

Management Discussion and Analysis For the Three-Month Period Ended March 31, 2021

This Management Discussion and Analysis ("MD&A") for the three-month period ended March 31, 2021 and for the three-month period ended March 31, 2020 is derived from and should be read in conjunction with the financial statements of Sunora Foods Inc. ("Sunora" or the "Company" or the "Company") for the three-month period ended March 31, 2021 with comparative figures for the three-month period ended March 31, 2020 or December 31, 2020 as applicable. This MD&A is effective May 25, 2021 and provides some 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 variations (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 materially 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 oil 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 has achieved a measure of success for over thirty 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 its 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 oils.

Sunora 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 natural foods industry.

HIGHLIGHTS

The following highlights are from the statements of operations for the three-month periods ended March 31, 2021 and March 31, 2020 and the statements of financial position as at March 31, 2021 and as at December 31, 2020, respectively:

	Three-Month Period Ended	
	March 31, 2021	March 31, 2020
Sales	\$ 3,983,483	\$ 2,546,421
Net income and comprehensive income	\$ 89,223	\$ 74,491
Earnings per share - basic and diluted	\$ 0.002	\$ 0.002
	March 31, 2021	December 31, 2020
Cash	\$ 3,846,496	\$ 3,317,475
Other assets	\$ 1,763,630	\$ 1,809,342
Total liabilities	\$ 1,610,460	\$ 1,216,374
Shareholders' equity	\$ 3,999,666	\$ 3,910,443

Sunora's sales for the three-month period ended March 31, 2021 increased by 56.4% over the same period of the previous year due to significantly increased demand for Sunora's products.

The net income and comprehensive income for the three-month period ended March 31, 2021 was \$89,233 compared with to net income of \$74,491 for the previous year. This increase resulted from significantly increased sales, an improvement in gross margin from 5.9% to 6.6%, and a lower provision for taxes for this period; offset by a foreign exchange loss compared to a large gain in the prior year and a decrease in interest income.

Total assets of Sunora as at March 31, 2021 are comprised of cash, accounts receivable, inventory, prepaid expenses and accrued interest, GST recoverable, right-of-use asset and a deferred tax asset. The increase in assets of \$483,309 from December 31, 2020 to March 31, 2021 is primarily due to an increase in cash.

Sunora's liabilities consist of accounts payable and accrued liabilities, customer deposits, income taxes payable and a lease liability, relating to its office premises. Net current liabilities increased by \$394,086 from December 31, 2019 due mainly to an increase in accounts payable and accrued liabilities, as well as an increase in customer deposits and income taxes payable.

FINANCIAL POSITION

Sunora Foods Inc.
Statements of Financial Position
As at March 31, 2021 and December 31, 2020
(amounts in Canadian dollars)

Assets	March 31, 2021	December 31, 2020
Current assets		
Cash	\$ 3,846,496	\$ 3,317,475
Accounts receivable	1,543,571	1,504,080
Inventory	107,330	181,289
Prepaid expenses and accrued interest	18,741	25,853
GST recoverable	4,140	2,062
	<u>5,520,278</u>	<u>5,030,759</u>
Right-of-use asset	44,748	49,223
Deferred tax asset	45,100	46,835
	<u>\$ 5,610,126</u>	<u>\$ 5,126,817</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,293,191	\$ 1,052,051
Customer deposits	204,947	76,551
Income taxes payable	64,040	35,315
Lease liability	18,174	17,558
	<u>1,580,352</u>	<u>1,181,475</u>
Lease liability	30,108	34,899
Shareholders' Equity		
Share capital	1,170,251	1,170,251
Contributed surplus	771,858	771,858
Retained earnings	2,057,557	1,968,334
	<u>3,999,666</u>	<u>3,910,443</u>
	<u>\$ 5,610,126</u>	<u>\$ 5,126,817</u>

Current assets

Sunora's current assets consist of cash, accounts receivable, inventory, prepaid expenses and accrued interest and GST recoverable. Cash increased by \$529,021 in the first quarter of 2021. Cash is held for working capital requirements and to fund expansion costs for potential new opportunities, markets and customers. A policy of conserving cash is rigorously followed by management in order to sustain operations and to foster its marketing strategies. Accounts receivable increased and inventories decreased due to the timing of sales and customer orders.

Current liabilities

Sunora's current liabilities consist of accounts payable and accrued liabilities, customer deposits, income taxes payable and lease liability. Accounts payable increased \$241,140 due to the timing of payments for purchases and year-end accruals in the fourth quarter. Income taxes payable increased as a result of a provision for taxes of previous years. Sunora is committed to its policy of managing its trade payables and other liabilities on a timely basis and maintaining its excellent credit standing. Lease liability represents office lease payments due in the ensuing 12 months.

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. At March 31, 2021, the Company has exceeded its target Working Capital Ratio with a ratio of 3.5:1 as compared to 4.3 at December 31, 2020. The Company's business has been managed with a strong working capital position which has enabled the Company to operate without debt. Additionally, given the current nature of Sunora's operations, it has been able to maintain its business without making major capital investments. Therefore, the Company believes it is in a very favourable position to expand in the future.

OPERATIONS

Sunora Foods Inc.

Statements of Income and Comprehensive Income

For the Three-Month Periods Ended March 31, 2021 and 2020

(amounts in Canadian dollars)

	Three-Month Period Ended March 31 2021	Three-Month Period Ended March 31 2020
Sales	\$ 3,983,483	\$ 2,546,421
Cost of sales	<u>3,719,833</u>	<u>2,395,571</u>
Gross margin	<u>263,650</u>	<u>150,850</u>
Expenses		
General and administrative	117,033	109,259
Marketing and promotion	7,822	4,139
Bad debts	(3,684)	-
Bank charges and interest	5,896	6,070
Amortization	4,475	4,475
Foreign exchange	14,144	(82,472)
Interest income	<u>(1,719)</u>	<u>(10,714)</u>
	<u>143,967</u>	<u>30,757</u>
Income from operations before income taxes	119,683	120,093
Income tax expense - current	28,725	44,497
Deferred income tax expense	<u>1,735</u>	<u>1,105</u>
	<u>30,460</u>	<u>45,602</u>
Net income and comprehensive income	<u>\$ 89,223</u>	<u>\$ 74,491</u>
Earnings per share		
Basic and diluted	<u>\$ 0.002</u>	<u>\$ 0.002</u>

DISCUSSION OF OPERATIONS

Sales

The Company operates in the single segment of food oil and related products. 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 increased sales in all geographic segments were earned as follows:

	Three-Month Periods Ended	
	March 31, 2021	March 31, 2020
USA	\$ 2,662,364	\$ 1,756,797
Canada	189,224	51,324
International	1,131,895	738,300
	<u>\$ 3,983,483</u>	<u>\$ 2,546,421</u>

During the three-month period ended March 31, 2021, sales to two customers (three-month period ended March 31, 2020 – two) represented 43.8% of the Company's total sales (three-month period ended March 31, 2020 – 45.1%).

Sunora's sales to the United States have recently been relatively stronger in comparison to sales in Canada. Overseas markets are continuing to show growth. The growth of sales in emerging markets, with growing awareness of healthy food choices by the expanding middle classes, is a positive long-term trend for Sunora.

Cost of sales

Cost of sales consists of purchases of food oil, packaging, freight and custom duties. Sunora achieved a gross margin of 6.6% in the three-month period ended March 31, 2021 compared to 5.9% in the same period of the previous year. Margins improved because of a higher percentage of packaged oil sales.

General and administration

General and administrative expenses consist of salaries, rent, travel, and various other miscellaneous office overhead expenses. These expenses for the three-month period ended March 31, 2021 were only slightly higher compared to the previous year due to net normal fluctuations in various individual expenses.

Marketing and promotion

Sunora's sales over the years reflect its effective marketing efforts. Sunora has established strong relationships with sales staff and given them continuing support as mutual trust has developed in these relationships. In North America, Sunora has outstanding commissioned brokers who have introduced new customers to the Company. Sales to independent distributors have also grown for Sunora, mostly in countries overseas, which has given Sunora entry into many foreign markets.

Foreign exchange

The foreign exchange gain or loss is primarily a result of the inventory purchases and sales that are denominated in US currency. It includes quarterly changes in unrealized foreign exchange on cash, accounts receivable, inventory and customer deposits denominated in US currency. There was a \$14,144 loss on foreign exchange in the current quarter compared to a gain of \$82,472 in the first quarter of the prior year.

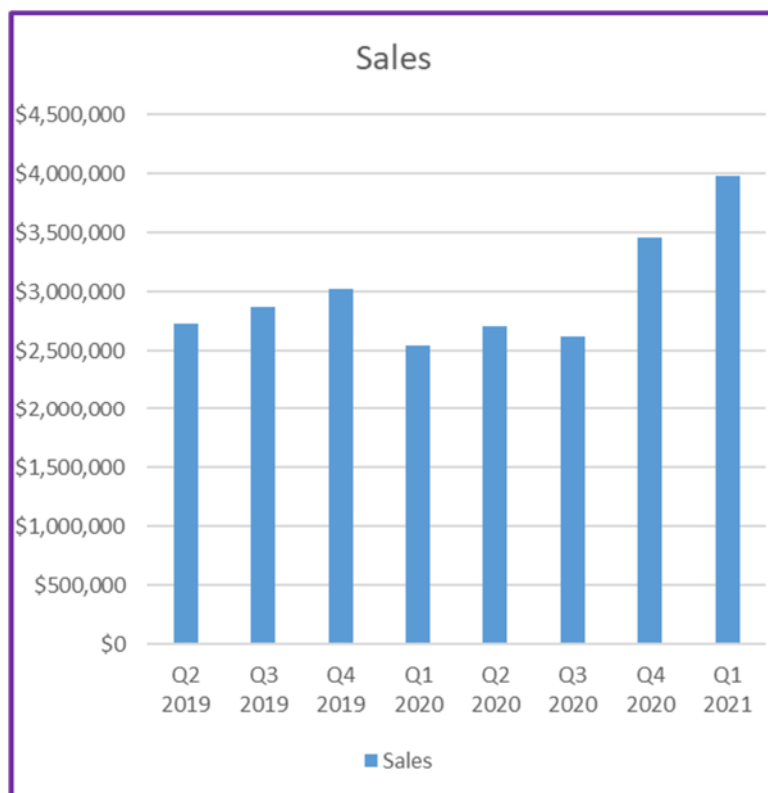
Income tax expense

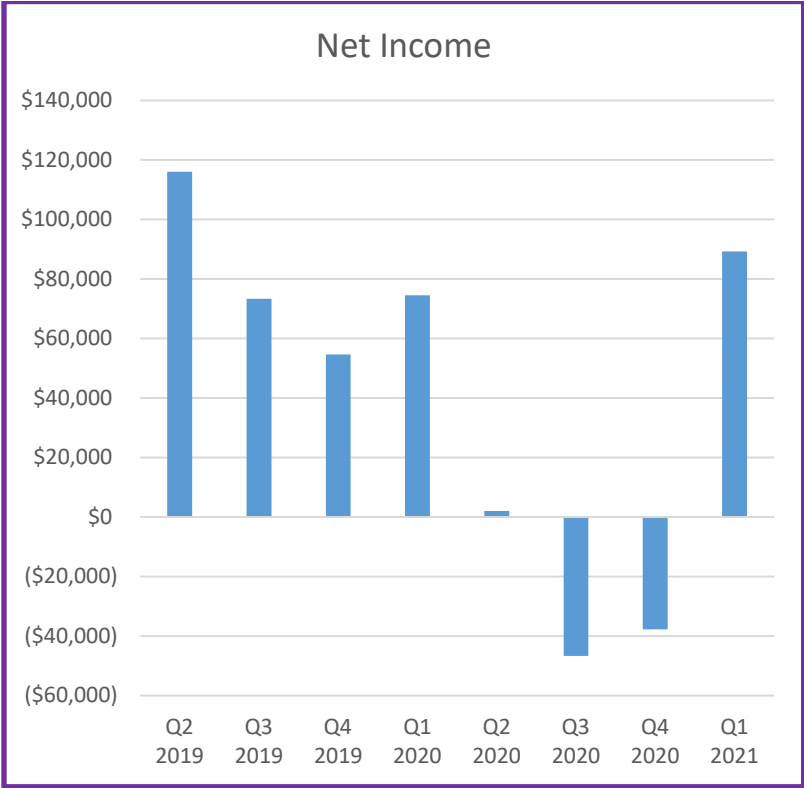
The provision for income taxes for the three-month period ended March 31, 2021 is recorded at the current tax rates whereas the expense for the same period of the previous year included an over-provision which was adjusted in a later period.

QUARTERLY RESULTS

	Three-Month Period Ended March 31 2021 <i>Q1</i>	Three-Month Period Ended December 31, 2020 <i>Q4</i>	Three-Month Period Ended September 30, 2020 <i>Q3</i>	Three-Month Period Ended June 30, 2020 <i>Q2</i>
Sales	\$ 3,983,483	\$ 3,457,825	\$ 2,617,356	\$ 2,705,518
Cost of sales	<u>3,719,833</u>	<u>3,284,498</u>	<u>2,456,820</u>	<u>2,478,262</u>
Gross margin	<u>263,650</u>	<u>173,327</u>	<u>160,536</u>	<u>227,256</u>
Other				
General and administrative expenses	117,033	118,311	79,484	104,378
Marketing and promotion	7,822	11,385	26,865	16,081
Bad debts	(3,684)	(3,841)	79,775	79,614
Bank charges and interest	5,896	2,099	3,817	3,966
Amortization	4,475	4,474	4,475	4,475
Foreign exchange loss (gain)	14,144	49,167	26,491	39,693
Interest income	<u>(1,719)</u>	<u>(2,432)</u>	<u>(1,275)</u>	<u>(4,362)</u>
Income from operations	<u>119,683</u>	<u>(5,836)</u>	<u>(59,096)</u>	<u>(16,589)</u>
Income tax expense				
Current income tax (recovery)	28,725	31,461	(14,774)	(18,461)
Deferred income tax	<u>1,735</u>	<u>470</u>	<u>2,393</u>	<u>(183)</u>
	<u>30,460</u>	<u>31,931</u>	<u>(12,381)</u>	<u>(18,644)</u>
Net income and comprehensive income	<u>\$ 89,223</u>	<u>\$ (37,767)</u>	<u>\$ (46,715)</u>	<u>\$ 2,055</u>
Earnings per share - basic and diluted	<u>\$ 0.002</u>	<u>\$ (0.001)</u>	<u>\$ (0.001)</u>	<u>\$ 0.000</u>

	Three-Month Period Ended March 31, 2020 <i>Q1</i>	Three-Month Period Ended December 31, 2019 <i>Q4</i>	Three-Month Period Ended September 30, 2019 <i>Q3</i>	Three-Month Period Ended June 30, 2019 <i>Q2</i>
Sales	\$ 2,546,421	\$ 3,026,257	\$ 2,875,992	\$ 2,730,626
Cost of sales	<u>2,395,571</u>	<u>2,778,160</u>	<u>2,683,395</u>	<u>2,506,613</u>
Gross margin	<u>150,850</u>	<u>248,097</u>	<u>192,597</u>	<u>224,014</u>
Other				
General and administrative expenses	109,259	143,606	103,593	110,416
Marketing and promotion	4,139	13,713	18,221	6,681
Bad debts	-	25,840	-	-
Bank charges and interest	6,070	4,017	3,719	4,461
Amortization	4,475	4,475	4,475	4,475
Foreign exchange loss (gain)	(82,472)	22,025	(4,013)	(41,838)
Interest income	<u>(10,714)</u>	<u>(8,680)</u>	<u>(12,880)</u>	<u>(9,255)</u>
Income from operations	<u>120,093</u>	<u>43,101</u>	<u>79,482</u>	<u>149,073</u>
Income tax expense				
Current income tax (recovery)	44,497	(10,254)	5,459	11,544
Deferred income tax	<u>1,105</u>	<u>(1,248)</u>	<u>721</u>	<u>21,550</u>
Net income and comprehensive income	\$ <u>74,491</u>	\$ <u>54,603</u>	\$ <u>73,302</u>	\$ <u>115,979</u>
Earnings per share - basic and diluted	\$ <u>0.002</u>	\$ <u>0.001</u>	\$ <u>0.002</u>	\$ <u>0.003</u>





EQUITY

The Company's Equity and changes for the three-month period ended March 31, 2021 were as follows:

Sunora Foods Inc.					
Statements of Changes in Equity					
For the Three-Month Period Ended March 31, 2021 and the Year Ended December 31, 2020					
<i>(amounts in Canadian dollars)</i>					
	Number of Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance at December 31, 2019	40,515,332	1,170,251	771,858	2,138,331	\$ 4,080,440
Dividend paid	-	-	-	(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
Net income and comprehensive income	-	-	-	89,223	89,223
Balance at March 31, 2021	40,515,332	\$ 1,170,251	\$ 771,858	\$ 2,057,557	\$ 3,999,666

CASH FLOWS

The Company's Cash Flows for the three-month period ended March 31, 2021 were as follows:

Sunora Foods Inc. Statements of Cash Flows For the Three-Month Periods Ended March 31, 2021 and 2020 <i>(amounts in Canadian dollars)</i>		
	Three-Month Period Ended March 31 2021	Three-Month Period Ended March 31 2020
Net cash inflow (outflow) related to:		
Operating activities		
Net income and comprehensive income	\$ 89,223	\$ 74,491
Items not affecting cash		
Amortization	4,475	4,475
Deferred income tax expense	1,735	1,105
Change in unrealized foreign exchange on US dollar cash	(40,843)	(39,634)
	<u>54,590</u>	<u>40,437</u>
Changes in non-cash working capital		
Accounts receivable	(39,491)	34,878
Inventory	73,959	17,008
Prepaid expenses and accrued interest	7,112	7,142
GST recoverable	(2,078)	(4,255)
Accounts payable and accrued liabilities	241,140	121,893
Customer deposits	128,396	74,433
Income taxes	28,725	6,749
	<u>437,763</u>	<u>257,848</u>
Cash flow from (used in) operations	492,353	298,285
Financing activities		
Lease payments	(4,175)	(4,353)
Cash flow used for financing	(4,175)	(4,353)
Increase (decrease) in cash flow	488,178	293,932
Cash, beginning of period	3,317,475	3,281,809
Effect of exchange fluctuations on US dollar cash	40,843	39,634
Cash, end of period	<u>\$ 3,846,496</u>	<u>\$ 3,615,375</u>
Cash, stated in Canadian dollars, is comprised of:		
Cash held in Canadian dollars	2,820,916	3,352,840
Cash held in US dollars	1,025,580	262,535
	<u>\$ 3,846,496</u>	<u>\$ 3,615,375</u>

The \$529,021 increase in cash during the first quarter of 2021 is largely from operations, attributable to net income and net changes in working capital line items listed in the statements of cash flows.

OUTLOOK

Sunora maintains strong relationships with strategically located trading partners in North America and overseas. These relationships continue to drive demand for food oil 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, however, may be impacted by geo-political situations that can hold up sales as was experienced in the fourth quarter of 2020. 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 sales and profitability for the Company. Sunora has begun to market MCT oil, which is an ideal carrier oil for hemp and medical cannabis products. Management is also actively considering other new products that may benefit from new domestic and international markets.

Prospective investment opportunities include packagers and suppliers in the food oil industry. With each operation identified, a detailed review and analysis is undertaken by management.

With renewed strength in the United States economy and new customers being added in Asia, along with its participation in the emerging hemp and medical cannabis market, Sunora is well positioned to grow and increase its sales.

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 are stringently managed as all receivables as at March 31, 2021 and December 31, 2020 were less than 60 days old. Sunora's target Current Ratio (Current Assets divided by Current Liabilities) as set by management is 2.0:1. Including its cash balance of \$3,846,496 as at March 31, 2021, Sunora's Current Ratio at March 31, 2021 was still strong at 3.4, down from 4.3 at December 31, 2020. 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 terminates on August 31, 2023 with a three-year renewal option on comparable terms, which Sunora may exercise. 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, the United States and overseas, Sunora has trading partners who purchase canola oil from Sunora for redistribution; these sales are final and not returnable.

The Company's only property, plant and equipment (other than office furniture and equipment carried at no book value) is the right-of-use assets which comprises the capitalized value of its office lease. The corresponding lease liability constitutes the present value of lease payments due. Aside from funding its

operations, turning over and maintaining adequate inventory levels, the Company has no minimum externally imposed working capital requirements.

The Company engages in trading, entailing the matching of its sales contracts with the relating purchase of products, as opposed to speculation. Price changes had limited impact on its operations for the three-month period ended March 31, 2021. As previously noted, a major world economic downturn could adversely impact Sunora due to its reliance on upscale markets outside of Canada.

The total number of common shares outstanding as of March 31, 2021 and December 31, 2020 was 40,515,332.

FINANCIAL INSTRUMENTS

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 policies to ensure that any exposures to risk are in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, Sunora's management has the responsibility to administer and monitor these risks. There have been no changes from the prior year in the Company's exposure or responses to financial risks.

Fair value of financial instruments

The fair values of cash, 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 unobservable and significant to the overall fair value measurement.

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.

Preventing 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 at March 31, 2021, the Company's maximum exposure to credit risk for accounts receivable was \$1,543,571 (December 31, 2020 - \$1,504,080). Account receivables include amounts that are past due at the end of the year as follows:

	March 31, 2021	December 31, 2020
Accounts receivable		
Current	\$ 1,521,831	\$ 1,385,408
Overdue less than 90 days	21,740	118,672
	<u>\$ 1,543,571</u>	<u>\$ 1,504,080</u>

During the three-month period ended March 31, 2021, 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 which represent 30% and 22.4% respectively of the accounts receivable balance at March 31, 2021 (December 31, 2020 – two customers, representing 60.7%). At March 31, 2021 and December 31, 2020, the Company had no allowance for doubtful accounts.

The Company manages the credit exposure of \$3,846,196 (December 31, 2020 - \$3,317,475) 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 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 \$3,846,196 (December 31, 2020 - \$3,317,475) available to settle accounts payable and accrued liabilities and taxes of \$1,357,231 (December 31, 2020 - \$1,087,366). 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 primarily of accounts payable and accrued liabilities. The Company manages this risk through detailed monitoring of budgeted and projected operating results and cash requirements.

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 off-set by accounts payable denominated in USD.

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

	Foreign Currency	March 31, 2021	December 31, 2020
Cash at bank	USD	\$ 813,981	\$ 517,547
Accounts receivable	USD	\$ 1,227,492	\$ 1,098,382
Account payable	USD	\$ (757,843)	\$ (676,942)
Customer deposits	USD	\$ (161,866)	\$ (60,215)

(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 canola and other food oils are impacted by global economic and political events that dictate the levels of supply and demand. Management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when it deems appropriate. The Company did not enter into any derivative financial contracts related to commodity prices during the three-month periods ended March 31, 2021 and 2020 nor does it currently have any derivative financial contracts.

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 as at March 31, 2021 was 3.5:1 (December 31, 2020 – 4.3:1). 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's share capital could be used as a basis 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 three-month period ended March 31, 2021 or the year ended December 31, 2019.

ADOPTION OF NEW ACCOUNTING STANDARDS

New standards that have been adopted in the annual financial statements since 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).

assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

CRITICAL ACCOUNTING ESTIMATES

Note 2 to Sunora's March 31, 2020 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 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 consolidated statement of income and comprehensive income.

Current and deferred taxes

Provisions for current and deferred taxes are made using the best estimate of the amounts 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 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 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 liabilities denominated in foreign currencies are translated and where exchange differences are recognized, a change in the functional currency could have a significant effect on the amounts recorded in the financial statements.

Contingencies

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

Recognition of lease liabilities

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

Significant event in progress

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. At a Special Meeting of the shareholders of the Company held on May 10, 2021, the arrangement was approved as a special resolution of shareholders with 99.96 per cent of the votes cast in favour of the arrangement.

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.