

Sunora Foods Inc.
Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2016
(unaudited)

Sunora Foods Inc.
Consolidated Balance Sheet
(amounts in Canadian dollars)
(audited)

Assets	March 31, 2016	December 31, 2015
Current assets		
Cash	\$ 2,981,812	\$ 2,620,566
Accounts receivable	989,160	920,001
Inventory	607,523	497,798
Prepaid expenses	18,419	32,826
	<u>4,596,914</u>	<u>4,071,191</u>
Deferred tax asset	147,974	147,974
	<u>\$ 4,744,888</u>	<u>\$ 4,219,165</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 936,008	\$ 468,226
Income tax payable	48,940	66,638
Customer deposits	63,734	13,066
	<u>1,048,682</u>	<u>547,930</u>
Shareholders' Equity		
Share capital	1,400,816	1,400,816
Contributed surplus	668,758	668,758
Retained earnings	1,626,632	1,601,661
	<u>3,696,206</u>	<u>3,671,235</u>
	<u>\$ 4,744,888</u>	<u>\$ 4,219,165</u>

Commitment *note 11*

Contingency *note 12*

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

	Three-month Period Ended March 31, 2016	Three-month Period Ended March 31, 2015
Sales	\$ 2,687,379	2,743,967
Cost of sales	<u>2,434,957</u>	<u>2,438,792</u>
Gross margin	<u>252,422</u>	<u>305,175</u>
Other		
General and administrative	122,566	97,535
Marketing and promotion	11,576	16,811
Bank charges and interest	2,330	1,904
Foreign exchange	82,655	(131,013)
Stock-based compensation (<i>note 5</i>)	<u>-</u>	<u>-</u>
	<u>219,127</u>	<u>- 14,763</u>
Income (loss) before income taxes	33,295	319,938
Income tax expense (recovery)		
Current	<u>8,324</u>	<u>79,700</u>
Net income (loss) and comprehensive income (loss)	\$ <u>24,971</u>	\$ <u>240,238</u>
Earnings per share		
Basic and diluted	\$ <u>0.00</u>	\$ <u>0.00</u>

See accompanying notes to the condensed interim consolidated financial statements.

Sunora Foods Inc.
Condensed Interim Consolidated Financial Statements
Condensed Consolidated Statements of Changes in Equity
(amounts in Canadian dollars)

	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 8)	-	-	-	45,901	-	45,901
Net income for the Period	-	-	-	-	189,073	189,073
Balance at Sep 30, 2014	42,254,332	\$ 1,400,816	\$ 480,021	\$ 86,157	\$ 1,099,479	\$ 3,066,473
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	-	-	-	102,580	-	102,580
Warrant expiry (note 7)	-	-	(480,021)	480,021.00	-	-
Net income	-	-	-	-	\$ 502,182	502,182
Balance at December 31, 2015	42,254,332	\$ 1,400,816	\$ -	\$ 668,758	\$ 1,601,661	\$ 3,671,235
Balance at December 31, 2015	42,254,332	\$ 1,400,816	\$ -	\$ 668,758	\$ 1,601,661	\$ 3,671,235
Net income for the Period	-	-	-	-	24,971	24,971
Balance at March 31, 2016	42,254,332	\$ 1,400,816	\$ -	\$ 668,758	\$ 1,626,632	\$ 3,696,206

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)

	Three-month Period Ended March 31, 2016	Three-month Period Ended March 31, 2015
Net cash inflow (outflow) related to:		
Operating activities		
Net Income	\$ 24,971	\$ 240,238
Items not affecting cash		
Stock-based compensation	-	
Change in unrealized foreign exchange on US dollar cash	-	(120,583)
	<u>24,971</u>	<u>119,655</u>
Changes in non-cash working capital		
Accounts receivable	(69,159)	(154,451)
Income tax recoverable (payable)	(17,698)	73,073
Inventory	(109,725)	390,376
Prepaid expenses	14,407	
Accounts payable and accrued liabilities	467,782	54,875
Customer deposits	50,668	(12,678)
	<u>336,275</u>	<u>351,195</u>
Increase in cash flow	361,246	470,850
Cash, beginning of period	2,620,566	1,784,147
Effect of exchange fluctuations on US dollar cash	-	120,583
Cash, end of period	\$ <u>2,981,812</u>	\$ <u>2,375,580</u>
Cash is comprised of:		
Cash held in Canadian dollars	2,394,320	1,752,560
Cash held in US dollars	587,492	623,020
	\$ <u>2,981,812</u>	\$ <u>2,375,580</u>

See accompanying notes to the condensed interim consolidated financial statements.

Sunora Foods Inc.

(formerly "Thoroughbred Capital Inc.")

Notes to the Consolidated Interim Financial Statements For the Three- Months Period Ended March 31, 2016 (amounts in Canadian dollars)

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 May 27, 2016.

(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, 2015.

Sunora Foods Inc.

(formerly "Thoroughbred Capital Inc.")

Notes to the Consolidated Interim Financial Statements For the Three- Months Period Ended March 31, 2016 (amounts in Canadian dollars)

3. Inventory

The cost of inventory recognized as an expense during the period and included in cost of sales was \$2,434,957 (Three-month period ended March 31, 2015 - \$2,438,792). 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, December 31, 2015 and March 31, 2016	<u>42,254,332</u>	<u>\$ 1,400,816</u>

(c) Earnings per share (loss) per share

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

	March 31, 2016	March 31, 2015
Basic	42,254,332	42,254,332
Effect of dilutive instruments:		
Common share options	<u>183,503</u>	<u>183,503</u>
Diluted	<u>42,437,835</u>	<u>42,437,835</u>

d) Shares in escrow

At March 31, 2016, a total of 9,600,000 common shares (December 31, 2015 – 9,600,000) 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.

Sunora Foods Inc.

(formerly "Thoroughbred Capital Inc.")

Notes to the Consolidated Interim Financial Statements For the Three- Months Period Ended March 31, 2016 (amounts in Canadian dollars)

(e) Warrants

	Number	Amount
Warrants issued as part of brokered private placement	4,587,667	\$ 321,137.00
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, 2013 and 2014	6,723,406	\$ 480,021.00
Expiry of warrants	(6,723,406)	(480,021)
Balance at December 31, 2015 and March 31, 2016	-	-

- (i) The Agent to the brokered private placement also received Agent's warrants to purchase common shares representing that number of common shares equal to 7.5% of the units issued, exercisable at a price of \$0.15 per common share for a period of 24 months from the date of closing. The fair value of the Agent's warrants of \$30,967 has been included as share issue costs during the period ended December 31, 2013 (note 7(b)).
- (ii) The Finder to the non-brokered private placement received Finder's warrants to purchase common shares representing that number of common shares equal to 7.5% of the units issued, exercisable at a price of \$0.15 per common share for a period of 24 months from the date of closing. The fair value of the Finder's warrants of \$11,250 has been included as share issue costs during the period ended December 31, 2013 (note 7(b)).
- (iii) The fair value of the agent's and finder's warrants granted during the period ended December 31, 2013 were estimated on the date of grant using the Black Scholes option pricing model with the following assumptions:

Share price on the date of grant	\$0.167
Exercise price	\$0.15
Risk-free interest rate	1.11%
Expected volatility	100.00%
Expected life	2 years
Estimated dividend yield	0.00%
Estimated forfeiture rate	0.00%
Fair value per option	\$0.09

The Corporation's expected volatility is based on volatility assumptions used by similar publicly-traded companies in the same industry, as well as management's expectation of future stock price fluctuations.

Sunora Foods Inc.

(formerly "Thoroughbred Capital Inc.")

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

and Year Ended December 31, 2014

(amounts in Canadian dollars)

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 three-month period ended March 31, 2016 and the year ended December 31, 2015:

	Number of options	Weighted Average Exercise Price	Expiry Date
Outstanding at December 31, 2013	600,000	\$0.10	August-25-21
Forfeited	<u>(60,000)</u>	\$0.10	August-25-21
Outstanding and exercisable at December 31, 2014	540,000	\$0.10	August-25-21
Issued	1,485,000	\$0.10	March-23-20
Forfeited	<u>\$ (540,000)</u>	\$0.00	August-25-21
Outstanding at December 31, 2015 and March 31, 2016	<u>1,485,000</u>	\$0.15	March-23-20
Exercisable at March 31, 2016	<u>495,000</u>	\$0.15	March-23-20

6. Contributed surplus

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

	March 31, 2016	December 31, 2015
Balance, beginning of period	\$ 670,773	\$ 86,157.00
Stock-based compensation (note 5)	-	102,580
Expiry of warrants (note 4(e))	-	480,021
Balance, end of period	<u>\$ 670,773</u>	<u>\$ 670,773</u>

7. Financial instruments

(a) Risk management

The Corporation's activities expose it to a variety of financial risks including credit risk,

Sunora Foods Inc.

(formerly "Thoroughbred Capital Inc.")

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

and Year Ended December 31, 2014

(amounts in Canadian dollars)

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 policies 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.

Sunora Foods Inc.

(formerly "Thoroughbred Capital Inc.")

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

and Year Ended December 31, 2014

(amounts in Canadian dollars)

As at March 31, 2016, the Corporation's maximum exposure to credit risk for accounts receivable is \$989,160.

	March 31, 2016	December 31, 2015
Current	\$ 989,160	\$ 814,899
Past due greater than 60 days	<u>-</u>	<u>105,102</u>
Accounts receivable	<u>\$ 989,160</u>	<u>\$ 920,001</u>

During the period ended March 31, 2016, sales to one customer represented 21 % of the Corporation's total sales (2015- 17%).

The accounts receivable balance is widely diversified with the exception of two customers (December 31, 2015 – four customers) that represent 30% and 17% of the accounts receivable balance at March 31, 2016 (December 31, 2015 – 23%, 16%, 13% and 10%).

Bad debt expense for the period ended March 31, 2016 was nil (December 31, 2015 - \$13,805) which is included in general and administrative expenses. At March 31, 2016, the Corporation had allowance for doubtful accounts of nil (December 31, 2015 - nil).

The Corporation manages the credit exposure of \$2,981,812 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 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 March 31, 2016, the Corporation had cash and cash equivalents of \$2,981,812 to settle current liabilities of \$1,048,682. The majority of the Corporation's financial liabilities have contractual maturities of less than 60 days and all are subject to normal trade terms.

Sunora Foods Inc.

(formerly "Thoroughbred Capital Inc.")

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

and Year Ended December 31, 2014

(amounts in Canadian dollars)

(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 March 31, 2016 and December 31, 2015 are as follows:

	Foreign Currency	March 31, 2016	December 31, 2015
Cash	USD	540,327	216,336
Accounts receivable	USD	670,432	517,914
Accounts receivable	SGD	-	88,052
Accounts payable	USD	(406,880)	(77,428)

A \$0.01 increase in the U.S. to Canadian dollar exchange rate would have resulted in an increase of \$2,814 to net income for the period ended March 31, 2016. 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 March 31, 2016.

(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.

Sunora Foods Inc.

(formerly "Thoroughbred Capital Inc.")

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

and Year Ended December 31, 2014

(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 working capital ratio of March 31, 2016 was 4.4:1 (December 2015- 6.75:1) 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 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 three-month period ended March 31, 2016 or the year ended December 31, 2015.

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 March 31, 2016	3 months ended March 31, 2015
USA	\$ 2,167,415	\$ 1,785,591
Canada	235,713	275,451
International	284,251	682,925
	<u>\$ 2,687,379</u>	<u>\$ 2,743,967</u>

9. Employee and executive compensation

Total employee wages and bonuses recognized in general and administrative expenses were \$47,636 (March 31, 2015 - \$40,597).

The Corporation considers its key management personnel to be its Chief Executive Officer and non-executive directors. The compensation paid to the key management personnel consisted

Sunora Foods Inc.

(formerly "Thoroughbred Capital Inc.")

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

and Year Ended December 31, 2014

(amounts in Canadian dollars)

of wages and bonuses of \$10,658 (March 31, 2015 - \$10,457) and stock-based compensation of nil (March 31, 2015 - nil).

10. Related party transactions

General and administrative expenses include nil (December 31, 2015 - \$9,459) of commissions on products sold from a company controlled by a previous director of the Corporation. No amount in this quarter (December 31, 2015 - \$5,522) is included in accounts payable and accrued liabilities at March 31, 2016.

11. Commitments

(a) Rent commitment

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:

2016	20,761
2017	<u>13,841</u>
	<u>\$ 34,602</u>

(b) Investor Relations commitment

The Corporation is committed to payments of \$1,250 twice monthly to an investor relations company.

12. Contingency

On December 31, 2015, a statement of claim was filed against the Corporation by one of its vendors. The claim alleges that the Corporation wilfully did not accept deliveries of soybean oil pursuant to a contractual arrangement. The plaintiff is claiming USD \$506,798 in damage relating to losses suffered on the Corporation's alleged refusal to accept deliveries of the soybean oil. While the matter is still at a preliminary stage and the outcome is uncertain, it is the opinion of management that no loss will be incurred as a result of this claim. Based on management's assessment, no loss has been accrued in the consolidated financial statements for the year ended December 31, 2015 and the period ended March 31, 2016.