 was $194,053; compared to net income before taxes and claim settlement for the comparative period of $173,072.

Although sales for the second quarter were only 6.4% less than the first quarter, net income dropped to $46,840 due to the lower gross margin achieved for the second quarter as illustrated above. The net income for first quarter of 2018 was $106,130 compared to $20,704 and $20,118 for the fourth and third quarters of 2017, respectively. The loss for the quarter ended June 30, 2017 of $243,178 was due to the settlement of the trade dispute.

CASH FLOWS

The Corporation's cash flows are in line with expectations with respect to on-going operations for this quarter.

	Six-month Period Ended June 30, 2018	Six-month Period Ended June 30, 2017
Net cash inflow (outflow) related to:		
Operating activities		
Net Income (loss)	$ 152,970	$ (176,616)
Items not affecting cash		
Stock-based compensation	1,383	23,709
Deferred income tax adjustment	11,422	-
Change in unrealized foreign exchange on US dollar cash	19,745	(66,245)
	185,520	(219,152)
Changes in non-cash working capital		
Accounts receivable	(64,840)	(140,190)
Income tax recoverable (payable)	146,068	(25,270)
GST recoverable	925	(11,236)
Inventory	169,303	94,165
Prepaid expenses and accrued interest	17,752	12,608
Accounts payable and accrued liabilities	(310,803)	227,686
Customer deposits	(38,350)	(2,767)
	(79,945)	154,996
Net cash inflow (outflow)	105,575	(64,156)
Cash, beginning of period	3,214,699	3,353,921
Effect of exchange fluctuations on US dollar cash	(19,745)	66,245
Cash, end of period	$ 3,300,529	$ 3,356,010
Cash is comprised of:		
Cash held in Canadian dollars	3,077,631	2,947,741
Cash held in US dollars stated in Canadian dollars	222,898	408,269
	$ 3,300,529	$ 3,356,010

Sunora's cash balances increased $85,830 in the six months ended June 30, 2018 from December 30, 2017; it had decreased $64,156 in the six months ended June 30, 2017 from December 30, 2016 due in most part to the claim settlement in August 2017.

OUTLOOK

Sunora maintains good relationships with customers in North America and overseas. These relationships continue to drive demand for food oil and related products from Canada, with Sunora well positioned to meet existing and additional demand. Management has focused on increasing visibility in emerging markets, with a specific focus on the economies in Asia, with a view to meet this increased demand for Canadian manufactured food oil products. Sunora's operations are impacted by geopolitical situations that may hold up deliveries as was experienced in recent quarters. As the middle class in these emerging economies demands higher quality and healthier foods, Sunora is well positioned to meet additional demand.

Management is actively identifying and analyzing operations that might increase gross margins for the Company. Prospective businesses considered include packagers and suppliers in the food oil industry. With each operation identified, a detailed review and analysis is undertaken by management. Specific focus is currently on packagers with operations in Canada that are looking for a strategic partner to expand international operations.

Management is also actively considering possible new products and trading opportunities that may benefit from its contacts in domestic and international markets. With the continuing positive momentum in the United States economy and new customers being added in Asia, Sunora is well placed for the future.

OFF-BALANCE SHEET TRANSACTIONS

The Company is not a party to any off-balance sheet arrangements or transactions.

LIQUIDITY, FINANCING ACTIVITY AND CAPITAL RESOURCES

The financial position of the Company is strong relative to its financial requirements and commitments. Management maintains a conservative approach to day-to-day operations, monitoring the timing of its inventory turnover and meeting its obligations to suppliers within their credit facilities. Collections from customers were stringently managed as 100% of receivables at June 30, 2018 were current. Sunora's Current Ratio (Current Assets divided by Current Liabilities) target as set by management is 2.0:1. Including its cash balance of $3,300,529 at June 30, 2018, Sunora's Current Ratio at June 30, 2018 was 4.9:1 (December 30, 2017 was 3.8:1). The Company has continued to have a strong working capital position. Additionally, the Company has neither debt nor any financial obligations other than to fund its operations.

Sunora has only one long term contractual obligation-- a lease on its office facilities in the Provident Professional Building in Calgary, Alberta. This lease for 1,038 square feet of office space, which was renewed for an additional three years to August 30, 2020. Sunora has independent agents working in many parts of the world including the United States. In Canada, the United States and overseas, Sunora has wholesale customers who purchase canola oil from Sunora for redistribution, these sales are final and not returnable.

The Company has no property, plant and equipment (other than office furniture and equipment carried at no book value) and it has no short or long-term loans. Aside from funding its operations, turning over and maintaining adequate inventory levels, the Company has no minimum working capital requirements that are externally imposed.

The Company engages in commodity trading for its purchases, as opposed to speculation. Price changes had limited impact on its operations for the period ended June 30, 2018.

The total number of common shares outstanding as at June 30, 2018 and May 25, 2018 is 42,254,332.

FINANCIAL INSTRUMENTS

Risk management

The Corporation's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note sets out the Corporation's exposure to each of the under-noted 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.

Fair value of financial instruments

The fair values of accounts receivable and accounts payable and accrued liabilities and customer deposits 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.

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 requiring a down payment from some companies to which they extend credit.

As at June 30, 2018, the Corporation's maximum exposure to credit risk for accounts receivable was:

	June 30 2018	December 31 2017
Current	$ 1,369,120	$ 1,304,280
Accounts receivable	$ 1,369,120	$ 1,304,280

At June 30, 2018, the accounts receivable balance is widely diversified except for four customers (December 31, 2017 – three) which represent 6%, 14%, 21% and 22% respectively of the accounts receivable balance (December 31, 2017 – 33%, 20% and 13%).

The Corporation manages the credit exposure of $3,300,529 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.

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 and customer deposits. The Corporation manages this risk through detailed monitoring of budgeted and projected operating results and cash requirements.

At June 30, 2018, the Corporation had cash and cash equivalents of $3,300,529 to settle current liabilities of $1,009,865. The majority of the Corporation's financial liabilities have contractual maturities of less than 30 days and all are subject to normal trade terms.

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; these 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 and purchases denominated in U.S. dollars ("USD") and Singapore dollars ("SGD") to the extent the U.S. and Singapore denominated accounts receivable and accounts payable and accrued liabilities are subject to fluctuations in the related foreign exchange rate.

The actual amounts of the Corporation's monetary assets and liabilities denominated in foreign currency held at June 30, 2018 and December 30, 2017 are as follows:

	Foreign Currency		June 30 2018		December 31, 2017
Cash bank balance	USD	$	511,155	$	523,494
Accounts receivable	USD	$	950,005	$	859,894
Accounts receivable	SGD	$	92,074	$	183,668
Accounts payable	USD	$	(597,192)	$	(644,045)
Customer deposits	USD	$	(18,459)	$	(44,302)

(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.

(iii) Commodity price risk

The nature of the Corporation's operations results in exposure to fluctuations in commodity prices. Commodity prices for food 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 six-month period ended June 30, 2018 and the year ended December 30, 2017 nor does it currently have any derivative financial contracts.

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 working capital ratio of June 30, 2018 was 4.9:1 (December 30, 2017 – 3.8:1). The Company's business has been managed with a strong working capital position which has enabled the Company to operate without debt.

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

Sunora's share capital could be used as a basis to raise additional capital to pursue future opportunities. 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 period ended June 30, 2018 or the year ended December 31, 2017.

CRITICAL ACCOUNTING ESTIMATES

Note 2 to Sunora's June 30, 2018 financial statements describes Sunora's basis of presentation of financial statement and note 3 describes the significant accounting policies. 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.

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

Valuation of accounts receivable

The valuation of accounts receivable is based on management's best estimate of the provision for doubtful accounts based on late payments, client relationships and default history.

Valuation of inventory

The Corporation 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 Company has recorded stock-based compensation expense of $1,383 for the six months ended June 30, 2018 ($23,709 in the six months ended June 30, 2017). The amount recorded relates 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 Corporation's share price, market price of the Corporation's shares at grant date, expected lives of the options and warrants, expected forfeiture rates, expected dividends and other relevant assumptions.

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 Corporation 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 Corporation operates are subject to change. As such, income taxes are subject to estimation uncertainty. Deferred 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 Corporation 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 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.