Legumex Walker

We are stronger together.

Condensed Interim Consolidated Financial Statements

June 30, 2013

Legumex Walker Inc.

Condensed Interim Consolidated Statement of Financial Position

(thousands of Canadian dollars)

As at	**June 30, 2013**	June 30, 2012	December 31, 2012
	(unaudited)	*(unaudited)*	*(audited)*
		(Recasted Note 3)	
Assets			
Current			
Cash	**2,485**	2,146	5,798
Restricted cash (Note 4)	**-**	113	240
Accounts receivable (Note 14)	**52,595**	47,807	56,670
Derivative assets (Note 14)	**550**	-	106
Income taxes recoverable	**3,116**	175	3,567
Inventories (Note 5)	**65,446**	49,119	81,781
Prepaid expenses and other assets	**1,845**	842	1,983
	126,037	100,202	150,145
Non-current			
Property, plant and equipment (Note 6)	**161,561**	111,128	155,898
Intangible assets (Note 7a)	**28,277**	34,628	30,315
Investment in associate and joint venture	**1,948**	1,773	1,811
Other non-current assets (Note 7b)	**2,295**	4,461	1,714
Deferred tax assets	**3,014**	1,778	2,169
Total assets	**323,132**	253,970	342,052
Liabilities			
Current			
Short-term borrowings (Note 8)	**43,341**	39,256	47,424
Demand loan (Note 9)	**12,318**	12,380	11,985
Accounts payable and accrued liabilities	**38,781**	38,982	52,861
Derivative liabilities (Note 14)	**3,788**	540	64
Income taxes payable	**-**	-	96
Borrowings due within one year (Note 10)	**8,691**	6,209	4,765
	106,919	97,367	117,195
Non-current			
Non-current borrowings (Note 10)	**83,081**	19,932	78,702
Deferred tax liabilities	**13,916**	12,807	14,007
Total liabilities	**203,916**	130,106	209,904
Equity			
Equity attributable to shareholders of the Company			
Share capital (Note 11)	**135,707**	116,892	135,707
Accumulated other comprehensive income	**4,591**	2,530	2,078
Contributed surplus	**3,332**	1,018	2,583
Deficit	**(29,777)**	(4,334)	(15,268)
	113,853	116,106	125,100
Non-controlling interests (Note 12)	**5,363**	7,758	7,048
Total equity	**119,216**	123,864	132,148
Total liabilities and equity	**323,132**	253,970	342,052

Approved on behalf of the Board

/s/ Joel Horn
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Director

/s/ Chris Schnarr
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Director

Legumex Walker Inc.

Condensed Interim Consolidated Statement of Comprehensive Income

(thousands of Canadian dollars, except per share amounts)

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
		(Recasted Note 3)		(Recasted Note 3)
Revenues	**112,098**	68,501	**199,414**	134,294
Cost of sales				
Inputs and other processing costs	**(109,960)**	(62,186)	**(191,651)**	(122,285)
Depreciation and amortization (Note 6 and Note 7a)	**(2,550)**	(973)	**(4,780)**	(1,738)
	(112,510)	(63,159)	**(196,431)**	(124,023)
Gross profit (loss)	**(412)**	5,342	**2,983**	10,271
Selling, general and administrative expenses (Note 15)				
Selling and administrative	**(5,371)**	(4,493)	**(10,831)**	(8,795)
Depreciation and amortization (Note 6 and Note 7a)	**(963)**	(1,615)	**(2,492)**	(2,961)
	(6,334)	(6,108)	**(13,323)**	(11,756)
Loss before other items and income taxes	**(6,746)**	(766)	**(10,340)**	(1,485)
Other income (expense) items				
Earnings from investments in associate and joint venture	**32**	22	**32**	43
Gain (loss) on disposal of property, plant and equipment and other assets	**(78)**	1,043	**(78)**	1,043
Foreign exchange and derivative gains (losses)	**(1,533)**	658	**(2,688)**	409
Finance costs (Note 14)	**(2,221)**	(998)	**(4,237)**	(1,688)
Total other income (expense) items	**(3,800)**	725	**(6,971)**	(193)
Loss before income taxes	**(10,546)**	(41)	**(17,311)**	(1,678)
Recovery of (provision for) income taxes				
Current	**(149)**	458	**(149)**	(108)
Deferred	**1,043**	(228)	**935**	64
	894	230	**786**	(44)
Net earnings (loss)	**(9,652)**	189	**(16,525)**	(1,722)
Attributable to:				
Non-controlling interests	**(988)**	(61)	**(2,016)**	(82)
Shareholders of the Company	**(8,664)**	250	**(14,509)**	(1,640)
Net earnings (loss)	**(9,652)**	189	**(16,525)**	(1,722)
Other comprehensive income (loss)				
Unrealized gains (losses) on translation of financial statements of foreign operations	**1,945**	425	**2,844**	(27)
Other comprehensive income (loss), net of tax	**1,945**	425	**2,844**	(27)
Comprehensive earnings (loss), net of tax	**(7,707)**	614	**(13,681)**	(1,749)
Attributable to:				
Non-controlling interests	**(799)**	97	**(1,685)**	(74)
Shareholders of the Company	**(6,908)**	517	**(11,996)**	(1,675)
Comprehensive earnings (loss), net of tax	**(7,707)**	614	**(13,681)**	(1,749)
Basic and diluted earnings (loss) per share (Note 17)	**(0.53)**	0.02	**(0.89)**	(0.12)

Legumex Walker Inc.
Condensed Interim Consolidated Statement of Changes in Equity
(thousands of Canadian dollars)
(unaudited)

	Share capital	Accumulated other comprehensive income[1]	Contributed surplus	Deficit	Total shareholders' equity	Non-controlling interests	Total equity
	(Note 11)						
As at December 31, 2011 (recasted Note 3)	109,563	2,565	711	(2,694)	110,145	7,832	117,977
Net loss[3]				(1,640)	(1,640)	(82)	(1,722)
Other comprehensive income (loss), net of tax[2]		(35)			(35)	8	(27)
Comprehensive loss, net of tax		(35)		(1,640)	(1,675)	(74)	(1,749)
Share-based compensation (Note 16)			307		307		307
Shares issued in connection with business combination, net of costs (Note 3)	7,329				7,329		7,329
As at June 30, 2012 (recasted Note 3)	116,892	2,530	1,018	(4,334)	116,106	7,758	123,864
Net loss				(10,934)	(10,934)	(532)	(11,466)
Other comprehensive loss, net of tax[2]		(452)			(452)	(178)	(630)
Comprehensive loss, net of tax		(452)		(10,934)	(11,386)	(710)	(12,096)
Share-based compensation (Note 16)			735		735		735
Shares issued in connection with business combination, net of costs (Note 3)	3,176				3,176		3,176
Shares issued through public offering, net of costs (Note 11)	15,639				15,639		15,639
Warrants issued in connection with business combination (Note 3 and 16)			830		830		830
As at December 31, 2012	135,707	2,078	2,583	(15,268)	125,100	7,048	132,148
Net loss[3]				(14,509)	(14,509)	(2,016)	(16,525)
Other comprehensive income, net of tax[2]		2,513			2,513	331	2,844
Comprehensive earnings (loss,) net of tax		2,513		(14,509)	(11,996)	(1,685)	(13,681)
Share-based compensation (Note 16)			749		749		749
As at June 30, 2013	**135,707**	**4,591**	**3,332**	**(29,777)**	**113,853**	**5,363**	**119,216**

[1] Accumulated other comprehensive income consists of unrealized gains (losses) on translation of financial statements of foreign operations.

[2] Other comprehensive income (loss) consists of change in unrealized gains (losses) on translation of financial statements of foreign operations.

[3] Net loss includes share-based compensation and other options issued.

Condensed Interim Consolidated Statement of Cash Flows

(thousands of Canadian dollars)

(unaudited)

	Three months ended June 30, 2013	Three months ended June 30, 2012 (Recasted Note 3)	Six months ended June 30, 2013	Six months ended June 30, 2012 (Recasted Note 3)
Cash provided by (used for) the following activities				
Operating activities				
Net earnings (loss)	**(9,652)**	189	**(16,525)**	(1,722)
Depreciation and amortization (Note 6 and Note 7a)	**3,513**	2,588	**7,272**	4,699
Non-cash rent expense (Note 7b)	**23**	45	**46**	45
Non-cash finance costs	**138**	-	**237**	-
Deferred income taxes	**(1,043)**	228	**(935)**	(64)
Earnings from investments in associate and joint venture	**(32)**	(22)	**(32)**	(43)
Loss (gain) on disposal of property, plant and equipment and other assets	**78**	(1,043)	**78**	(1,043)
Non-cash loss on derivative financial instruments (Note 14)	**3,023**	1,136	**3,274**	739
Non-cash foreign exchange gain	**(367)**	-	**(975)**	-
Share-based compensation (Note 16)	**347**	205	**749**	307
	(3,972)	3,326	**(6,811)**	2,918
Net changes in working capital accounts (Note 20)	**25,919**	8,764	**8,798**	(9,067)
Cash flow provided by (used in) operating activities	**21,947**	12,090	**1,987**	(6,149)
Financing activities				
Increase (decrease) in short-term borrowings	**(20,357)**	(6,555)	**(4,862)**	15,121
Advances of non-current borrowings	**2,324**	104	**6,653**	32,749
Repayments of non-current borrowings	**(1,051)**	(427)	**(2,300)**	(25,920)
Share issuance costs	**-**	-	**-**	(29)
Cash flow provided by (used in) financing activities	**(19,084)**	(6,878)	**(509)**	21,921
Investing activities				
Business combination (Note 3)	**-**	-	**-**	(4,996)
Purchases of property, plant and equipment (Note 6)	**(2,723)**	(28,869)	**(4,467)**	(44,884)
Proceeds from disposal of property, plant and equipment	**27**	41	**27**	41
Purchases of intangible assets (Note 7a)	**(31)**	(76)	**(119)**	(252)
Decrease (increase) in investment in associate and joint venture	**(110)**	1,800	**(110)**	1,800
Repayment of advances to associates	**-**	-	**-**	70
Decrease (increase) in restricted cash	**339**	(113)	**248**	(113)
Increase in other non-current assets	**(96)**	(227)	**(506)**	(227)
Cash flow used in investing activities	**(2,594)**	(27,444)	**(4,927)**	(48,561)
Increase (decrease) in cash and cash equivalents	**269**	(22,232)	**(3,449)**	(32,789)
Cash and cash equivalents, beginning of period	**2,146**	24,668	**5,798**	35,375
Effect of foreign exchange rate changes on cash and cash equivalents	**70**	(290)	**136**	(440)
Cash and cash equivalents, end of period	**2,485**	2,146	**2,485**	2,146
Supplementary cash flow information				
Interest paid	**(2,079)**	(784)	**(3,410)**	(1,598)
Income taxes paid	**-**	(799)	**(10)**	(1,479)

The accompanying notes are an integral part of these financial statements

1. Corporate information

Legumex Walker Inc. ("LWI") was incorporated under the laws of Canada on April 20, 2011. LWI's shares became listed on the Toronto Stock Exchange on July 14, 2011. Its registered office is located at 1345 Kenaston Boulevard, Winnipeg, Manitoba, Canada.

LWI is a growth-oriented processor and merchandiser of pulses (lentils, peas, beans and chickpeas) and other special crops with processing facilities in the Canadian Prairies, American Midwest and China. In addition, LWI has an 85 percent interest in a canola oilseed processing facility in the state of Washington in the USA.

Included in these interim consolidated financial statements are the accounts of LWI and all of its incorporated subsidiary companies; together LWI and its subsidiaries are referred to as the "Company".

The Company's earnings follow the seasonal pattern of special crops production in each geographic location. In the United States and Canada, the growing season for major agricultural commodities spans from May to October. Pulses and other special crops are typically seeded in May, harvested in late-August to early October and marketed throughout the year. The timing and volume of sales and shipments in a given year may be influenced by factors such as global supply and demand conditions, timing of harvest, crop size and quality, expectations of commodity prices in the near- and long-term, foreign exchange rates and the cost and availability of transportation equipment (railcars, trucks and ocean containers) required to get product to market.

Canola producers in the Pacific Northwest have the option of growing the crop as either a spring or a winter type. Spring canola is generally seeded in April and harvested in September, whereas winter canola is generally seeded in September and harvested in July. Harvested canola is consolidated in large storage terminals and is stored until needed. Pacific Coast Canola LLC ("PCC") expects to draw on stored canola supplies to meet its daily crushing needs. Once PCC achieves commercial production levels in mid-2013, the crushing facility is expected to operate on a fixed crushing schedule and is expected to produce product for sale on a daily basis. While PCC will be required to address the issue of seasonality for crop purchases, it is expected that product sales will remain stable throughout the year.

2. Basis of presentation

Statement of compliance

The interim consolidated financial statements are condensed and have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as disclosed in the Company's consolidated financial statements for the year ended December 31, 2012. In addition, effective January 1, 2013, the Company adopted amendments to and additions of new standards to *Financial Instruments: Disclosures ["IFRS 7"], Consolidated Financial Statements ["IFRS 10"], Joint Arrangements ["IFRS 11"], Disclosure of Interests in Other Entities ["IFRS 12"], Fair Value Measurement ["IFRS 13"]* and *Investments in Associates and Joint Ventures ["IAS 28"]* as required under IFRS. Apart from additional disclosure reflected in the accompanying notes, there was no impact to the Company's financial statements as a result of the adoption of the changes. The Company's 2012 annual consolidated financial statements include incremental annual IFRS disclosures that may be helpful to readers of the interim results and therefore should be read in conjunction with these interim consolidated financial statements.

The interim consolidated financial statements of the Company were recommended for approval on August 12, 2013 by the Audit Committee and were approved and authorized for issue by the Board of Directors on August 13, 2013.

Basis of measurement

These interim consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company, LWI. The financial statements are prepared under the historical cost convention with the exception of derivative financial instruments which are recorded at fair value.

Principles of consolidation

On January 1, 2013 the Company completed the amalgamation of Keystone Grain Ltd. ("KGL"). The amalgamation was undertaken to further integrate and streamline operations within the Company.

The interim consolidated financial statements include the accounts of LWI and its subsidiaries Legumex Walker Canada Inc.

(“LWC”) (including its subsidiary Legumex Walker China Ltd. and its subsidiary Legumex Walker (Tianjin) International Trading Ltd.) and Legumex Walker USA, Inc. (including its subsidiary Legumex Walker Finance, Inc. and its subsidiaries St. Hilaire Seed Company, Inc. (“SHS”), Legumex Walker Sunflower LLC (“LWS”), LWI US Inc. (including its subsidiary PCC) and LWI Seattle, Inc.). Subsidiaries are owned 100 percent except for PCC which is owned 85 percent. The Company has a 50 percent equity interest in 0729767 BC Ltd.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as LWI, using consistent accounting policies. All intercompany balances, income and expenses and unrealized gains and losses from intercompany transactions are eliminated in full.

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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments applied in the preparation of the financial statements are reviewed on an ongoing basis and revised when the underlying assumptions change. The effects of revisions to estimates are recognized in the period in which the estimate is revised and any subsequent period affected. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

The following is an analysis of the critical accounting estimates that depend most heavily on such management estimates, assumptions and judgments, any changes, which may have a material impact on the Company’s financial condition or results of operations.

Cash generating units

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. Management determines which groups of assets are capable of generating cash inflows that are largely independent of other operations within the Company. To create these groupings, management makes critical judgments about where active markets exist including an analysis of the degree of autonomy various operations have in negotiating prices with customers.

Allowance for doubtful accounts

Due to the nature of LWI’s business and the credit terms it provides to its customers, estimates and judgments are inherent in the on-going assessment of the recoverability of some accounts receivable. LWI maintains an allowance for doubtful accounts to reflect expected credit losses. Judgment is required to assess the ultimate realization of accounts receivable and these judgments must be continuously evaluated and updated. LWI is not able to predict changes in the financial conditions of its customers and the Company’s judgment related to the recoverability of accounts receivable may be materially impacted if the financial condition of the Company’s customers deteriorates. There was no allowance for doubtful accounts included in either the Oilseed Processing segment or the Corporate segment for the period ended June 30, 2013.

Valuation of inventory

Assessments and judgments are inherent in the determination of the net realizable value of inventories. The cost of inventories may not be fully recoverable if they are damaged or if the selling price of the inventory is less than its cost. LWI regularly reviews its inventory quantities and reduces the cost attributed to inventory no longer deemed to be fully recoverable. Judgment related to the determination of net realizable value may be impacted by a number of factors including market conditions.

Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Where a valuation model is used to determine fair value, it makes maximum use of observable inputs, including valuations determined by unadjusted quoted prices in active markets and market standard pricing models that use observable inputs. Financial instruments whose fair value is determined, at least in part, using unobservable inputs require measurement that is more subjective in nature.

Valuation of long-lived assets and asset impairment

Estimated useful lives of property, plant and equipment and intangible assets are based on management’s judgment and experience. When management identifies that the actual useful lives for these assets differ materially from the estimates used to calculate depreciation and amortization, that change is adjusted prospectively. Due to the significance of capital investment to the Company, variations between actual and estimated useful lives could impact operating results both positively and negatively. Asset lives, depreciation and amortization methods, and residual values are reviewed periodically and, historically, changes to estimates of remaining useful lives have not been material.

The Company periodically assesses the recoverability of values assigned to long-lived assets after considering potential impairment indicated by such factors as significant changes in technological, market, economic or legal environment, business and market trends, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates either the value in use or fair value less costs to sell.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes and the Company's income tax provisions reflect management's interpretation of country-specific tax law. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and may remain uncertain for several years after their occurrence. The Company recognizes assets and liabilities for taxation when it is probable that the relevant taxation authority will require the Company to receive or pay taxes. Where the final outcome of the determination of tax assets and liabilities is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxes provision in the period in which such determination is made. Changes in tax law or changes in the way tax law is interpreted may also impact the Company's effective tax rate as well as its business and operations.

Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying value of assets and liabilities and their respective income tax bases. Deferred income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and deferred income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment concerning the carrying value of assets and liabilities. The current and deferred income tax assets and liabilities are also impacted by expectations about future operating results and the timing of reversal of temporary differences as well as possible audits of tax filings by regulatory agencies. Changes or differences in these estimates or assumptions may result in changes to the current and deferred tax assets and liabilities on the Condensed Interim Consolidated Statement of Financial Position and a charge to or recovery of income tax expense.

Determination of the nature of an acquisition

IFRS requires that a determination is made as to whether an acquisition is a business combination by applying the definitions contained in IFRS 3, which requires that the assets acquired and liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants.

Purchase price allocation

Accounting for business combinations requires the allocation of the Company's purchase price to the various assets and liabilities of the acquired business at their respective fair values. The Company uses all available information to make these fair value determinations, and for major acquisitions, may hire an independent appraisal firm to assist in making fair value estimates. In some instances, assumptions with respect to the timing and amount of future revenues and expenses associated with an asset or group of assets may be used to determine fair value. Actual timing and amount of net cash flows from revenues and expenses related to that asset over time may differ materially from those initial estimates, and if the timing is delayed significantly or if the net cash flows decline significantly, the asset could become impaired.

Functional currency

The Company determines the functional currency for each entity and for jointly controlled entities and associates. This requires the assessment of the primary economic environment in which each of these entities operates. The determination of functional currency affects how the Company translates foreign currency balances and transactions. In determining the functional currency in Canada (Canadian dollar), United States (US dollar), Hong Kong (Hong Kong dollar) and People's Republic of China (renminbi) the Company considered the currency that primarily influences or determines the selling prices of goods and services and the cost of production, including labour, material and other costs and the currency whose competitive forces and regulations mainly determine selling prices.

Share-based payments

The Company measures the cost of share-based payments to employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value of share-based payment transactions are disclosed in Note 16.

3. Business combinations

Acquisitions in 2012

(thousands of Canadian dollars)	KGL Original Estimate	Changes	KGL Adjusted Allocation	SHS Original Estimate	Changes	SHS Adjusted Allocation	Total
Cash	687		687	-	-	-	687
Accounts receivable	6,258		6,258	6,264	(139)	6,125	12,383
Derivative assets	170		170	-	-	-	170
Income taxes recoverable	306		306	-	-	-	306
Inventories	3,797		3,797	27,753	(450)	27,303	31,100
Prepaid expenses and other assets	229		229	136	-	136	365
Property, plant and equipment	8,910	104	9,014	9,583	919	10,502	19,516
Intangible assets	-		-	10,397	(1,987)	8,410	8,410
Bank indebtedness	(1,224)		(1,224)	(4,052)	-	(4,052)	(5,276)
Accounts payable and accrued liabilities	(4,337)	(45)	(4,382)	(32,688)	(37)	(32,725)	(37,107)
Notes payable to related parties	(526)		(526)	-	-	-	(526)
Long-term debt	(3,162)		(3,162)	(2,611)	-	(2,611)	(5,773)
Obligations under finance leases	(335)		(335)	(2,436)	-	(2,436)	(2,771)
Deferred tax liabilities	(1,463)		(1,463)	-	-	-	(1,463)
Total purchase price	9,310	59	9,369	12,346	(1,694)	10,652	20,021
Less: Cash assumed	(687)		(687)	-	-	-	(687)
Common shares	(4,870)		(4,870)	(7,350)	1,694	(5,656)	(10,526)
Warrants	(830)		(830)	-	-	-	(830)
Cash used in business combination	2,923	59	2,982	4,996	-	4,996	7,978

[a] St Hilaire Seed Company

The acquisition of SHS occurred on February 15, 2012. The acquisition has been accounted for by applying the acquisition method with the results of SHS's operations included in the Company's net earnings from the date of acquisition. During the first quarter of 2013, the Company finalized the purchase price allocation for the assets and liabilities of SHS. As a result, the Company made no additional changes in the first quarter of 2013. Changes to the original estimated purchase price allocation recorded in 2012, resulted in the Company recasting June 30, 2012 by increasing property, plant and equipment by $919,000, decreasing identifiable intangible assets by $937,000, increasing depreciation and amortization expense by $18,000 for the six month period (three months - $12,000).

[b] Keystone Grain Ltd.

The acquisition of KGL occurred on October 1, 2012. The acquisition has been accounted for by applying the acquisition method with the results of KGL's operations included in the Company's net earnings from the date of acquisition. The purchase price of KGL was subject to adjustments related to certain working capital and funded debt levels. During the second quarter of 2013, the Company finalized the purchase price as well as the allocation for the assets and liabilities of KGL. The purchase price was increased by $59,000 due to post-closing working capital and funded debt adjustments. The increase will be paid in cash. Changes to the original estimated purchase price and its allocation recorded in 2012, resulted in the Company recasting December 31, 2012 by increasing property, plant and equipment by $104,000 and increasing accounts payable and accrued liabilities by $104,000.

KGL was amalgamated with LWC on January 1, 2013.

Acquisitions in 2011

Roy Legumex Group of Companies (RLI) and Walker Seeds Ltd. (WSL) Final Purchase Price Allocation

The acquisition of RLI and WSL occurred on July 14, 2011. The acquisition has been accounted for by the purchase method with the results of RLI's operations included in the Company's net earnings from the date of acquisition. During the third quarter of fiscal 2012, the Company finalized the purchase price allocation for the assets and liabilities of WSL and RLI acquired on July 14, 2011. The changes have been applied retrospectively to prior periods in accordance with IFRS. As a result, the Company recast June 30, 2012 by decreasing property, plant and equipment by $2.6 million, increasing identifiable intangible assets by $4.4 million, increasing deferred tax liabilities by $2.2 million, decreasing opening retained earnings by $173,000, increasing depreciation and amortization expense by $262,000 for the six month period (three months - $131,000) and increasing the deferred tax recovery by $72,000 for the six month period (three months - $36,000). No value was ascribed to goodwill.

4. Restricted cash

Under the terms of certain of the Company's derivative instruments agreements relating to commodity and currency futures contracts, the Company is required to maintain a margin account which acts as collateral to settle any potential liability associated with its futures contracts. As at June 30, 2013, there was no margin requirement.

5. Inventories

As at *(thousands of Canadian dollars)*	**June 30, 2013**	December 31, 2012
Raw materials		
Special crops	**38,551**	58,650
Oilseed processing	**1,831**	6,883
	40,382	65,533
Finished product		
Special crops	**18,157**	13,485
Oilseed processing	**4,319**	24
	22,476	13,509
Supplies and materials	**2,588**	2,739
	65,446	81,781

The cost of inventories recognized as an expense and included in cost of sales for the six months ended June 30, 2013 was $176,277,000 (2012 - $102,698,000) and for the three months ended June 30, 2013 was $102,164,000 (2012 - $46,814,000). For the six months ended June 30, 2013, cost of sales included inventory write-downs to net realizable value of nil (2012 – nil) and reversals of inventory previously written-down to net realizable value of $198,000 (2012 - $13,000) and for the three months ended June 30, 2013 nil (2012 - nil) and $198,000 (2012 - nil).

6. Property, plant and equipment

(thousands of Canadian dollars)	Land	Buildings and site improvements	Machinery and equipment	Motor vehicles	Office furniture and equipment	Construction in progress ("CIP")	Total
Cost							
As at December 31, 2012	**1,887**	**56,401**	**92,662**	**1,311**	**1,344**	**7,746**	**161,351**
Additions	**111**	**132**	**1,539**	**-**	**177**	**2,508**	**4,467**
Transfers from CIP	**-**	**-**	**8,086**	**-**	**-**	**(8,086)**	**-**
Disposals	**-**	**(94)**	**(25)**	**(6)**	**-**	**-**	**(125)**
Effects of movement in exchange rates	**13**	**2,247**	**3,836**	**15**	**23**	**144**	**6,278**
As at June 30, 2013	**2,011**	**58,686**	**106,098**	**1,320**	**1,544**	**2,312**	**171,971**
Accumulated depreciation							
As at December 31, 2012	**-**	**1,152**	**3,874**	**182**	**245**	**-**	**5,453**
Depreciation	**-**	**1,341**	**3,213**	**109**	**147**	**-**	**4,810**
Disposals	**-**	**(14)**	**(4)**	**(2)**	**-**	**-**	**(20)**
Effects of movement in exchange rates	**-**	**44**	**116**	**3**	**4**	**-**	**167**
As at June 30, 2013	**-**	**2,523**	**7,199**	**292**	**396**	**-**	**10,410**
Net carrying amount							
As at June 30, 2013	**2,011**	**56,163**	**98,899**	**1,028**	**1,148**	**2,312**	**161,561**

(Recasted Note 3) *(thousands of Canadian dollars)*	Land	Buildings and site improvements	Machinery and equipment	Motor vehicles	Office furniture and equipment	Construction in progress ("CIP")	Total
Cost							
As at December 31, 2011	1,098	12,395	25,794	712	663	17,606	58,268
Acquired through business combination	697	6,939	11,201	562	52	65	19,516
Additions	92	2,171	6,746	112	630	74,964	84,715
Transfers from CIP	-	34,786	48,790	-	-	(83,576)	-
Transfers to intangible assets	-	-	-	-	-	(283)	(283)
Disposals	-	-	-	(75)	-	-	(75)
Effects of movement in exchange rates	-	110	131	-	(1)	(1,030)	(790)
As at December 31, 2012	1,887	56,401	92,662	1,311	1,344	7,746	161,351
Accumulated depreciation							
As at December 31, 2011	-	260	851	52	56	-	1,219
Depreciation	-	892	3,024	149	189	-	4,254
Disposals	-	-	-	(20)	-	-	(20)
Effects of movement in exchange rates	-	-	(1)	1	-	-	-
As at December 31, 2012	-	1,152	3,874	182	245	-	5,453
Net carrying amount							
As at December 31, 2012	1,887	55,249	88,788	1,129	1,099	7,746	155,898

The PCC canola crushing plant asset includes construction costs as well as capitalized borrowing costs of $41,000 incurred during the six months ended June 30, 2013. The portion of the plant that is under construction is not currently being depreciated as the assets were not available for use in the reporting period.

Property, plant and equipment does not include any assets that have been fully depreciated.

The net carrying amount of assets under finance leases included in property, plant and equipment is $4,197,000.

The purchase price allocation was finalized for SHS in the first quarter of 2013 (Note 3) and for KGL in the second quarter of 2013 (Note 3).

7. Non-current assets

[a] Intangible assets

(thousands of Canadian dollars)	Internally generated	Other intangible assets	Total
Cost			
As at December 31, 2012	**1,393**	**36,959**	**38,352**
Additions	**119**	**-**	**119**
Effect of changes in exchange rates	**35**	**479**	**514**
As at June 30, 2013	**1,547**	**37,438**	**38,985**
Accumulated amortization			
As at December 31, 2012	**53**	**7,984**	**8,037**
Amortization	**83**	**2,451**	**2,534**
Effect of changes in exchange rates	**7**	**130**	**137**
As at June 30, 2013	**143**	**10,565**	**10,708**
Net carrying amount			
As at June 30, 2013	**1,404**	**26,873**	**28,277**

(Recasted Note 3) *(thousands of Canadian dollars)*	Internally generated	Other intangible assets	Total
Cost			
As at December 31, 2011	317	28,587	28,904
Acquired through business combination	-	8,410	8,410
Additions	789	2	791
Transfer from property, plant and equipment	283	-	283
Effect of changes in exchange rates	4	(40)	(36)
As at December 31, 2012	1,393	36,959	38,352
Accumulated amortization			
As at December 31, 2011	-	1,925	1,925
Amortization	53	6,069	6,122
Effect of changes in exchange rates	-	(10)	(10)
As at December 31, 2012	53	7,984	8,037
Net carrying amount			
As at December 31, 2012	1,340	28,975	30,315

$438,000 of internally generated intangible assets include software under development relating to an ongoing information system project which was not fully operational during the reporting period and therefore is not being amortized.

The other intangible assets include brands, rights, software, customer lists, customer relationships and producer relationships as well as the value of expected synergies arising from the acquisitions of RLI and WSL in 2011 and SHS in 2012.

The purchase price allocation was finalized for SHS in the first quarter of 2013 (Note 3).

[b] Other non-current assets

Other non-current assets include deferred rent related to the land lease for the PCC Plant site. The deferred rent asset results from land lease payments that decrease over time but must be expensed on a straight-line basis over the term of the lease. In 2012, deferred financing costs related to the PCC Senior Credit Facility of USD $2,824,000 were reclassified from other non-current assets to non-current borrowings.

8. Short-term borrowings

As at (thousands of Canadian dollars)	**June 30, 2013**	December 31, 2012
Operating credit facilities		
Legumex Walker Canada Inc. [(a)]	**33,209**	34,392
Legumex Walker China Ltd.[(b)]	**5,050**	4,260
St. Hilaire Seed Company [(c)]	**5,082**	8,772
	43,341	47,424
Inventory repurchase commitments [(d)]	**-**	-
Short-term borrow ings	**43,341**	47,424

[(a)] The credit facility authorizes operating lines to a maximum of $46,000,000. It bears interest at the bank's prime lending rate plus 0.5 percent on Canadian dollar advances and at the bank's US base rate plus 0.5 percent on US dollar advances. The line is secured by a general security agreement subject to a prior charge from the holder of the term debt (Note 10). Subsequent to period end, the operating line was increased to $51,000,000.

[(b)] Credit facility authorizes a combined credit limit up to a maximum of USD $4,750,000 plus a seasonal credit facility of USD $2,000,000. The seasonal credit facility expired on June 30, 2013.

[(c)] Credit facility authorizes operating lines to a maximum of USD $15,000,000. The facility bears interest at three month LIBOR rate plus 3 percent and is secured by a priority lien of personal property assets of SHS. Subsequent to period end, the operating line was reduced to USD $10,000,000.

[(d)] Master commodities sale and repurchase agreement for a maximum of USD $13,500,000 bearing interest at LIBOR plus 5.5 percent. Balances previously owed under this agreement were repaid during the period.

The Company is subject to a number of financial and business covenants imposed under the terms of the credit facilities with its financial institutions and other debt holders. As at June 30, 2013, the Company was in compliance with its debt covenants.

9. Demand loan

The Company has a demand loan of $12,318,000 (2012 - $11,985,000). The loan bears interest at the U.S. bank rate, with monthly payments of $95,000 including interest and matures August 2027. It is secured by specific buildings, equipment and real property. The loan is EDC CDIA guaranteed at a cost of approximately $200,000 annually. The loan is net of deferred financing costs of $37,000.

10. Non-current borrowings

As at (thousands of Canadian dollars)	**June 30, 2013**	December 31, 2012
Term debt		
Loans payable [a]	**25,122**	24,037
Notes payable [b]	**915**	111
Senior Credit Facility[c]	**60,330**	53,435
	86,367	77,583
Obligations under finance leases[d]	**2,394**	2,495
Notes payable to related parties	**3,011**	3,389
Total borrowings	**91,772**	83,467
Less: Borrowings due within one year		
Term debt	**(5,086)**	(3,877)
Obligations under finance leases	**(594)**	(510)
Notes payable to related parties	**(3,011)**	(378)
	(8,691)	(4,765)
Total non-current borrowings	**83,081**	78,702
Total non-current borrowings consist of the following:		
Term debt	**81,281**	73,706
Obligations under finance leases	**1,800**	1,985
Notes payable to related parties	**-**	3,011
	83,081	78,702

[a] Two $9,006,000 loans payable (each net of deferred financing costs of $21,000) bearing interest at the bank's variable mortgage rate, with monthly payments of $101,000 including interest due April 2017; a $4,263,000 loan payable (net of deferred financing costs of $7,000) bearing interest at the bank's variable mortgage rate plus 0.25 percent, with monthly interest only payments, due May 2017; a $2,237,000 loan payable bearing interest at fixed rate of 6.94 percent with monthly payments of $44,000, due July 2016; three loans payable ($336,000, $125,000, $59,000), bearing interest at variable mortgage rate plus 0.20 percent with monthly payments ($4,000, $3,000, $1,000), due December 2016 and 2017; a $90,000 loan payable bearing interest at variable mortgage rate plus 0.35 percent with monthly payments of $2,000, due December 2017.

[b] A USD $750,000 note payable bearing interest at fixed rate of 5 percent, due March 2018; a $92,000 note payable bearing interest at variable rate (bank's prime lending rate plus 0.5 percent) with monthly payments of $4,000, due in 2015; a $34,000 note payable bearing interest at variable rate (bank's prime lending rate plus 0.55 percent) with monthly payments of $1,000, due in 2016.

[a], [b] The term debt is secured by specific buildings, equipment and real property.

[c] Senior secured credit facility ("Senior Credit Facility") consisting of a term loan (USD $45,356,000 net of deferred financing costs of USD $2,444,000) and a working capital loan (USD $12,000,000), both maturing in 2021, with the first quarter principal payment on the term loan of USD $1,494,000 due January 1, 2014. Term loan bears interest at variable rate of LIBOR (or other base rate) plus 5.5 percent. Working capital loan bears interest at a variable rate of LIBOR plus 6 percent. The term loan quarterly interest payments begin April 2013 and the working capital loan monthly interest payments began March 2013.

The Senior Credit Facility is subject to a number of financial and business covenants, including: (i) PCC maintaining minimum working capital requirements and debt-to-equity levels and (ii) PCC complying with fixed-charge coverage ratios and limitations on capital expenditures and the amounts of dividends that can be declared in the first two years of operations. The financial covenants are in effect as long as any balance remains outstanding on the loan and begin on the last day of the first full year following completion of the PCC Plant.

The Senior Credit Facility is secured by a first-security interest in the PCC Plant and assets, including the equipment and buildings, lease-hold mortgage on the land, all non-seed inventories and receivables, and an assignment of all contracts and permits. PCC is required to fund a USD $2,000,000 replenishing debt-service reserve fund to be pledged as security for the Senior Credit Facility. The Company provided, and the syndicate of lenders accepted, a USD $2,000,000 letter of credit on behalf of the PCC Plant in lieu of funding the debt-service reserve fund.

As a requirement of the Senior Credit Facility, Industrial Construction Group, Inc. ("ICG") obtained a USD $10,000,000 payment and performance bond from an approved lender, such facility to be available to be drawn down to fund construction costs, contingencies and certain financial obligations, if necessary.

[d] Leases payable bear interest between 2.06 percent to 6 percent and are due from 2014 to 2017.

For the six months ended June 30, 2013, finance costs include interest calculated under the effective interest rate method of $2,963,000 (2012 – $508,000) and for the three months ended June 30, 2013 $1,615,000 ($281,000).

11. Share capital

Authorized, issued and outstanding shares:

(thousands of Canadian dollars)	**June 30, 2013**	December 31, 2012
Authorized		
Common Shares		
Unlimited voting shares without par value		
Preferred shares		
Unlimited		
Issued and outstanding		
Common Shares		
16,294,635 voting shares (2012 – 16,294,635)	**135,707**	135,707

Changes to Common Shares during the period:

(thousands of Canadian dollars, except number of shares)	Number	Amount
As at December 31, 2011	12,802,184	109,563
Issued shares in connection with SHS acquisition, net of costs (Note 3)	769,514	5,635
Issued shares in connection with KGL acquisition, net of costs (Note 3)	587,437	4,870
Issued shares through public offering, net of costs	2,135,500	15,639
As at December 31, 2012 and June 30, 2013	**16,294,635**	**135,707**

12. Non-controlling interests

PCC is owned 85 percent by the Company and 15 percent by non-controlling interests. It operates in the state of Washington in the USA.

The summary financial data for PCC is as follows. Intercompany amounts have not been eliminated.

As at *(thousands of Canadian dollars)*	**June 30, 2013**	December 31, 2012
Current assets	**11,384**	11,040
Long-term assets	**99,767**	94,358
Total assets	**111,151**	105,398
Current liabilities	**(17,370)**	(6,426)
Long-term liabilities	**(58,022)**	(51,981)
Total liabilities	**(75,392)**	(58,407)

(thousands of Canadian dollars)	**For the three months ended June 30, 2013**	2012	**For the six months ended June 30, 2013**	2012
Revenues	**20,940**	-	**25,516**	-
Expenses	**(27,525)**	(399)	**(38,952)**	(555)
Net earnings (loss)	**(6,585)**	(399)	**(13,436)**	(555)
Other comprehensive income (loss), net of tax	**1,255**	1,054	**2,204**	54
Comprehensive loss, net of tax	**(5,330)**	655	**(11,232)**	(501)

PCC has paid no dividends to its shareholders.

The accumulated non-controlling interest for PCC is as follows:

(thousands of Canadian dollars)	**June 30, 2013**	December 31, 2012
As at beginning of period	**7,048**	7,832
Net loss	**(2,016)**	(614)
Other comprehensive income (loss), net of tax	**331**	(170)
As at end of period	**5,363**	7,048

13. Related party transactions

Relationship between parent and subsidiaries

The main transactions between LWI and its subsidiaries include the provision of loans and advances as well as the provision of management services. The Special Crops segment includes intercompany sales of inventories between the wholly-owned subsidiaries of LWI which are fully eliminated on consolidation.

Business combinations

As part of business combinations undertaken during 2012 and 2011, the Company had notes payable to related parties. As of June 30, 2013, notes payable to related parties were $3,011,000 (December 31, 2012 - $3,389,000). The notes payable mature on March 31, 2014 and bear interest at 5.5 percent.

14. Financial risk management and financial instruments

The Company had the following derivative contracts outstanding at June 30, 2013:

		Notional Canadian dollar equivalent (000s)		
Settlement dates	**Units**	**Contract amount**	**Fair value**	**Unrealized gain (loss)**
Foreign currency risk				
July 2013 - September 2014	USD 107,744,000	110,964	108,080	(2,884)
September 2013	CAD 3,100,000	(3,198)	(3,099)	99
Commodity price risk				
July 2013 - March 2014	20,455 tonnes	12,098	12,411	313
July 2013 - November 2013	27,342 tonnes	(18,511)	(18,373)	138
July 2013 - December 2013	33,960 tonnes	(3,888)	(4,792)	(904)
				(3,238)

The Company had the following derivative contracts outstanding at December 31, 2012:

		Notional Canadian dollar equivalent (000s)		
Settlement dates	**Units**	**Contract amount**	**Fair value**	**Unrealized gain (loss)**
Foreign currency risk				
January 2013 - July 2013	USD 83,457,000	83,310	83,404	94
March 2013	CAD 9,900,000	10,019	9,937	(82)
Commodity price risk				
January 2013 - March 2013	17,020 tonnes	(10,113)	(10,082)	31
March 2013	725 tonnes	509	508	(1)
				42

As at *(thousands of Canadian dollars)*	**June 30, 2013**	December 31, 2012
Derivative assets	550	106
Derivative liabilities	(3,788)	(64)
	(3,238)	42

Foreign currency risk

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures and the resulting volatility of the Company's earnings, subject to liquidity restrictions, by entering into foreign exchange forward contracts. Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure.

A significant part of the Company's sales are transacted in U.S. dollars and as a result, fluctuations in the rate of exchange between the U.S. dollar and Canadian dollar can have a significant effect on the Company's cash flows and reported results. The Company's Chinese operations transacted through its subsidiary, Legumex Walker China, Ltd. are primarily in U.S. dollars as well. The Company enters into foreign exchange forward contracts, put options and call options to manage its foreign exchange risk (see table above).

At June 30, 2013, the Company had U.S. dollar denominated accounts receivable of $42,141,000 (USD $40,066,000) and U.S. dollar denominated accounts payable of $14,445,000 (USD $13,734,000).

The Company's revenues denominated in U.S. dollars for the period ended June 30, 2013 were USD $158,673,000 and the total of its cost of sales – inputs and other processing costs and its selling and administrative expenses denominated in that currency were USD $113,652,000. Accordingly, a 10 percent increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $4,502,000 increase or decrease in revenues net of cost of sales – inputs and other processing costs and selling and administrative expenses. When the Company sources product in Canada in Canadian dollars for U.S. dollar sales, the Company's objective is to minimize transaction exposure with foreign exchange derivative contracts and accordingly believes the increase or decrease in net earnings will be substantially lower than the above figures.

Commodity price risk

The Company is exposed to commodity price movements in the market as part of its normal operations. The Company attempts to match commodity purchase contracts directly with producers with sales contracts entered into with approved buyers to minimize the effect of changes in the price of agricultural commodities between the original contract dates and delivery dates. The Company also enters into commodity futures contracts and derivative swaps in order to manage its commodity price risk related to canola and corn purchases, canola meal and oil sales and board crush margins (see table above).

Credit risk

Credit risk is the potential that customers or a counterparty to a financial instrument fail to meet their obligation to the Company. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable as the Company's sales are concentrated in the agriculture sector. The Company had many customers during the course of the period and believes that there is minimal risk associated with collection of these amounts. The Company manages its credit risk by entering into EDC insurance contracts where available, requesting Documentary Credits and customer deposits, and performing regular credit assessments of its customers.

The Company has historically experienced minimal credit losses, thus it considers the credit quality of trade accounts receivable at June 30, 2013 that are neither impaired nor past due to be high. The distribution of credit quality as at June 30, 2013 is as follows:

Aging of trade accounts receivable *(thousands of Canadian dollars)*	**June 30, 2013**	December 31, 2012
Neither impaired nor past due	**41,922**	42,828
Past due:		
31 - 60 days	**5,695**	9,776
61 - 90 days	**1,985**	2,009
Greater than 90 days	**4,017**	3,123
	53,619	57,736
Allowance for doubtful accounts	**(1,024)**	(1,066)
Balance, end of period	**52,595**	56,670

Trade accounts receivable in aggregate collected to the effective date of these financial statements were $27,675,000 resulting in maximum credit exposure at June 30, 2013 of $24,920,000. As at June 30, 2013, no one customer represented more than 10 percent of outstanding accounts receivable.

All provisions for doubtful accounts are charged to selling, general and administrative expenses. Changes in allowance for losses against accounts receivable are as follows:

Allowance for doubtful accounts *(thousands of Canadian dollars)*	**June 30, 2013**	December 31, 2012
Balance, beginning of period	**1,066**	922
Provision recognized through business combinations	**-**	814
New provisions recognized during the period	**419**	1,101
Amounts written off during the period as uncollectible	**(461)**	(1,771)
Balance, end of period	**1,024**	1,066

The carrying value of trade accounts receivable considered by the Company to be impaired is reduced by specific provisions to the value estimated to be realizable in the normal course of operations. A trade accounts receivable is considered to be impaired if, as a result of a deterioration in credit quality, there is no longer reasonable assurance of timely collection of the full amount. When an asset is classified as impaired, an allowance for loss is established to adjust the carrying value of the asset to its net recoverable amount. To determine this amount, several factors are taken into account, including market conditions, evaluations obtained from third parties and/or the discounted value of expected cash flows.

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company manages its liquidity risk through cash and debt management. In managing liquidity risk, the Company maintains access to committed short and long-term debt facilities as well as to equity markets, the availability of which is dependent on market conditions. The Company monitors its requirements through the use of rolling future net cash flow projections and budgets and believes it has sufficient funding through the use of credit facilities in place at June 30, 2013 to meet foreseeable borrowing requirements.

The table below summarizes the undiscounted contractual payments of the Company's financial liabilities as at June 30, 2013 and includes both interest and principal cash flows:

(thousands of Canadian dollars)	**Total**	**Within 12 months**	**13 to 24 months**	**2 to 4 years**	**After 4 years**
Short-term borrowings	43,341	43,341	-	-	-
Demand loan [a]	15,525	1,188	1,188	2,382	10,767
Accounts payable and accrued liabilities	38,781	38,781	-	-	-
Non-current borrowings [b]	116,089	13,511	13,128	27,109	62,341
Operating leases	7,641	1,507	1,392	2,243	2,499
Total	221,377	98,328	15,708	31,734	75,607

[a] Excludes unamortized balance of deferred financing costs of $37,000.

[b] Excludes unamortized balance of deferred financing costs of $2,657,000.

Interest rate risk

Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Company is exposed to interest rate risk primarily relating to its short-term and non-current borrowings that bears interest that fluctuates with the prime rate. A 1 percent change in the prime rate of interest could increase or decrease interest expense by approximately $983,000 per year.

Finance costs *(thousands of Canadian dollars)*	**For the three months ended June 30,**		**For the six months ended June 30,**	
	2013	2012	**2013**	2012
Interest on short-term borrowings and demand loan	**(606)**	(717)	**(1,274)**	(1,180)
Interest on non-current borrowings	**(1,615)**	(281)	**(2,963)**	(508)
Total finance costs	**(2,221)**	(998)	**(4,237)**	(1,688)

15. Selling, general and administrative expenses

(thousands of Canadian dollars)	**For the three months ended June 30,**		**For the six months ended June 30,**	
	2013	2012	**2013**	2012
Employee benefit costs, including share-based compensation	**(3,505)**	(2,495)	**(6,609)**	(4,617)
Professional fees	**(618)**	(800)	**(1,287)**	(1,667)
Information technology	**(307)**	(161)	**(734)**	(362)
Depreciation of property, plant and equipment	**(21)**	(31)	**(43)**	(60)
Amortization of intangible assets	**(942)**	(1,584)	**(2,449)**	(2,901)
Other	**(941)**	(1,037)	**(2,201)**	(2,149)
Selling, general and administrative expenses	**(6,334)**	(6,108)	**(13,323)**	(11,756)

16. Employee benefits and share-based compensation

Total employee benefit costs for the six months ended June 30, 2013 were $14,122,000 (2012 – $7,724,000) of which share-based compensation was $749,000 (2012 – $307,000). Total employee benefit costs for the three months ended June 30, 2013 were $7,310,000 (2012 – $4,025,000) of which share-based compensation was $347,000 (2012 – $205,000).

Options under Incentive Plans

The Company has an incentive stock option plan (the "Incentive Plan") whereby the Company may grant to directors, officers, employees and consultants options to purchase Common Shares of the Company. Subject to applicable regulations and shareholder approval, the Plan provides for the issuance of stock options to acquire up to ten percent of the Company's issued and outstanding Common Shares, on a rolling basis. Subject to applicable regulations, the terms and conditions, including pricing, term and vesting of each option granted under the Plan are determined by the Board of Directors.

	Options Outstanding	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
As at December 31, 2011	280,000		9.00	-	
Options granted	1,084,500	2.27	6.84	-	
Forfeited	(69,500)	2.17	6.78	-	
As at December 31, 2012	1,295,000		7.31	90,167	9.00
Options granted	**294,000**	**0.45**	**6.43**	**-**	
Forfeited	**(29,500)**	**2.21**	**7.17**	**(2,833)**	**9.00**
As at June 30, 2013	**1,559,500**		**7.15**	**344,333**	**7.08**

The fair value of each option granted was estimated using the Black-Scholes option pricing model and the following inputs:

	2013 Options Granted	2012 Options Granted			2011 Options Granted
	May 17	October 1	August 24	May 25	July 14
Options issued	294,000	150,000	82,500	852,000	280,000
Options outstanding	294,000	150,000	82,500	771,000	262,000
Exercise price	6.43	8.38	8.32	6.43	9.00
Grant date fair value	0.45	2.75	2.72	2.14	2.38
Vesting date	Annual equal increments May 17, 2014-2016	Annual equal increments October 1, 2013-2015	Annual equal increments August 24, 2013-2015	Annual equal increments May 25, 2013-2015	Annual equal increments July 14, 2012-2014
Expiration date	May 17, 2018	October 1, 2017	August 24, 2017	May 25, 2017	July 14, 2016
Risk-free interest rate	1.3407%	1.3725%	1.3000%	1.6099%	2.1922%
Expected life	5 years	5 years	5 years	5 years	5 years
Expected volatility in market price of shares	35%	35%	35%	35%	25%
Expected dividend yield	0%	0%	0%	0%	0%
Expected forfeiture rate	5%	5%	5%	5%	0%

Warrants

On October 1, 2012, the Company issued 660,000 warrants as part of the consideration paid in the purchase of KGL (see Note 3).

	Warrants Outstanding	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Warrants Exercisable	Weighted Average Exercise Price
As at December 31, 2011	-			-	
Warrants granted	660,000	1.26	9.50	660,000	9.50
As at December 31, 2012 and June 30, 2013	**660,000**		**9.50**	**660,000**	**9.50**

The fair value of each warrant granted was estimated using the Black-Scholes option pricing model and the following inputs:

	2012 Warrants Granted October 1
Warrants issued	660,000
Warrants outstanding	660,000
Risk-free interest rate	1.0424%
Expiration date	October 1, 2014
Expected volatility in market price of shares	35%
Expected dividend yield	0%

Other Options

On July 14, 2011, the Company granted options to the syndicate of underwriters equal to 6 percent of the total number of Common Shares sold under the initial public offering (including any Common Shares sold upon exercise of the Over-Allotment Options) at a price per Common Share of $9.00 exercisable for a period of 18 months from the date of closing of the offering. The total options of 443,463 expired during the first quarter.

17. Earnings (loss) per share

Earnings (loss) per share is based on the consolidated earnings (loss) for the period divided by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is computed in accordance with the treasury stock method and based on the weighted average number of shares and dilutive share equivalents.

The following reflects the earnings and share data used in the basic and diluted earnings (loss) per share computations:

(thousands of Canadian dollars, except per share amounts)	**For the three months ended June 30,**		**For the six months ended June 30,**	
	2013	2012 (Recasted Note 3)	**2013**	2012 (Recasted Note 3)
Net earnings (loss) attributable to shareholders	**(8,664)**	250	**(14,509)**	(1,640)
Basic weighted average number of shares	**16,295**	13,802	**16,295**	13,555
Basic and diluted earnings (loss) per share	**(0.53)**	0.02	**(0.89)**	(0.12)

The outstanding stock options were excluded from the calculation of the above diluted loss per share because their effect is anti-dilutive.

18. Reportable business segments

Special crops *(thousands of Canadian dollars)*	For the three months ended June 30, **2013**	2012 (Recasted Note 3)	For the six months ended June 30, **2013**	2012 (Recasted Note 3)
Revenues	**91,157**	68,501	**173,898**	134,294
Cost of sales - inputs and other processing	**(85,836)**	(62,186)	**(159,384)**	(122,285)
Adjusted gross profit[(a)]	**5,321**	6,315	**14,514**	12,009
Selling and administrative	**(2,789)**	(2,542)	**(5,612)**	(4,792)
EBITDA[(b)]	**2,532**	3,773	**8,902**	7,217
Depreciation and amortization	**(2,236)**	(2,578)	**(4,837)**	(4,676)
EBIT[(c)]	**296**	1,195	**4,065**	2,541

Oilseed processing *(thousands of Canadian dollars)*	For the three months ended June 30, **2013**	2012	For the six months ended June 30, **2013**	2012
Revenues	**20,941**	-	**25,516**	-
Cost of sales - inputs and other processing	**(24,124)**	-	**(32,267)**	-
Adjusted gross loss[(a)]	**(3,183)**	-	**(6,751)**	-
Selling and administrative	**(708)**	(391)	**(1,651)**	(569)
EBITDA[(b)]	**(3,891)**	(391)	**(8,402)**	(569)
Depreciation and amortization	**(1,229)**	-	**(2,365)**	-
EBIT[(c)]	**(5,120)**	(391)	**(10,767)**	(569)

Corporate *(thousands of Canadian dollars)*	For the three months ended June 30, **2013**	2012	For the six months ended June 30, **2013**	2012
Selling and administrative	**(1,874)**	(1,560)	**(3,568)**	(3,434)
EBITDA[(b)]	**(1,874)**	(1,560)	**(3,568)**	(3,434)
Depreciation and amortization	**(48)**	(10)	**(70)**	(23)
EBIT[(c)]	**(1,922)**	(1,570)	**(3,638)**	(3,457)

Total *(thousands of Canadian dollars)*	For the three months ended June 30, **2013**	2012 (Recasted Note 3)	For the six months ended June 30, **2013**	2012 (Recasted Note 3)
Revenues	**112,098**	68,501	**199,414**	134,294
Cost of sales - inputs and other processing	**(109,960)**	(62,186)	**(191,651)**	(122,285)
Adjusted gross profit (loss)[(a)]	**2,138**	6,315	**7,763**	12,009
Selling and administrative	**(5,371)**	(4,493)	**(10,831)**	(8,795)
EBITDA[(b)]	**(3,233)**	1,822	**(3,068)**	3,214
Depreciation and amortization	**(3,513)**	(2,588)	**(7,272)**	(4,699)
EBIT[(c)]	**(6,746)**	(766)	**(10,340)**	(1,485)

[(a)] Adjusted gross profit excludes depreciation and amortization included in cost of sales.

[(b)] EBITDA - Earnings before finance costs, depreciation and amortization, other items and recovery of or provision for income taxes.

[(c)] EBIT - Earnings before finance costs, other items and recovery of or provision for income taxes.

There are no intercompany sales between segments.

No revenues from transactions with a single external customer amount to 10 percent or more of the Company's revenues.

19. Commitments and contingencies

[a] Contractual commitments for the purchase of property, plant and equipment

PCC contracted ICG to provide both the design and construction of the PCC Plant for a guaranteed maximum price of USD $80,875,000, subject to additions and deductions. The construction contract is unconditionally and irrevocably guaranteed by McKinstry Co. LLC. which is affiliated with ICG. The PCC Plant was substantially completed in February 2013, subject to presentation of final invoices for approved scope improvements.

[b] Operating and finance leases

The Company has land, storage facilities, rail line assets and office equipment under both operating leases and finance leases (Note 10). These leases have a life of between one and 50 years. Renewal options are included in the contracts for certain land leases for up to an additional 30 years.

During the six months ended June 30, 2013 and three months ended June 30, 2013, the Company recognized an expense of $686,000 and $394,000 (2012 – $249,000 and $129,000) respectively related to operating lease agreements. This amount relates only to minimum lease payments.

[c] Legal actions

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

[d] Security

Throughout the period the Company is required by the Canadian Grain Commission to provide security for the outstanding grower liabilities. This amount is secured by letters of guarantee totalling $11,400,000. Pricing of the letters of guarantee are at 0.0503 percent.

[e] Guarantee

The Company has provided a guarantee of $1,000,000 in favour of its joint venture 0729767 B.C. Ltd. which investment is accounted for under the equity method.

20. Net changes in working capital accounts

(thousands of Canadian dollars)	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	**2013**	2012
Accounts receivable	**(623)**	(955)	**5,273**	(5,679)
Income taxes, net	**367**	(1,257)	**358**	(1,371)
Inventories	**23,241**	11,927	**18,013**	15,956
Prepaid expenses and other assets	**408**	456	**210**	3,316
Accounts payable and accrued liabilities	**2,526**	(1,407)	**(15,056)**	(21,289)
Net changes to non-cash working capital	**25,919**	8,764	**8,798**	(9,067)

21. Comparative information

Certain figures have been reclassified to conform with the current year presentation.

In order to enhance the comparability of the functional presentation of the Interim Consolidated Statement of Comprehensive Income, the Company has reclassified depreciation and amortization in the amount of $1,738,000 to cost of sales and $2,961,000 to selling, general and administrative expenses for the six months ended June 30, 2012 respectively and $973,000 to cost of sales and $1,615,000 to selling, general and administrative expenses for the three months ended June 30, 2012 respectively. This reclassification had no impact on net earnings (loss) of the Company.