Sunora Foods Inc.
Financial Statements
For the Years Ended December 31, 2020 and 2019

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Independent Auditor's Report

To the Shareholders of Sunora Foods Inc.

Opinion

We have audited the consolidated financial statements of Sunora Foods Inc. and its subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activites of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is John Leavitt.

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
April 29, 2021

Sunora Foods Inc.
Statements of Financial Position
As at December 31, 2020 and 2019
(amounts in Canadian dollars)

Assets	**December 31, 2020**	**December 31, 2019**
Current assets		
Cash *(note 4)*	$ 3,317,475	$ 3,281,809
Accounts receivable *(note 9(c))*	1,504,080	1,434,853
Inventory *(note 5)*	181,289	207,630
Prepaid expenses and accrued interest	25,853	29,898
GST recoverable	2,062	4,508
	5,030,759	4,958,698
Right-of-use asset (notes 3(d) and 15)	49,223	67,122
Deferred tax asset *(note 6 (b))*	46,835	50,620
	$ 5,126,817	$ 5,076,440
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,052,051	$ 919,555
Customer deposits	76,551	-
Income taxes payable	35,315	6,749
Lease liability *(note 15)*	17,558	17,240
	1,181,475	943,544
Lease liability *(note 15)*	34,899	52,456
Shareholders' Equity		
Share capital *(note 7)*	1,170,251	1,170,251
Contributed surplus	771,858	771,858
Retained earnings	1,968,334	2,138,331
	3,910,443	4,080,440
	$ 5,126,817	$ 5,076,440

Commitments (notes 13 and 15)

See accompanying notes to the financial statements.

APPROVED BY THE BOARD

Steve Bank

James Lawson

Sunora Foods Inc.
Statements of Income and Comprehensive Income
For the Years Ended December 31, 2020 and 2019
(amounts in Canadian dollars)

	Year Ended December 31 2020	Year Ended December 31 2019
Sales	$ 11,327,120	$ 11,264,457
Cost of sales	10,615,151	10,409,325
Gross margin	711,969	855,132
Expenses		
General and administrative	411,432	478,196
Marketing and promotion	58,470	50,336
Bad debts	155,548	25,840
Bank charges and interest	15,952	16,461
Amortization *(notes 3(d) and 15)*	17,899	17,899
Foreign exchange	32,879	26,412
Interest income	(18,783)	(43,047)
	673,397	572,097
Income from operations before income taxes	38,572	283,035
Income tax expense - current *(note 6 (a))*	42,723	6,748
Deferred income tax expense *(note 6 (a))*	3,785	17,114
	46,508	23,862
Net income and comprehensive income	$ (7,936)	$ 259,173
Earnings per share		
Basic and diluted	$ (0.000)	$ 0.006

See accompanying notes to the financial statements.

Sunora Foods Inc.
Statements of Changes in Equity
For the Years Ended December 31, 2020 and 2019
(amounts in Canadian dollars)

	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(b))*	(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
Dividend paid *(note 12)*	-	-	-	(162,061)	(162,061)
Net income and comprehensive income	-	-	-	(7,936)	(7,936)
Balance at December 31, 2020	40,515,332	$ 1,170,251	$ 771,858	$ 1,968,334	$ 3,910,443

See accompanying notes to the financial statements.

Sunora Foods Inc.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(amounts in Canadian dollars)

	Year ended December 31, 2020	Year ended December 31, 2019
Net cash inflow (outflow) related to:		
Operating activities		
Net income and comprehensive income	$ (7,936)	$ 259,173
Items not affecting cash		
Amortization	17,899	17,899
Deferred income tax expense	3,785	17,114
Change in unrealized foreign exchange on US dollar cash	30,056	(10,340)
	43,804	283,846
Changes in non-cash working capital		
Accounts receivable	(69,227)	(364,732)
Inventory	26,341	35,744
Prepaid expenses and accrued interest	4,045	28,037
GST recoverable	2,446	9,027
Accounts payable and accrued liabilities	132,497	(26,583)
Customer deposits	76,551	(58,039)
Income taxes	28,566	6,749
	201,219	(369,797)
Cash flow from (used in) operations	245,023	(85,951)
Financing activities		
Re-purchase of Company's shares *(note 7(b))*	-	(20,500)
Dividend paid *(note 12)*	(162,061)	(141,917)
Lease payments	(17,240)	(15,325)
Cash flow used for financing	(179,301)	(177,742)
Increase (decrease) in cash flow	65,722	(263,693)
Cash, beginning of period	3,281,809	3,535,162
Effect of exchange fluctuations on US dollar cash	(30,056)	10,340
Cash, end of period	$ 3,317,475	$ 3,281,809
Cash, stated in Canadian dollars, is comprised of:		
Cash held in Canadian dollars	2,659,517	2,984,102
Cash held in US dollars	657,958	297,707
	$ 3,317,475	$ 3,281,809

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 April 29, 2021.

(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

New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Company are:

- Definition of a Business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform – IBOR ‘phase 2’ (Amendments to IFRS 9, IAS 39 and IFRS 7); and
- COVID-19-Related Rent Concessions (Amendments to IFRS 16).

New standards, interpretations, and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

(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 involve 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

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 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 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. 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.

(amounts in Canadian dollars)

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 and cash equivalents

Cash and cash equivalents include guaranteed investment certificates of $1,750,000 as at December 31, 2020 (2019 - $2,500,000) bearing at a weighted average rate of 0.40% (2019- 1.75%) per annum with maturity dates at the year end ranging from January 7, 2021 to February 1, 2021 but since renewed to April 5 and 7, 2021 respectively.

5. Inventory and cost of sales

The cost of inventory and direct costs recognized during the year as cost of sales was $10,615,151 (2019 - $10,409,325). The inventory on hand consists of bulk oil and finished goods, as follows:

	December 31, 2020	December 31, 2019
Bulk olive, canola and MCT oil	$ 100,594	$ 157,269
Packaged olive and canola oil	80,695	50,361
	$ 181,289	$ 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 28% (2018 - 28%) to income or loss before income taxes as follows:

		December 31, 2020	December 31, 2019
Income from operations before income taxes	$	38,572	283,035
Expected income tax expense (recovery)		10,800	79,250
Non-capital losses claimed		-	(43,924)
Capital cost allowance claimed		(3,477)	(3,739)
Rate changes and other		3,039	(7,724)
Provision for prior years		36,147	-
Income tax expense	$	46,509	23,862
Total income tax expense (recovery) comprises:			
Current income tax expense	$	42,723	6,748
Deferred income tax expense		3,785	17,114
	$	46,508	$ 23,862

(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	December 31, 2020
Deferred tax assets:			
Non-capital losses carried forward	$ -	-	$ -
Undepreciated capital cost tax pool	50,620	3,785	$ 46,835
	$ 50,620	$ 3,785	$ 46,835

	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 2019, the Company paid $20,500 to repurchase 154,500 common shares which were then 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, 2019	40,515,332	1,170,251
Balance at December 31, 2020	40,515,332	$ 1,170,251
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

For the year ended December 31, 2020, the potential effect of the issuance of common shares upon the exercise of 690,000 options is non-dilutive and therefore, has not been considered in the calculation of diluted earnings per share.

(d) Shares in escrow

As of December 31, 2020, and 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 40,515,332.

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 which 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.

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

The Company's expected volatility is based on management's expectation of future stock price fluctuations, based on the Company's historical stock prices.

The Company's forfeiture rate is management's expectation of the value of stock options cancelled before reaching vesting requirements. This is estimated based on the likelihood of directors, officers, employees and consultants leaving the Company prior to that time.

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

	Number of options	**Weighted Average Exercise Price**	**Expiry date**
Issued in 2015	1,385,000	$0.15	March 23, 2020
Issued in 2017	690,000	$0.15	August 1, 2021
Outstanding at December 31, 2019	2,075,000		
Expired	(1,385,000)	$0.15	March 23, 2020
Outstanding at December 31, 2020	690,000	$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.

(amounts in Canadian dollars)

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.

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 of December 31, 2020, the Company's maximum exposure to credit risk for accounts receivable is $1,504,080 (2019 - $1,434,853). Account receivables include amounts that are past due at the end of the year as follows:

	December 31 2020	December 31 2019
Accounts receivable		
Current	$ 1,385,408	$ 527,020
Overdue less than 90 days	$ 118,672	$ 907,833
	$ 1,504,080	$ 1,434,853

During the year ended December 31, 2020, sales to one customer (2019 – two) represented 38.1% of the Company's total sales (December 31, 2019 – 46.7%).

The accounts receivable balance has two customers (2019 – one) which represent 50.1% and 10.6% of the accounts receivable balance as of December 31, 2020 (December 31, 2019 - 57%). Bad debt expense for the year ended December 31, 2020 was $155,548 (2019 - $25,839). As of December 31, 2020, and 2019, the Company had no allowance for doubtful accounts.

The Company manages the credit exposure of $3,317,475 (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.

As of December 31, 2020, the Company had cash and cash equivalents of $3,317,475 (2019- $3,281,809 available to settle accounts payable and accrued liabilities and taxes of $1,052,051 (2019 - $919,555). 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	December 31, 2020	December 31, 2019
Cash at bank	USD	$ 517,547	$ 229,252
Accounts receivable	USD	$ 1,098,382	$ 1,039,783
Accounts receivable	SGD	$ -	$ 87,513
Accounts payable	USD	$ (676,942)	$ (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 years ended December 31, 2020 and 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 December 31, 2020 was 4.3:1 (2019 – 5.4:1). The Company's business has been managed with a strong working capital position which has enabled the Company to operate without debt. Additionally, the current nature of Sunora's operations has enabled it to expand without making capital investments.

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 with its 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 years ended December 31, 2020 or December 31, 2019.

10. Employee and executive compensation

Total employee and management wages and bonuses recognized in general and administrative expenses for the year ended December 31, 2020 were $208,449 (2019 - $247,062).

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 $59,349 (2019 - $125,518) and no stock-based compensation (2019 - $nil).

11. Related party transactions

During the year, the Company had $89,537 of sales to a customer in China which is controlled by a major shareholder of the Company, holding 8,058,400 common shares (representing 19.9% of the shares issued). Sales to this related party in 2019 amounted to $45,053.

(amounts in Canadian dollars)

12. Dividend paid.

In June 2020, the Company paid a dividend on the issued shares of $0.004 per share for a total of $162,061 (July 2019 - $141,917).

13. 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.

14. 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.

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

	December 31, 2020	December 31, 2019
Sales		
USA	$ 7,861,760	$ 8,056,088
Canada	235,643	185,760
International	3,229,717	3,022,609
	$ 11,327,120	$ 11,264,457
Accounts receivable		
USA	$ 1,472,924	$ 1,145,970
Canada	31,156	2,962
International	-	285,921
	$ 1,504,080	$ 1,434,853
Inventory		
USA	$ 80,695	$ 50,361
Canada	100,594	157,269
International	-	-
	$ 181,289	$ 207,630
Non-current assets		
USA	$ -	$ -
Canada	96,058	117,742
International	-	-
	$ 96,058	$ 117,742

(amounts in Canadian dollars)

15. Lease liability

The Company is committed to a lease of its office premises which terminates on August 31, 2023 with a 3-year renewal option on the same terms. The minimum annual rent payments due are $20,643, $20,643 and $21,162 respectively.

The Right-of-Use Asset and Lease Liability balances are as follows:

	Right-of-Use Asset	Lease Liability
Carrying value at December 31, 2018	$ -	$ -
Recognized on adoption of IFRS 16	85,021	85,021
Amortization	(17,899)	-
Lease payments	-	(15,325)
Carrying value at December 31, 2019	67,122	69,696
Amortization	(17,899)	
Lease payments		(17,240)
Carrying value at December 31, 2020	$ 49,223	$ 52,456
Lease liability - current		17,558
Lease liability - long-term		34,899
		$ 52,456

16. Subsequent events

On January 19, 2021, the Company received an offer from an unrelated party for the purchase of a majority of its issued shares for $0.17 per share, for a maximum sum of $6,893,131.44. The purchaser has placed a $100,000 deposit to be applied towards the purchase consideration, which is refundable if this arrangement is not completed.

On March 16, 2021, the Company entered into an agreement whereby the Company, through a statutory plan of arrangement under Section 193(1) of the Business Corporations Act (Alberta), will become a private company. A Special Meeting of the shareholders of the Company has been scheduled for May 10, 2021, at which time the proposal to become a private company must be approved by 66.66% of the shareholders for the proposal to go forward.

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17. COVID-19

During 2020 and currently, 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.