Management Discussion and Analysis
For the Three Months ended March 31, 2017

This Management Discussion and Analysis ("MD&A") for the three months ended March 31, 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 months ended March 31, 2017 and 2016. This MD&A is effective May 29, 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 Foods”) is a Calgary-based trader and supplier of canola, olive and other food oils. Currently, the Company is a relatively modestly-sized player participating in an international business populated by some of the largest companies in the world. It has successfully maintained a niche position that has been achieved by building strong relationships with its suppliers and customers through a history of reliable and responsive service. While the Company regularly cooperates with many of these companies, it also occasionally competes with companies that have far greater resources. Sunora Foods has achieved a measure of success for over twenty years and has weathered both economic upturns and downturns by remaining true to its commitment to its industry, its customers and suppliers, with a coherent long-term business vision. Sunora Foods 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 Foods sales are conducted through its experienced sales agents located across North America, South America, Africa, Asia, the Middle East, Eastern Russia, Australia and New Zealand. Sunora Foods prides itself on its quality food oil products and intends to continue its global expansion as well as enhance its position as a supplier of food oil to the health food industry.

HIGHLIGHTS

The following highlights are from the condensed interim consolidated balance sheet as at March 31, 2017 and as at March 31, 2016, and the statements of operations for the three months ended March 31, 2017 and the three months ended March 31, 2016, respectively:

	3 months ended March 31, 2017		3 months ended March 31, 2016	
Sales	$	3,480,230	$	2,687,379
Net income and comprehensive income	$	66,560	$	24,971
Earnings per share - basic and diluted	$	0.002	$	0.001
Total assets	$	5,227,307	$	4,744,888
Shareholders' equity	$	4,102,430	$	3,696,206

Sunora had 29.5% higher sales for the three-month period ended March 31, 2017 than the comparative three-month period. The increase in sales resulted from greater sales of bulk oil to the United States and an 85% increase in sales overseas.

The $66,560 of net income and comprehensive income in the three-months ended March 31, 2017 was 167% higher than the same period of 2016. This was primarily a result of foreign exchange income of $10,833 as opposed to a foreign exchange loss of $82,655 in the comparative period. Gross margin declined from 9.4% to 6.7% as a result of an increase in bulk sales, which yield lower margins relative to packaged products.

FINANCIAL POSITION

Assets		March 31, 2017		December 31, 2016 *(audited)*
Current assets				
Cash	$	3,133,920	$	3,353,921
Accounts receivable		1,254,247		949,816
Accrued interest		1,537		2,908
Inventory		533,623		438,064
Prepaid expenses		15,760		21,874
Goods and services tax recoverable		10,545		11,023
Income tax recoverable		118,130		110,457
		5,067,762		4,888,063
Deferred tax asset		159,545		159,545
	$	5,227,307	$	5,047,608
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	1,084,857	$	954,092
Income tax payable		-		-
Customer deposits		40,020		71,510
		1,124,877		1,025,602
Shareholders' Equity				
Share capital		1,400,816		1,400,816
Contributed surplus		750,599		736,735
Retained earnings		1,951,015		1,884,455
		4,102,430		4,022,006
	$	5,227,307	$	5,047,608

Current assets

Sunora's current assets consist of cash, accounts receivable, inventory, prepaid expenses 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 foster its marketing strategies. Accounts receivable increased 32.1% from December 31, 2016 due to higher sales. The 21.8% increase in inventory is due to increased purchases in anticipation of future sales.

Current liabilities

Sunora's current liabilities consist of accounts payable and accrued liabilities, income tax payable and customer deposits. Accounts payables and accrued liabilities increased 13.8% from December 31, 2016, due to increased purchases at the end of this quarter. Nevertheless, 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, inventory, prepaid expenses and income tax recoverable; Current Liabilities include accounts payable, accrued liabilities and income taxes payable. 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 March 31, 2017, the Working Capital Ratio was 4.5:1 compared to 4.9:1 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 without making capital investments. Therefore, the Company believes it is in a very favourable position to expand in the future.

OPERATIONS

	Three-month Period Ended March 31, 2017	Three-month Period Ended March 31, 2016
Sales	$ 3,480,230	$ 2,687,379
Cost of sales	3,247,496	2,434,957
Gross margin	232,734	252,422
	6.7%	9.4%
Other		
General and administrative	128,722	122,566
Marketing and promotion	11,886	11,576
Bank charges and interest	2,966	2,330
Foreign exchange	(10,833)	82,655
Stock-based compensation	13,864	-
Interest income	(5,049)	-
	141,556	219,127
Income before income taxes	91,178	33,295
Income tax expense		
Current	24,618	8,324
Net income and comprehensive income	$ 66,560	$ 24,971
Earnings per share		
Basic and diluted	$ 0.002	$ 0.001

DISCUSSION OF OPERATIONS

Sales

Sunora had 29.5% higher sales for the three-month period ended March 31, 2017 than the comparative three-month period. The increase in sales resulted from greater sales of bulk oil to the United States and an 85% increase in sales overseas.

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 March 31, 2017	3 months ended March 31, 2016
USA	$ 2,701,689	$ 2,167,415
Canada	252,384	235,713
International	526,157	284,251
	$ 3,480,230	$ 2,687,379

Sunora's sales to the United States have recently trended higher in proportion to sales in Canada. Overseas markets are continuing to grow; they increased substantially in the current quarter relative to the same quarter last year. The growth of sales to overseas markets is due to greater awareness of healthy food choices in these markets.

During the three-month period ended March 31, 2017, Sunora was economically dependent on sales to two customers (three-month period ended March 31, 2016 – one customer) that represented 27% and 16% of the Corporation’s total sales (three-month period ended March 31, 2016 - 21%).

Cost of sales

Cost of sales consists of purchases of refined oil, packaging, freight and custom duties. Sunora achieved a gross margin of 6.7% in the three months ended March 31, 2017, compared to 9.4% in the three months ended March 31, 2016. Gross margin in current quarter declined as a result of an increase in bulk sales, which yield lower margins relative to packaged products.

General and administration

General and administrative expenses, consisting of salaries, commissions, rent, travel, and various other administrative overhead expenses, increased by 5% in the three-month period ended March 31, 2017 compared to the same period of 2016. This was due to an accrual for staff profit sharing bonus of $7.928 for this period but none for the comparative period.

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, who have given Sunora entry into many foreign markets. Product sales to foreign distributors and for other customers are final and not returnable.

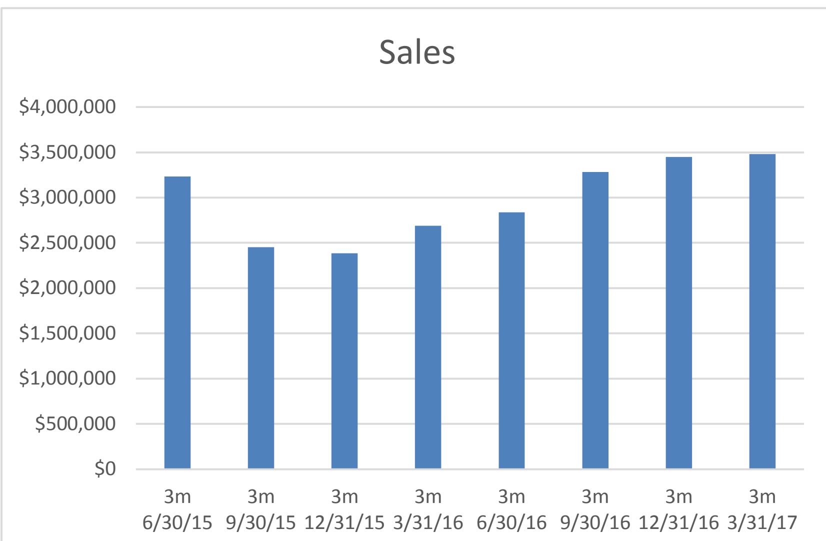
Foreign exchange

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

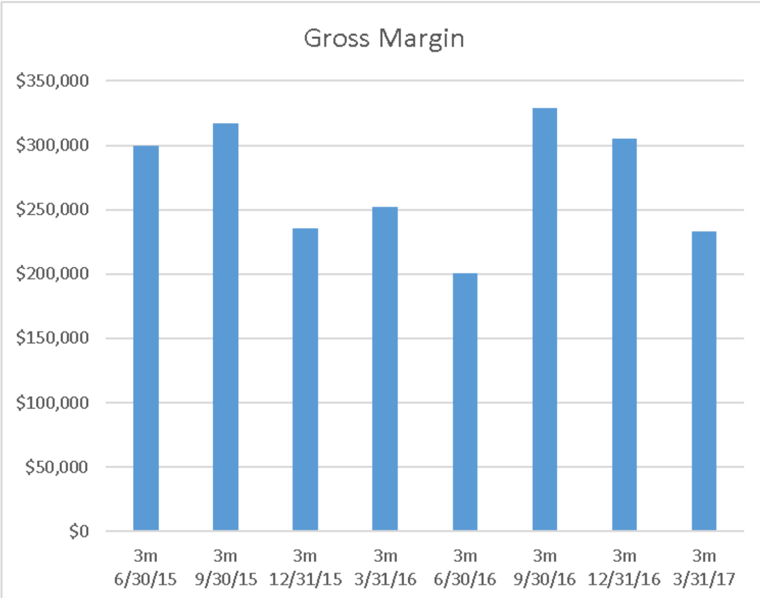
QUARTERLY RESULTS

	Three months ended March 31, 2017	Three months ended December 31, 2016	Three months ended September 30, 2016	Three months ended June 30, 2016
Sales	$ 3,480,230	$ 3,449,793	$ 3,281,156	$ 2,835,773
Cost of sales	3,247,496	3,144,439	2,952,174	2,635,047
Gross margin	232,734	305,354	328,982	200,726
Other				
General and administrative expenses	128,722	177,460	122,351	122,765
Marketing and promotion	11,886	13,524	29,609	5,460
Bank charges and interest	2,966	2,539	4,173	954
Foreign exchange gains and losses	(10,833)	(12,371)	(7,510)	(29,318)
Stock-based compensation	13,864	36,041	7,256	24,680
Interest income	(5,049)	-	-	-
	141,556	217,193	155,879	124,541
Income before income taxes	91,178	88,161	173,103	76,185
Income tax expense				
Current income tax (recovery)	24,618	20,396	50,231	20,570
Deferred income tax		(11,571)	-	-
Net income (loss) and comprehensive income (loss)	$ 66,560	$ 79,336	$ 122,872	$ 55,615
Earnings per share - basic and diluted	0.002	0.002	0.003	0.001

	Three months ended March 31, 2016	Three months ended December 31, 2015	Three months ended September 30, 2015	Three months ended June 30, 2015
Sales	$ 2,687,379	$ 2,386,519	$ 2,451,477	$ 3,233,996
Cost of sales	2,434,957	2,150,708	2,134,505	2,934,022
Gross margin	252,422	235,811	316,972	299,974
Other				
General and administrative expenses	122,566	235,685	99,365	113,158
Marketing and promotion	11,576	8,367	5,778	11,577
Bank charges and interest	2,330	298	3,318	4,639
Foreign exchange gains and losses	82,655	(38,936)	(62,626)	28,410
Stock-based compensation	-	102,580	-	-
	219,127	307,994	45,835	157,784
Income (loss) before income taxes	33,295	(72,183)	271,137	142,190
Income tax expense				
Current income tax (recovery)	8,324	(26,504)	72,366	31,250
Deferred income tax	-	2,088	-	-
Net income (loss) and comprehensive income (loss)	$ 24,971	$ (47,767)	$ 198,771	$ 110,940
Earnings per share - basic and diluted	0.001	(0.001)	0.005	0.003



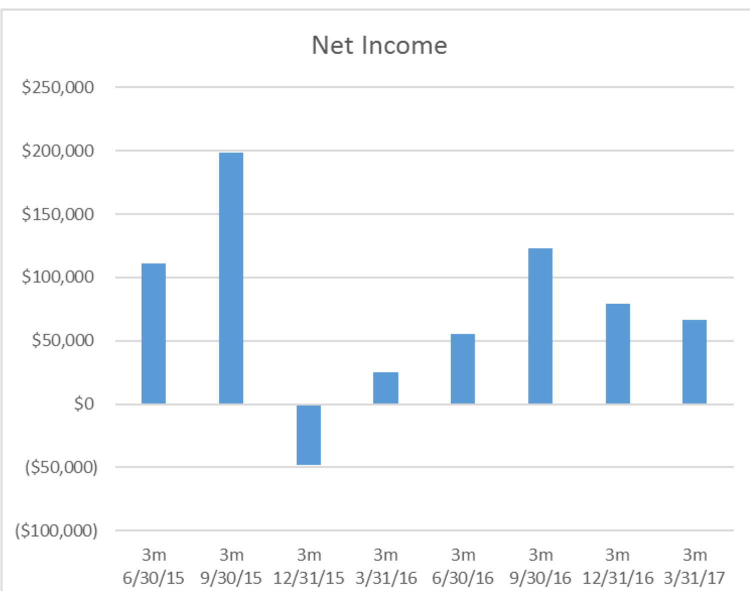
In the first quarter of 2017, sales increased 0.9% as compared to the fourth quarter of 2016. These were 5.1% higher than the third quarter for 2016 due to the increase in overseas sales. Third quarter sales were 16% higher than the second quarter. Second quarter sales were 6% higher than first quarter.



Cost of sales in the first quarter of 2017 was higher than the fourth quarter of 2016 due to larger percentage of bulk oil sales relative to packaged oil sales. Fourth quarter for 2016 was 6.5% higher than the third quarter. Third quarter costs of sales was 12% higher than the second quarter due to a 16% increase in sales. Second quarter cost of sales was 8% higher than the first quarter due to a 6% increase in sales.

Gross margin for the first quarter of 2017 was 6.7%, 2.2% lower than the fourth quarter of 2016, due to higher bulk oil sales relative to packaged sales. The fourth quarter for 2016 was 8.9% compared to 10.0% for the third quarter. Second quarter gross margin was 7.1% compared to 9.4% for the first quarter ended March 31, 2016.

General and administrative expenses were 26.8% lower in the first quarter for 2017. Fourth quarter of 2016 expenses were higher due to various charges recorded at year end, such as audit and accounting fees, profit sharing bonus and bad debts.



Net income for the first quarter of 2017 decreased 16% from the fourth quarter of 2016. The decrease was due to the lower gross margins. Compared to the quarter ended March 31, 2016, net income increased by 167%.

Earnings per share – basic and diluted, for the first quarter of 2017 and for the fourth quarter of 2016 were $0.002 per share for each quarter. It increased from $0.001 per share for the quarter ended March 31, 2016.

CASH FLOWS

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

The following is the Company's Statement of Cash Flows for the three-month periods ending March 31, 2017 and March 31, 2016; Sunora's cash flows arose only from operations during these periods.

	Three-month Period Ended March 31, 2017	Three-month Period Ended March 31, 2016
Net cash inflow (outflow) related to:		
Operating activities		
Net Income	$ 66,560	$ 24,971
Items not affecting cash		
Stock-based compensation	13,864	-
Change in unrealized foreign exchange on US dollar cash	-	-
	80,424	24,971
Changes in non-cash working capital		
Accounts receivable	(304,431)	(69,159)
Accrued interest	1,371	-
Income tax recoverable (payable)	(7,673)	(17,698)
Inventory	(95,559)	(109,725)
Prepaid expenses	6,114	14,407
Goods and services tax recoverable	478	-
Accounts payable and accrued liabilities	130,765	467,782
Customer deposits	(31,490)	50,668
	(300,425)	336,275
Decrease in cash flow	(220,001)	361,246
Cash, beginning of period	3,353,921	2,620,566
Effect of exchange fluctuations on US dollar cash	-	-
Cash, end of period	$ 3,133,920	$ 2,981,812
Cash is comprised of:		
Cash held in Canadian dollars	2,770,572	2,394,320
Cash held in US dollars	363,348	587,492
	$ 3,133,920	$ 2,981,812

Sunora's cash balances decreased $220,001 in the three months ended March 31, 2017. This decrease resulted primarily an increase in accounts receivable and inventory and reduced customer deposits, offset somewhat by net income and accounts payable and accrued liabilities.

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 some 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 new domestic and international markets where it is currently active.

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

	March 31, 2017	December 31, 2016
Assets	$ 5,227,307	$ 5,047,608
Liabilities	$ 1,124,877	$ 1,025,602
Shareholders' equity	$ 4,102,430	$ 4,022,006

Total assets of Sunora as at March 31, 2017 are comprised primarily of cash, accounts receivable, inventory, income taxes recoverable and a deferred tax asset. The increase in assets from December 31, 2016 to March 31, 2017 is primarily the result of increased accounts receivable, inventory and income taxes recoverable.

Sunora's current liabilities consist primarily of accounts payable and accrued liabilities. Accounts payable and accrued liabilities increased by $130,765 since December 31, 2016 due to temporary timing in payments for purchases towards the end of the quarter. However, the Company's strong working capital position continues to allow management to keep current on balances owing.

OFF-BALANCE SHEET TRANSACTIONS

The Company is not a party to any off-balance sheet arrangements or transactions.

LIQUIDITY, FINANCING ACTIVITY AND CAPITAL RESOURCES

The financial position of the Company is strong relative to its financial requirements and commitments. Management 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 almost all receivables at March 31, 2017 were less than 60 days old. Sunora's Current Ratio (Current Assets divided by Current Liabilities) target as set by management is 2.0:1. Including its cash balance of $3,133,920 at March 31, 2017, Sunora's Current Ratio at March 31, 2017 was 4.5:1. The Company has continued to have a strong working capital position. Additionally, the Company has neither debt nor any financial obligations other than to fund its operations.

Sunora has only one long term contractual obligation of a lease on its office facilities in the Provident Professional Building in Calgary, Alberta. This lease for 1,038 square feet of office space terminates on August 31, 2017, and has an early termination clause with nine months' notice during the last two years. The rates in the lease are deemed to be fair market rates. Sunora has independent agents working in many parts of the world including the United States. In Canada, 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 have limited impact on its operations for the period ended March 31, 2017. As previously noted a major world economic downtown would adversely impact Sunora due to its reliance on markets outside of Canada.

The total number of common shares outstanding as at March 31, 2017 and May 29, 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 March 31, 2017, the Corporation's maximum exposure to credit risk for accounts receivable is $1,254,247.

	March 31, 2017	December 31, 2016
Current	$ 1,153,711	$ 949,816
30 to 90 days	100,536	-
Accounts receivable	$ 1,254,247	$ 949,816

During the three-month period ended March 31, 2017, sales to two customers (three-month period ended March 31, 2016 – one customer) represented 43% of the Corporation's total sales (three-month period ended March 31, 2016 - 21%).

The accounts receivable balance is widely diversified with the exception of two customers (December 31, 2016 – four customers) that represent 22% and 21% of the accounts receivable balance at March 31, 2017 (December 31, 2016 – 27%, 20%, 13% and 11%).

The Corporation manages the credit exposure of $3,133,920 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. The Corporation manages this risk through detailed monitoring of budgeted and projected operating results and cash requirements. To be updated

At March 31, 2017, the Corporation had cash and cash equivalents of $3,133,920 to settle current liabilities of $1,124,877. The majority of the Corporation's financial liabilities have contractual maturities of less than 60 days and all are subject to normal trade terms.

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 and purchases denominated in U.S. dollars ("USD") 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 March 31, 2017 and December 31, 2016 are as follows:

	Foreign Currency	**March 31, 2017**	**December 31, 2016**
Cash	USD	363,348	562,207
Accounts receivable	USD	1,072,666	398,058
Accounts payable	USD	(738,666)	(401,527)

The net effect of any changes in the U.S. to Canadian dollar exchange rate would not be material as Sunora makes cross-border purchases and sales in both currencies.

(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 canola 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 three-month period ended March 31, 2017 and the year ended December 31, 2016 nor does it currently have any derivative financial contracts.

Capital Management

The Corporation'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 2.0:1. The working capital ratio at March 31, 2017 was 4.5:1 (December 31, 2016 – 4.9:1) The Corporation's business has been managed with a strong working capital position which has enabled the Corporation 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 potential acquisition strategies. 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 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 period ended March 31, 2017 or the year ended December 31, 2016.

CRITICAL ACCOUNTING ESTIMATES

Note 2 to Sunora's March 31, 2017 financial statements describes Sunora's basis of presentation of financial statement. 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.

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 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.

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.

NEW ACCOUNTING STANDARDS

(i) Future accounting policies

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

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.