Sunora Foods Inc.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Month Periods Ended September 30, 2015 and 2014

(unaudited)

Sunora Foods Inc.
Condensed Interim Consolidated Balance Sheet
(amounts in Canadian dollars)
(unaudited)

Assets		**September 30, 2015**		**December 31, 2014** *(audited)*
Current assets				
Cash	$	2,752,139	$	1,784,147
Accounts receivable *(note 7 (c))*		1,163,447		1,440,990
Inventory *(note 3)*		486,377		741,047
Prepaid expenses		4,501		23,163
		4,406,464		3,989,347
Deferred tax asset		150,062		150,062
	$	4,556,526	$	4,139,409
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	819,939	$	979,793
Income tax payable		120,165		80,465
Customer deposits		-		12,678
		940,104		1,072,936
Shareholders' Equity				
Share capital *(note 4)*		1,400,816		1,400,816
Warrants *(note 4(e))*		480,021		480,021
Contributed surplus *(note 6)*		86,157		86,157
Retained earnings		1,649,428		1,099,479
		3,616,422		3,066,473
	$	4,556,526	$	4,139,409

Commitment *(note 11)*

See accompanying notes to the condensed interim consolidated financial statements.

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

	Three-month Period Ended September 30, 2015	Three-month Period Ended September 30, 2014	Nine-month Period Ended September 30, 2015	Nine-month Period Ended September 30, 2014
Sales	$ 2,451,477	3,496,856	$ 8,452,570	9,293,486
Cost of sales	2,134,505	3,204,233	7,507,320	8,684,056
Gross margin	316,972	292,623	945,250	609,430
Other				
General and administrative	99,365	111,983	333,983	318,997
Marketing and promotion	5,778	5,739	34,165	19,032
Bank charges and interest	3,318	2,222	9,066	6,939
Foreign exchange	(62,626)	(9,088)	(165,229)	(75,802)
Stock-based compensation *(note 5)*	-		-	45,901
	45,835	110,856	211,985	315,067
Income (loss) before income taxes	271,137	181,767	733,265	294,363
Income tax expense (recovery)	72,366	41,619	183,316	91,427
Net income (loss) and comprehensive income (loss)	$ 198,771	$ 140,148	$ 549,949	$ 202,936
Earnings per share				
Basic and diluted	$ 0.005	$ 0.003	$ 0.013	$ 0.005

See accompanying notes to the condensed interim consolidated financial statements.

Sunora Foods Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(amounts in Canadian dollars)

(unaudited)

	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Retained Earnings	Total
Balance at December 31, 2013	42,254,332	$ 1,400,816	$ 480,021	$ 40,256	$ 910,406	$ 2,831,499
Stock-based compensation *(note 5)*	-	-	-	45,901	-	45,901
Net income for the Period	-	-	-	-	202,936	202,936
Balance at Sep 30, 2014	42,254,332	$ 1,400,816	$ 480,021	$ 86,157	$ 1,113,342	$ 3,080,336
Balance at December 31, 2014	42,254,332	$ 1,400,816	$ 480,021	$ 86,157	$ 1,099,479	$ 3,066,473
Net income for the Period	-	-	-	-	549,949	549,949
Balance at September 30, 2015	42,254,332	$ 1,400,816	$ 480,021	$ 86,157	$ 1,649,428	$ 3,616,422

See accompanying notes to the condensed interim consolidated financial statements.

Sunora Foods Inc.
Condensed Interim Consolidated Statement of Cash Flows
(amounts in Canadian dollars)
(unaudited)

	Nine-month Period Ended September 30, 2015	Nine-month Period Ended September 30, 2014
Net cash inflow (outflow) related to:		
Operating activities		
Net Income	$ 549,949	$ 202,936
Items not affecting cash		
Stock-based compensation	-	45,901
Deferred income tax expense	-	11,387
Change in unrealized foreign exchange on US dollar cash		(33,710)
	549,949	226,514
Changes in non-cash working capital		
Accounts receivable	277,543	(171,982)
Income tax recoverable (payable)	39,700	75,518
Inventory	254,670	249,274
Prepaid expenses	18,662	12,932
Accounts payable and accrued liabilities	(159,854)	304,134
Customer deposits	(12,678)	(18,522)
	418,043	451,354
Increase in cash flow	967,992	677,868
Cash, beginning of period	1,784,147	1,646,563
Effect of exchange fluctuations on US dollar cash	-	33,710
Cash, end of period	$ 2,752,139	$ 2,358,141
Cash is comprised of:		
Cash held in Canadian dollars	2,339,989	1,588,500
Cash held in US dollars	412,150	769,641
	$ 2,752,139	$ 2,358,141

See accompanying notes to the condensed interim consolidated financial statements.

1. General business description

Sunora Foods Inc. ("Sunora" or the "Corporation"), is a trader 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.

2. Basis of presentation

(a) Statement of compliance

These consolidated 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 condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 24, 2015.

(b) Basis of measurement

These consolidated financial statements have been prepared on an historical cost basis, except for certain financial assets and financial liabilities, which are measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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.

In preparation of the condensed interim consolidated financial statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2014.

(amounts in Canadian dollars)

3. Inventory

The cost of inventory recognized as an expense during the three and nine month periods and included in cost of sales was $2,134,505 and $7,507,320, respectively (three and nine month periods ended September 30, 2014 - $3,204,233 and $8,684,056). The inventory on hand consists of finished goods, including product available for sale in bulk as well as packaged product available for sale.

4. Share capital and warrants

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

(b) Issued

Common shares	**Number**	**Stated Value**
Balance, August 31, 2013	10,000	$ 1000
Elimination of SFL common shares	(10,000)	-
Shares issued in reverse acquisition	30,000,000	-
Shares previously issued by Thoroughbred	6,000,000	1,002,000
Shares issued for brokered private placement	4,587,667	367,013
Shares issued for non-brokered private placement	1,666,665	133,333
Share issue costs (less tax benefit of 20,105)	-	(102,530)
Balance, September 30, 2015	42,254,332	$ 1,400,816

(c) Basis of net income (loss) per share

The weighted average number of common shares used in the calculation of net income per share is as follows:

	September 30, 2015	**December 31, 2014**
Basic	42,254,332	42,254,332
Effect of dilutive instruments		
Common share options	183,503	-
Diluted	42,437,835	42,254,332

(amounts in Canadian dollars)

d) Shares in escrow

At September 30, 2015, a total of 14,400,000 common shares (December 31, 2014 – 19,200,000) were held in escrow pursuant to TSXV requirements. The remaining shares will be released from escrow every 6 months by instalments of 4,800,000 common shares.

(e) Warrants

	Number	**Amount**
Warrants issued as part of brokered private placement	4,587,667	$ 321,137
Agent's warrants	344,075	30,967
Warrants issued as part of non-brokered private placement	1,666,665	116,667
Finder's warrants	124,999	11,250
Balance at December 31, 2014 and September 30, 2015	6,723,406	$ 480,021

5. Stock-based compensation

The Corporation has a stock option plan for officers, directors, employees and consultants and has authorized a pool of options to acquire common shares, not to exceed 10% of issued and outstanding common shares. Under the plan, the Board of Directors set the exercise price and expiry date for each option grant.

The following is a summary of the Corporation's outstanding stock options for the nine-month period ended September 30, 2015 and the year ended December 31, 2014:

	Number of options	**Weighted Average Exercise Price**	**Expiry Date**
Outstanding at August 31, 2013	-	-	
Issued	600,000	$0.10	August-25-21
Outstanding at December 31, 2013	600,000	$0.10	August-25-21
Forfeited	(60,000)	$0.10	August-25-21
Outstanding at December 31, 2014	540,000	$0.10	August-25-21
Exercisable at December 31, 2014	540,000	$0.10	August-25-21
Issued	1,855,000	$0.15	March-23-20
Forfeited	$ (910,000)	$0.10	
Outsanding and exerciseable at September, 2015	1,485,000	$0.15	March-23-20

(amounts in Canadian dollars)

On March 23, 2015, 1,855,000 stock options were granted at an exercise price of $0.15/option to certain directors, officers, employees and consultants of the Corporation. The options expire in 5 years, on March 23, 2020 and vest 1/3 each 6 month anniversary of the grant date.

Of the stock options granted on March 23, 2015, 910,000 were not accepted therefore making the revised number of stock options granted to be 1,485,000.

6. Contributed surplus

The following summarizes changes in the Corporation's contributed surplus:

		September 30, 2015		December 31, 2014
Balance, beginning of period	$	86,157		40,256
Stock-based compensation (note 5)			$	45,901
Balance, end of period	$	86,157	$	86,157

7. Financial instruments

(a) Risk management

The Corporation's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. The Corporation employs risk management strategies and polices to ensure that any exposures to risk are in compliance with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, Sunora's management has the responsibility to administer and monitor these risks.

(b) Fair value of financial instruments

The fair values of 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.

Cash is measured at fair value based on its Level 1 designation.

(c) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation performs ongoing credit evaluations of its customers and establishes an allowance for doubtful accounts based on credit risk applicable to certain accounts, historical trends and other relevant information. Management believes the risk is often mitigated by the size and reputation of the companies to which they extend credit.

As at September 30, 2015, the Corporation's maximum exposure to credit risk for accounts receivable is $1,163,447. Accounts receivable include amounts that are past due at the end of the reporting period for which the Corporation has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

(amounts in Canadian dollars)

	September 30,2015	December 31, 2014
Current	$1,158,719	$ 1,333,071
60 - 90 days	-	105,641
Greater than 90 days	4,728	2,278
Accounts receivable	$ 1,163,447	$ 1,440,990

During the nine month period ended September 30, 2015, sales to one customer (December 31, 2014 - one customer) represents 14% of the Corporation's total sales (December 31, 2014 – 10%).

The accounts receivable balance is widely diversified with the exception of two customers (December 31, 2014 – two customers) that represent 11% and 36% of the accounts receivable balance at September 30, 2015 (December 31, 2014 –10% and 18%).

Bad debt expense for the nine month period ended September 30, 2015 was $Nil (December 31, 2014 - $148,260) which is included in general and administrative expenses. At September 30, 2015, the Corporation had allowance for doubtful accounts of $Nil (December 31, 2014 - $137,948).

The Corporation manages the credit exposure related to cash 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 Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Corporation's ongoing liquidity is impacted by various external events and conditions, including global economic conditions.

The financial liabilities on the consolidated balance sheet consist of accounts payable and accrued liabilities. The Corporation manages this risk through detailed monitoring of budgeted and projected operating results and cash requirements.

At September 30, 2015, the Corporation considered $Nil (December 31, 2014 - $Nil) of its accounts payable to be past due.

(e) Market risk

Market risk is the risk that changes in market prices, foreign exchange rates and interest rates will affect the Corporation's net earnings or the value of financial instruments and are largely outside the control of the Corporation. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns. Primary market risks are as follows:

(i) Foreign currency risk

The Corporation is exposed to currency price risk on sales denominated in U.S. dollars ("USD") and Singapore dollars ("SGD") to the extent that the receipt of payment of the U.S. and Singapore denominated accounts receivable are subject to fluctuations in the related foreign exchange rate.

The carrying amounts of the Corporation's monetary assets and liabilities denominated in foreign currency at September 30, 2015 and December 31, 2014 are as follows:

	Foreign Currency	September 30, 2015	December 31, 2014
Cash at bank	USD	528,324	547,756
Accounts receivable	USD	689,700	1,144,223
Accounts receivable	SGD	91,980	92,250
Accounts payable	USD	(144,635)	(427,818)

A $0.01 increase in the U.S. to Canadian dollar exchange rate would have resulted in an increase of $10,734 to net income for the period ended September 30, 2015. A $0.01 increase in the Singapore to Canadian dollar exchange rate would not have a significant impact on the net income for the period ended September 30, 2015.

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(amounts in Canadian dollars)

(f) Capital management

The Company's target Working Capital Ratio (Current Assets divided by Current Liabilities, which is an indicator of its ability to finance its on-going operations) is 2:1. The 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. Therefore, the Company believes it is in a very favorable position to expand in the future.

The Corporation optimizes its capital structure with a view to ensure a strong financial position to support its acquisition strategies. Sunora considers its capital structure to include shareholders' equity and the Corporation strives to maximize the value associated to share capital.

Sunora's share capital will be used as a basis to raise additional capital to pursue acquisitions. The Corporation's ability to raise additional equity financing is impacted by external factors, including global economic conditions. The Corporation is not subject to externally imposed capital requirements and the capital management policy has not changed during the six-month period ended September 30, 2015 or the year ended December 31, 2014.

8. Segmented information

The Corporation determines the geographic location of revenues based on the location of its customers. All of the Corporation's assets are located in Canada. The Corporation's revenues were earned as follows:

	3 months ended September 30, 2015	3 months ended September 30, 2014	9 months ended September 30, 2015	9 months ended September 30, 2014
USA	$ 1,786,788	$ 2,425,144	$ 5,403,471	$ 5,759,912
Canada	194,161	668,118	1,348,769	2,119,634
International	470,528	403,594	1,700,330	1,413,940
	$ 2,451,477	$ 3,496,856	$ 8,452,570	$ 9,293,486

9. Employee and executive compensation

Total employee wages and bonuses recognized in general and administrative expenses for the three and nine month periods ended were $51,126 and $169,901, respectively (three and nine month periods ended September 30, 2014 - $49,646 and $155,829).

The Corporation considers its key management personnel to be its Chief Executive Officer and its Chief Financial Officer and non-executive directors. The compensation paid to the key management personnel consisted of wages and bonuses of $9,779 and $47,926 for the three and nine month periods ended September 30, 2015, respectively (three and nine month periods ended September 30, 2014 - $7,954 and $39,400

(amounts in Canadian dollars)

10. Commitments

(a) Rent commitment

At December 31, 2014, the Corporation is committed under a lease on its office premises expiring August 31, 2017 for future minimum rental payments, excluding estimated operating costs as follows:

2015	15,052
2016	20,761
2017	13,841
	$ 49,654

(b) Investor Relation Services

The Corporation has an on-going arrangement with an investor relations firm to meet Sunora's requirements of developing relationships with its stakeholders.

11. Comparative Figures

Certain comparative figures have been reclassified to conform with the current period's presentation.