Management Discussion and Analysis
For the Six Months ended June 30, 2014

This Management Discussion and Analysis ("MD&A") for the six months ended June 30, 2014 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, 2014. Quarterly comparative information prior to January 1, 2014 has not been included as it is impracticable to present prior-period information as Sunora Foods Ltd. was not previously required to report quarterly data. This MD&A is effective August 28, 2014 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.

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 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 and expected developments, as well as 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 Ltd. (“Sunora Foods”) is a Calgary-based trader and supplier of canola, soybean, corn, olive and other food oils. 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 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 Foods 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 Foods operations comprise of receiving orders from its customers in the food oil processing, retail and food services markets; it contracts with food oil processing facilities ("Seed Crushers") where food oil seeds are crushed to produce food oils including canola, soybean and corn oils. Sunora Foods 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 Foods 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 balance sheet as at June 30, 2014 and as at December 31, 2013, and the statements of operations for the six months ended June 30, 2014 and the four months ended December 31, 2013, respectively:

		6 months ended June 30, 2014			**4 months ended December 31, 2014**
Sales	$	5,796,630	$	$	4,794,330
Net income (loss) and comprehensive income (loss)	$	62,788	$	$	(1,074,649)
Earnings per share - basic and diluted	$	-		$	-
Total assets	$	3,610,622	$	$	3,848,337
Shareholders' equity	$	2,940,188		$	2,831,499

Sunora had lower than expected sales for the six-month period ended June 30, 2014 in line with the lower sales for the first quarter. Sales were adversely impacted by a decline in oil related commodity prices of approximately twenty percent. In addition, the lack of available railcars for shipments from suppliers had some adverse effect on prospective bulk oil shipments.

The $62,788 of income in the six month period was due to better gross margins achieved in the second quarter, which were more in line with historical experience. There were also less legal and accounting and tax costs relating to the Qualifying Transaction and Reverse Acquisition.

FINANCIAL POSITION

Assets		June 30, 2014		December 31, 2013
Current assets				
Cash	$	1,685,719	$	1,646,563
Accounts receivable		1,248,123		1,296,199
Income tax recoverable		-		15,713
Inventory (note 4)		540,830		707,362
Prepaids		10,345		17,271
		3,485,017		3,683,108
Deferred tax asset		125,605		165,229
	$	3,610,622	$	3,848,337
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	667,620	$	998,316
Income tax payable		2,814		-
Customer deposits		-		18,522
		670,434		1,016,838
Shareholders' Equity				
Share capital		1,400,816		1,400,816
Warrants		480,021		480,021
Contributed surplus		86,157		40,256
Retained earnings		973,194		910,406
		2,940,188		2,831,499
	$	3,610,622	$	3,848,337

Current assets

Sunora's current assets consist of cash, accounts receivable, income taxes recoverable, prepaid expenses and inventory. 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 is in a comparable range due to continuing efforts by management to improve the Company’s credit and collections. The decrease in inventory is due to changes in customer requirements.

Current liabilities

Sunora's current liabilities consist of accounts payable and accrued liabilities, income tax payable and customer deposits, Accounts payable decreased by $330,696 since December 31, 2013, in keeping with Sunora's policy to manage its trade payables on a current basis and maintain its excellent credit standing, and because Sunora paid off amounts relating to the Reverse Acquistion.

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, income taxes recoverable, prepaid and inventory; current liabilities include accounts payable and accrued liabilities. 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, 2014, the Company has exceeded its target Working Capital Ratio which was 5.2:1 compared to 3.6:1 at December 31, 2013, illustrating a continually growing capacity to support operations. The improvement in working capital was in part due to the proceeds of private placements in 2013. 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 hitherto enabled it to expand without making capital investments. Therefore, the Company believes it is in a very favourable position to expand in the future.

OPERATIONS

	Three months ended June 30, 2014	Six months ended June 30, 2014
Sales	$ 2,836,903	$ 5,796,630
Cost of sales	2,627,296	5,479,823
Gross margin	209,607	316,807
Other		
General and administrative	54,270	207,014
Marketing and promotion	7,502	13,293
Bank charges and interest	1,778	4,717
Foreign exchange	(29,628)	(66,714)
Stock-based compensation	-	45,901
	33,922	204,211
Income before income taxes	175,685	112,596
Income tax expense	54,105	49,808
Net income and comprehensive income	$ 121,580	$ 62,788
Net income per share		
Basic	$ 0.00	$ 0.00
Diluted	$ 0.00	$ 0.00

DISCUSSION OF OPERATIONS

Sales

The Company operates in the single segment of food oil. 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 Other; other 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:

	3 months ended June 30, 2014	6 months ended June 30, 2014
USA	$ 1,698,041	$ 3,334,768
Canada	691,527	1,451,517
Other	447,335	1,010,345
	$ 2,836,903	$ 5,796,630

The Company also has had an economic dependence on one customer. During the three month and six months period ended June 30, 2014, sales to the customer represented approximately 32% and 22% of the Company's total sales, respectively.

Sunora's sales to the United States have been trending lower in favour of an increase in the proportion of sales in Canada and overseas. Overseas markets are continuing to grow and provide greater long term stability to sales. The growth of sales in emerging markets, where awareness of healthy food choices is growing as a result of the expanding middle classes, is a positive trend for Sunora.

Cost of sales

Cost of sales consists of purchases of crude and refined oil, freight and custom duties. Sunora achieved a gross margin of 7.4% in the six months ended June 30, 2014, which is slightly higher than normal. This margin is higher than the expected range as sales for packaged value-added products were relatively higher than bulk oil which commands lower margins.

General and administration

General and administrative expenses increased to $207,014 in the period. G&A consists of salaries, commissions, rent, travel, and various other miscellaneous office overhead expenses. Being a public company has increased these costs

Marketing and promotion

A direct correlation to Sunora's increased sales has been its marketing efforts. Over the years, Sunora has established relationships with additional salesmen and given them more flexibility and autonomy as mutual trust has developed in these relationships. In North America, Sunora has experienced growth in the number of commissioned brokers who have introduced new customers to the Company. Many of these brokers now provide services on a committed basis, as agents, servicing customers primarily for

Sunora. Sales to independent distributors have also grown for Sunora, mostly in countries overseas, which has given Sunora entry into many foreign markets. Product sold to them, as for other customers, is final and not returnable.

Foreign exchange

The foreign exchange gain or loss is primarily a result of inventory purchases and sales, which are denominated primarily in US currency.

QUARTERLY RESULTS

	Three months ended June 30, 2014	Three months ended March 31, 2014
Sales	$ 2,836,903	$ 2,959,560
Cost of sales	2,627,296	2,852,527
Gross margin	209,607	107,033
Other		
General and administrative	54,270	152,744
Marketing and promotion	7,502	5,791
Bank charges and interest	1,778	2,939
Foreign exchange	(29,628)	(37,086)
Stock-based compensation	-	45,901
	33,922	170,289
Income before income taxes	175,685	(63,256)
Income tax	54,105	(4,297)
Net income and comprehensive income	$ 121,580	$ (58,959)
Earnings per share - basic and diluted	0.00	0.00

Sales for the second quarter were 4.1% lower than first quarter due to a continuing decline in commodity prices and lower bulk oil sales. Cost of sales was lower by 7.9% due to inventory write-down taken in the first quarter and mix of sales. Gross margin for the second quarter was 7.4% compared to 3.6% at March 31, 2014, which is slightly higher than normal due to more value-added packaged products sold than bulk oil., the latter having lower profit margins. General and administration expenses were higher in the first quarter due to one-time costs associated with going public. Earnings per share improved in the second quarter compared to the first due to improved gross margins

CASH FLOWS

The Corporation’s cash flows are in line with expectations given the operations for the period.

The following is the Company's Statement of Cash Flows for the three-month and six-month periods ended June 30, 2014; Sunora's cash flows arose only from operations during these periods.

	Three Months ended June 30, 2014	Six Months ended June 30, 2014
Net cash inflow (outflow) related to:		
Operating activities		
Net Income	$ 121,580	$ 62,788
Add (deduct) items not affecting cash		
Stock-based compensation	-	45,901
Deferred income tax expense	39,624	39,624
Change in unrealized foreign exchange on US dollar cash	12,364	(24,722)
	173,568	123,591
Changes in non-cash working capital		
Accounts receivable	70,937	48,076
Income tax recoverable (payable)	19,665	18,527
Inventory	(77,064)	166,532
Prepaids	6,007	6,926
Accounts payable and accrued liabilities	(252,937)	(330,696)
Customer deposits	-	(18,522)
	(233,392)	(109,157)
Cash inflow (outflow)	(59,824)	14,434
Cash, beginning of period	1,757,907	1,646,563
Effect of exchange fluctuations on US dollar cash	(12,364)	24,722
Cash, end of period	$ 1,685,719	$ 1,685,719
Cash is comprised of:		
Cash held in Canadian dollars	1,111,268	1,111,268
Cash held in US dollars	574,451	574,451
	$ 1,685,719	$ 1,685,719

Sunora's cash balances increased $39,156 in the six months ended June 30, 2014. This increase since December 31, 2013 resulted primarily from the reduction of inventory and collection of receivables offset partly by reduction in accounts payable and accrued liabilities during that period. Sunora’s cash balance decreased during the three months ended June 30, 2014 primarily due to the repayment of accounts payable and accrued liabilities.

OUTLOOK

Sunora has a number of good strategic trading relationships with customers in North America and around the world. However, its business in the United States has been negatively impacted by the persistently slow American economy of the last few years. Additionally, there are uncertainties facing the Company, as others, with respect to the world economic outlook currently affected by several geo-political situations, significant increase in international opportunities, with considerable growth in emerging markets around the world. Overseas, countries like China and India have a growing interest in higher quality, healthier products. With the expected but slow improvement in the United States' economy and continued expansion of international opportunities, the Company has an overall positive future outlook.

OTHER SELECTED FINANICAL INFORMATION

	June 30, 2014	December 31, 2013
Assets	$ 3,610,622	$ 3,848,337
Liabilities	$ 670,434	$ 1,016,838
Shareholders' equity	$ 2,940,188	$ 2,831,499

Total assets of Sunora as at June 30, 2014 comprised primarily of cash, accounts receivable and inventory. The decrease in assets from December 31, 2013 to June 30, 2014 is primarily due to a decrease in inventory levels.

Sunora's current liabilities consist primarily of accounts payable and accrued liabilities. Accounts payable decreased by $330,696 since December 31, 2013 due to the Sunora's strong balance sheet and increased working capital position, allowing management to keep current on balances owing.

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 has maintained a conservative approach to day-to-day operations, monitoring the timing of its inventory turnover closely to ensure it can meet its obligations to suppliers within their credit facilities. Collections from customers are stringently managed such that substantially all receivables at June 30, 2014 were less than 60 days old. Sunora's Current Ratio (Current Assets divided by Current Liabilities) target as set by management is 2.0:1. Apart from its cash balance of $1,685,719 at June 30, 2014, Sunora's Current Ratio at June 30, 2014 was 5.2:1. 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 of a lease on its office facilities in the Provident Professional Building in Calgary, Alberta. This lease for 1,038 square feet of office space terminates on August 31, 2017, and has an early termination clause with six months' notice during the last two years. The rates in the lease are deemed to be fair market rates. Sunora has independent agents working in many parts of the world including the United States. In Canada and Asia, 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.

As the Company engages in commodity trading, as opposed to speculation, price changes have limited impact on its operations. As previously noted, a major world economic downtown would adversely impact Sunora due to its reliance on markets outside of Canada.

The total number of common shares outstanding as at August 28, 2014 is 42,254,332.