Management Discussion and Analysis
For the Three and Nine-Month Periods ended September 30, 2017

This Management Discussion and Analysis ("MD&A") for the nine months ended September 30, 2017 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 three and nine months ended September 30, 2017. This MD&A is effective November 27, 2017 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 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 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 Inc. (“Sunora”) 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 competitive pricing, consistent quality, and 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’s 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 receives 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, soybean and corn oils. Sunora's 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 health food industry.

HIGHLIGHTS

The following highlights are from the condensed interim consolidated balance sheet as at September 30, 2017 and as at September 30, 2016, and the statements of operations for the nine months ended September 30, 2017 and the nine months ended September 30, 2016, respectively:

		9 months ended September 30, 2017		9 months ended September 30, 2016
Sales	$	10,041,788	$	8,804,308
(Loss) Net income and comprehensive (loss) income	$	(156,499)	$	203,458
Claim settlement	$	434,684	$	-
Earnings (loss) per share - basic and diluted	$	(0.004)	$	0.005
Total assets	$	4,804,184	$	5,239,051
Shareholders' equity	$	3,895,272	$	3,906,629

Sunora had 14% higher sales for the nine-month period ended September 30, 2017 than the comparative nine- month period. Sales were positively impacted by stronger results in the United States and Canada and continued positive momentum overseas.

The loss and comprehensive loss for the nine months ended September 30, 2017 was primarily the result of the settlement of a trading dispute. The income from operations before taxes and the claim was $201,643 compared to $282,583 for the same period of 2016. Although sales were 14% higher, gross margin declined from 8.9% to 7.0% in this nine-month period. Gross margin percentage declined because of a higher proportion of bulk oil sales.

The legal settlement arises from a statement of claim filed against the Corporation in 2015 by one of its vendors, who alleged that Sunora wilfully did not accept deliveries of soybean oil pursuant to a contractual arrangement. The vendor claimed USD $506,798 in damages relating to losses allegedly suffered. Sunora denied responsibility for such a claim. However, on the recommendation of legal counsel, management settled the claim for CDN $390,000 to be paid by August 31, 2017. The claim settlement comprises a full provision for the claim including already incurred and expected legal fees.

Earnings (loss) per share - basic and diluted for the nine months ended September 30, 2017 were $(0.004) from $0.005 for the same period last year as a direct result of the claim settlement. Without the claim, earnings per share – basic and diluted for the nine months to September 30, 2017 would have been significantly better.

FINANCIAL POSITION

Assets		September 30, 2017		December 31, 2016
				(audited)
Current assets				
Cash and cash equivalents	$	3,139,881	$	3,356,829
Accounts receivable		992,672		949,816
Inventory		351,977		438,064
Prepaid expenses		11,011		21,874
Goods and services tax recoverable		7,331		11,023
Income tax recoverable		141,767		110,457
		4,644,639		4,888,063
Deferred tax asset		159,545		159,545
	$	4,804,184	$	5,047,608
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	852,584	$	954,092
Customer deposits		56,328		71,510
		908,912		1,025,602
Shareholders' Equity				
Share capital		1,400,816		1,400,816
Contributed surplus		766,500		736,735
Retained earnings		1,727,956		1,884,455
		3,895,272		4,022,006
	$	4,804,184	$	5,047,608

Current assets

Sunora's current assets consist of cash, accounts receivable, prepaid expenses, inventory and income tax recoverable. 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 increased by 4.5% but is in a comparable range to that of December 31, 2016, due to continuing efforts by management to control the Company’s credit and collections. The 19.7% decrease in inventory is due to a change in the mix of customer orders, with a decline in smaller orders shipped from warehouses.

Current liabilities

Sunora's current liabilities consist of accounts payable and accrued liabilities, and customer deposits. Accounts payable decreased by 10.6% since December 31, 2016, due to the level of sales in the period. As in the past, Sunora is committed to its policy to manage its trade payables on a current basis and maintain its excellent credit standing.

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, prepaid expenses, inventory and income tax recoverable; current liabilities include accounts payable and accrued liabilities and customer deposits. . 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 September 30, 2017, the Working Capital Ratio was 5.1:1 compared to 4.8:1 at December 31, 2016. The Company's business has been consistently 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 sales without making capital investments. Therefore, the Company believes it is in a very favourable position to continue to take advantage of opportunities and expand in the future.

OPERATIONS

		Three-month Period Ended September 30 2017	Three-month Period Ended September 30 2016		Nine-month Period Ended September 30 2017		Nine-month Period Ended September 30 2016
Sales	$	3,396,872	3,281,156	$	10,041,788	$	8,804,308
Cost of sales		3,181,049	2,952,174		9,339,583		8,022,181
Gross margin		215,823	328,982		702,205		782,127
Other							
General and administrative		123,332	122,351		373,496		367,682
Marketing and promotion		29,946	29,609		58,260		46,646
Bank charges and interest		1,792	4,173		6,950		7,457
Stock-based compensation		6,055	7,256		29,764		31,936
Foreign exchange		32,528	(7,510)		48,197		45,823
Interest income		(5,772)	-		(16,105)		-
		187,881	155,879		500,562		499,544
Income from operations		27,942	173,103		201,643		282,583
Claim settlement		-	-		434,684		-
Income before income taxes		27,942	173,103		(233,041)		282,583
Income tax expense (recovery) - Current		7,824	50,231		(76,542)		79,125
Net income (loss) and comprehensive income (loss)	$	20,118	122,872	$	(156,499)	$	203,458
Earnings per share							
Basic and diluted	$	0.000	0.003	$	(0.004)	$	0.005

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 September 30, 2017		3 months ended September 30, 2016		9 months ended September 30, 2017		9 months ended September 30, 2016
USA	$	2,371,814	$	2,257,456	$	7,447,355	$	6,479,261
Canada		275,115		173,286		750,595		615,763
Other		749,942		850,414		1,843,839		1,709,284
	$	3,396,872	$	3,281,156	$	10,041,788	$	8,804,308

During the nine-month period ended September 30, 2017, sales to two customers represented 17% and 21% of the Corporation's total sales (nine-month period ended September 30, 2016 - two customers, representing 19% and 13%).

Sunora's sales to the United States and other markets have generally trended higher in proportion to sales in Canada. The economy of the United States continues to be strong, and there is a trend to greater awareness of healthy food choices in in emerging markets overseas.

Cost of sales

Cost of sales consists of purchases of crude and refined oil, packaging, freight and custom duties. Sunora achieved a gross margin of 7.0% in the nine months ended September 30, 2017, compared to 8.9% in the nine months ended September 30, 2016. Gross margin for the three months ended September 30, 2017 was 6.4% compared to 10.0% for the three months ended September 30, 2016. These margins were lower due to a higher proportion of bulk oil sales in the last nine months.

General and administration

General and administrative expenses increased by a modest $981 in the three-month period ended September 30, 2017 compared to the same period of 2016, and increased by $5,814 in the nine-month period ended September 30, 2017 compared to the same period of 2016. G&A consists of salaries, commissions, rent, travel, and other office overhead expenses.

Marketing and promotion

A direct correlation to Sunora's increased sales has been its marketing efforts. Over the years, Sunora has established good relationships with its sale staff, giving them more flexibility and autonomy as mutual trust has developed in these relationships. In North America, Sunora has worked with brokers who have introduced new customers to the Company. Sales to independent distributors have also grown, mostly in overseas countries, which have given Sunora entry into many foreign markets. Product sales to foreign distributors and for other customers are final and not returnable.

Foreign exchange

The foreign exchange gain or loss is primarily a result of inventory purchases and sales, much of which are denominated in US currency. In addition, this includes the unrealized foreign exchange gain or loss on foreign currency denominated balances: cash, accounts receivable and customer deposits.

QUARTERLY RESULTS

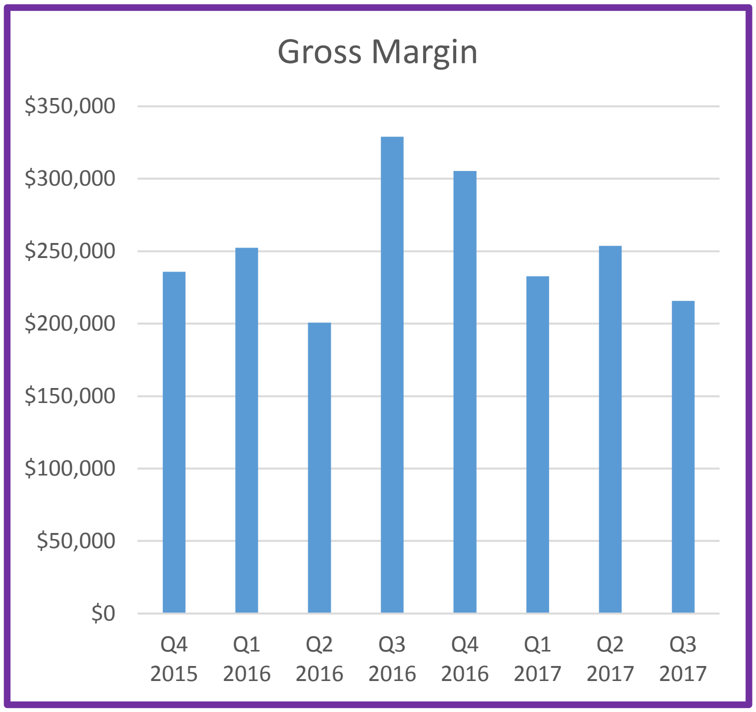
	Three months ended September 30 2017	Three months ended June 30 2017	Three months ended March 31, 2017	Three months ended December 31, 2016
Sales	$ 3,396,872	$ 3,164,688	3,480,230	$ 3,449,793
Cost of sales	3,181,049	2,911,004	3,247,496	3,144,439
Gross margin	215,823	253,684	232,734	305,354
Other				
General and administrative expenses	123,332	121,476	128,722	177,460
Marketing and promotion	29,946	16,428	11,886	13,524
Bank charges and interest	1,792	2,192	2,966	2,539
Stock-based compensation	6,055	9,846	13,864	36,041
Foreign exchange	32,528	26,501	(10,833)	(12,371)
Interest income	(5,772)	(5,284)	(5,049)	-
	187,881	171,159	141,556	217,193
Income before income taxes	27,942	82,525	91,178	88,161
Claim settlement	-	434,684	-	-
Income tax expense (recovery)				
Current income tax (recovery)	7,824	(108,984)	24,618	20,396
Deferred income tax		-	-	(11,571)
Net income (loss) and comprehensive income (loss)	$ 20,118	$ (243,175)	66,560	$ 79,336
Earnings per share - basic and diluted	0.000	(0.006)	0.002	0.002

		Three months ended September 30, 2016		Three months ended June 30, 2016		Three months ended March 31, 2016		Three months ended December 31, 2015
Sales	$	3,281,156	$	2,835,773	$	2,687,379	$	2,386,519
Cost of sales		2,952,174		2,635,047		2,434,957		2,150,708
Gross margin		328,982		200,726		252,422		235,811
Other								
General and administrative expenses		122,351		122,765		122,566		235,685
Marketing and promotion		29,609		5,460		11,576		8,367
Bank charges and interest		4,173		954		2,330		298
Stock-based compensation		7,256		24,680		-		102,580
Foreign exchange		(7,510)		(29,318)		82,655		(38,936)
		155,879		124,541		219,127		307,994
Income (loss) before income taxes		173,103		76,185		33,295		(72,183)
Income tax expense								
Current income tax (recovery)		50,231		20,570		8,324		(26,504)
Deferred income tax		-		-		-		2,088
Net income (loss) and comprehensive income (loss)	$	122,872	$	55,615	$	24,971	$	(47,767)
Earnings per share - basic and diluted		0.003		0.001		0.001		(0.001)

QUARTERLY SALES

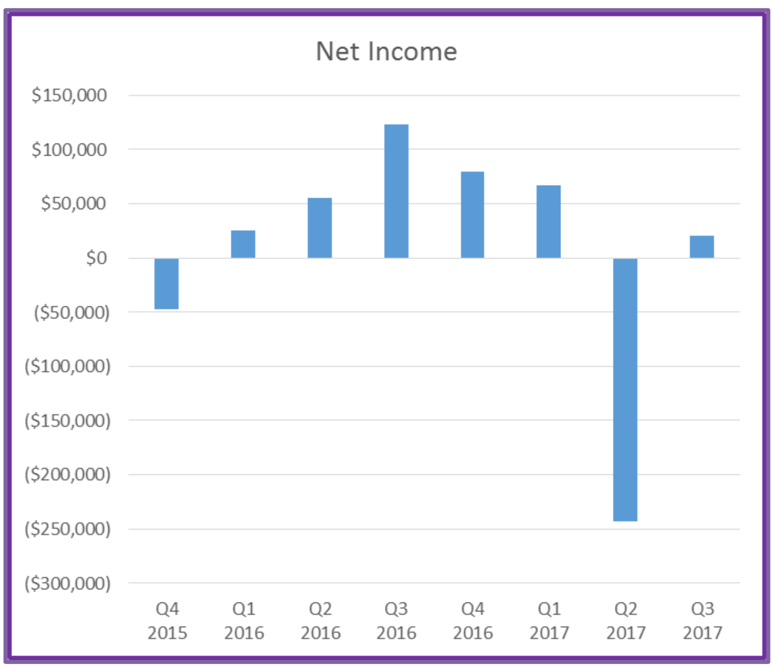
In the third quarter of 2017, sales increased 7.3% to the second quarter, second quarter sales decreased by 9.1% compared to the first quarter due to seasonal factors.

QUARTERLY GROSS MARGIN



Gross margin for the third quarter of 2017 decreased by 14.9% compared to the second quarter, second quarter gross margin was 9.0%, higher than first quarter

QUARTERLY NET INCOME



The loss for the quarter ended June 30, 2017 is due to the settlement of the trade dispute.

CASH FLOWS

		Nine-month Period Ended September 30 2017		Nine-month Period Ended September 30 2016
Net cash inflow (outflow) related to:				
Operating activities				
Net Income (loss)	$	(156,499)	$	203,458
Items not affecting cash				
Stock-based compensation		29,764		31,936
Change in unrealized foreign exchange		32,659		(34,210)
		(94,076)		201,184
Changes in non-cash working capital				
Accounts receivable		(42,856)		(313,868)
Inventory		86,087		(189,216)
Prepaid expenses		10,863		28,915
Goods and services tax recoverable		3,692		-
Income tax recoverable (payable)		(31,310)		(141,141)
Accounts payable and accrued liabilities		(101,507)		764,583
Customer deposits		(15,182)		86,547
		(90,213)		235,820
Decrease in cash flow		(184,289)		437,004
Cash and cash equivalents, beginning of period		3,356,829		2,620,566
Effect of exchange fluctuations on US dollar cash		(32,659)		34,210
Cash and cash equivalents, end of period	$	3,139,881	$	3,091,780
Cash and cash equivalents is comprised of:				
Cash held in Canadian dollars		2,577,806		2,611,444
Cash held in US dollars		562,075		480,336
	$	3,139,881	$	3,091,780

The Corporation's cash flows are in line with expectations with respect to on-going operations but were affected by the legal settlement.

Sunora's cash balances decreased $184,289 in the nine months ended September 30, 2017; it had increased $437,004 in the nine months ended September 30, 2016. The decrease in the cash balance in the nine months to September 30, 2017 was due to the settlement of the claim of $434,684 in the third quarter, offset by the results of operations.

OUTLOOK

Sunora maintains good relationships with customers 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 are impacted by geopolitical situations that may hold up deliveries as was experienced in recent quarters. 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 gross margins for the Company. Prospective businesses considered include packagers and suppliers in the food oil industry. With each operation identified, a detailed review and analysis is undertaken by management. Specific focus is currently on packagers with operations in Canada that are looking for a strategic partner to expand international operations.

Management is also actively considering possible new products that may benefit from its contacts in domestic and international markets. With the continuing positive momentum in the United States economy and new customers being added in Asia, Sunora is well placed for the future.

OTHER SELECTED FINANICAL INFORMATION

	September 30, 2017	December 31, 2016
Assets	$ 4,804,184	$ 5,047,608
Liabilities	$ 908,912	$ 1,025,602
Shareholders' equity	$ 3,895,272	$ 4,022,006

Total assets of Sunora as at September 30, 2017 comprised primarily of cash, accounts receivable, inventory, income tax recoverable and a deferred tax asset. Sunora's liabilities, all current, consist primarily of accounts payable and accrued liabilities and customer deposits. The decrease in assets from December 31, 2016 to September 30, 2017 is primarily the result of changes in working capital items as enumerated in the Statement of Cash Flows, impacted unusually by the settlement of the claim.

The Company's strong working capital position continues to allow management to keep current on all obligations.

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 were stringently managed as over 98% of receivables at September 30, 2017 were current, and the remainder were less than 90 days old. Sunora's Current Ratio (Current Assets divided by Current Liabilities) target as set by management is 2.0:1. Including its cash balance of $3,139,881 at September 30, 2017, Sunora's Current Ratio at September 30, 2017 was 5.1:1 (December 31, 2016 was 4.8:1). 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-- a lease on its office facilities in the Provident Professional Building in Calgary, Alberta. This lease for 1,038 square feet of office space, which was to was renewed for an additional three years to August 31, 2020. Sunora has independent agents working in many parts of the world including the United States. In Canada, the United States and overseas, 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.

The Company engages in commodity trading for its purchases, as opposed to speculation. Price changes had limited impact on its operations for the period ended September 30, 2017.

The total number of common shares outstanding as at September 30, 2017 and November 27, 2017 is 42,254,332.

FINANCIAL INSTRUMENTS

Risk management

The Corporation's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note sets out the Corporation's exposure to each of the under-noted 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.

Fair value of financial instruments

The fair values of accounts receivable and accounts payable and accrued liabilities and customer deposits 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.

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 requiring a down payment from some companies to which they extend credit.

As at September 30, 2017, the Corporation's maximum exposure to credit risk for accounts receivable was $992,672.

	September 30, 2017	December 31, 2016
Current	$ 970,330	$ 949,816
Greater than 60 days	22,342	-
Accounts receivable	$ 992,672	$ 949,816

During the nine-month period ended September 30, 2017, sales to two customers represented 17% and 21% of the Corporation's total sales (nine-month period ended September 30, 2016 - two customers, representing 19% and 13%).

The accounts receivable balance is widely diversified except for two customers (December 31, 2016 – four customers) that represent 30% and 10% of the accounts receivable balance at September 30, 2017 (December 31, 2016 – 27%, 20%, 13% and 11%).

The Corporation manages the credit exposure of $3,139,881 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 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 and customer deposits. The Corporation manages this risk through detailed monitoring of budgeted and projected operating results and cash requirements.

At September 30, 2017, the Corporation had cash and cash equivalents of $3,139,881 to settle current liabilities of $908,912. The majority of the Corporation's financial liabilities have contractual maturities of less than 30 days and all are subject to normal trade terms except for the claim settlement as described in Note 12.

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; these 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 and purchases denominated in U.S. dollars (“USD”) and Singapore dollars (“SGD”) to the extent the U.S. and Singapore denominated accounts receivable and accounts payable and accrued liabilities are subject to fluctuations in the related foreign exchange rate.

The actual amounts of the Corporation's monetary assets and liabilities denominated in foreign currency held at September 30, 2017 and December 31, 2016 are as follows:

	Foreign Currency	**September 30, 2017**		**December 31, 2016**	
Cash	*USD*	$	450,380	$	562,207
Accounts receivable	*USD*	$	611,763	$	398,058
Accounts receivable	*SGP*	$	91,975	$	-
Accounts payable	*USD*	$	(442,337)	$	(401,527)

(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

(iii) Commodity price risk

The nature of the Corporation’s operations results in exposure to fluctuations in commodity prices. Commodity prices for food oil 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 Corporation did not enter into any derivative financial contracts related to commodity prices during the nine-month period ended September 30, 2017 and the year ended December 31, 2016 nor does it currently have any derivative financial contracts.

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 September 30, 2017 was 5.1:1 (December 31, 2016 - 4.9:1). The Company’s business has been managed with a strong working capital position which has enabled the Company to operate without debt.

The Corporation optimizes its capital structure with a view to ensure a strong financial position to take advantage of future opportunities. Sunora considers its capital structure to include shareholders’ equity, and the Corporation strives to maximize the value associated with share capital.

Sunora’s share capital could be used as a basis to raise additional capital to pursue future opportunities. 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 period ended September 30, 2017 or the year ended December 31 2016.

CRITICAL ACCOUNTING ESTIMATES

Note 2 to Sunora's September 30, 2017 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 Corporation 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 Company has recorded stock-based compensation expense of $29,764 for the nine months ended September 30, 2017 ($31,936 in the nine months ended September 30, 2016). The amount recorded relates 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 Corporation’s share price, market price of the Corporation's shares at grant date, expected lives of the options and warrants, expected forfeiture rates, expected dividends and other relevant assumptions.

Current and deferred taxes

Provisions for current taxes are made using the best estimate of the amount expected to be paid based on a review of all relevant factors. The Corporation 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 Corporation 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 Corporation 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.

NEW ACCOUNTING STANDARDS

(i) Future accounting policies

The Company is currently assessing the impact of adopting the following recent standards issued by the IASB:

Financial instruments

In July 2014, the IASB issued *IFRS 9 – Financial Instruments*, which sets out the recognition and measurement requirements for financial instruments and some contracts to buy or sell non-financial items. IFRS 9 proposes a single model of classifying and measuring financial assets and liabilities and provides for only two classification categories: amortized cost and fair value. IFRS 9 is effective for years beginning on or after January 1, 2018. The Corporation has not yet determined the impact of the IFRS on the financial statements.

Revenue recognition

In May 2014, the International Accounting Standards Board ("IASB") issued *IFRS 15 – Revenue from Contracts with Customers*, which establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. IFRS 15 is effective for years beginning on or after January 1, 2018. The Corporation has not yet determined the impact of the IFRS on the financial statements.

Leases

In January 2016, the IASB issued IFRS 16 – Leases, which replaces *IAS 17 – Leases and related interpretations.* IFRS 16 eliminates the classification of leases as finance or operating and introduces a single lessee accounting model for recognition and measurement, which will require the recognition of assets and liabilities for most leases. IFRS 16 is effective for years beginning on or after January 1, 2019. The Corporation has not yet determined the impact of the IFRS on the financial statements.