Legumex Walker

We are stronger together.

Management's Discussion and Analysis

June 30, 2013

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The following management's discussion and analysis ("MD&A") of financial condition and results of operations has been prepared by management to help readers interpret the consolidated financial results of Legumex Walker Inc. ("LWI" or the "Company") for the quarter and six months ended June 30, 2013. This document should be read in conjunction with LWI's unaudited condensed interim consolidated financial statements and related notes thereto for the six months ended June 30, 2013 (the "Interim Financial Statements") and audited consolidated financial statements and related notes thereto for the year ended December 31, 2012 as well as the annual MD&A. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In accordance with IFRS, the consolidated financial statements for the period ended March 31, 2013 reflect the finalization of the purchase price allocation for the assets and liabilities of St. Hilaire Seed Company, Inc. ("SHS") on February 15, 2012 (see Note 3 to the unaudited condensed interim consolidated financial statements). The annual consolidated financial statements as well as the annual MD&A and the Annual Information Form for the year ended December 31, 2012 are available, together with additional information relating to LWI, on SEDAR at www.sedar.com.

This MD&A has been prepared as of August 13, 2013 and approved by the Audit Committee and Board of Directors. All dollar amounts are in Canadian dollars unless otherwise indicated. All references to LWI include its subsidiaries as applicable.

1. HIGHLIGHTS

The highlights of the consolidated results include 100 percent of the Pacific Coast Canola ("PCC") Plant of which the non-controlling interest of 15 percent is owned by Glencore International plc.

For the quarters ended June 30:

The Special Crops business segment, for the periods ended June 30, 2013:

- Revenue for the six months year-to-date of $173.9 million from 201,900 tonnes increased 29 percent over the same period last year, and includes revenue for the quarter of $91.1 million from 104,400 tonnes shipped (2012 – $68.5 million from 80,500 tonnes shipped), an increase of 33 percent over the same quarter last year. The increased shipments in the quarter are principally attributable to the acquisition of Keystone Grain Ltd. ("KGL") on October 1, 2012;
- Adjusted gross profit[1] of $14.5 million for the current year-to-date or a commodity margin of $121 per tonne (2012 - $12 million or a commodity margin of $111 per tonne), includes adjusted gross profit of $5.3 million for the quarter (2012 - $6.3 million). A commodity margin of $99 per tonne for the most recent quarter included increased sunflower and flax tonnes sold at higher margin than the prior year, offset by the non-recurring nature of unusually high edible bean margin in the quarter ended June 30, 2012;
- EBITDA[1] for the most recent six months of $8.9 million (2012 - $8 million) including EBITDA[1] for the second quarter ended June 30, 2013 of $2.6 million (2012 – $4 million);
- Cash flow provided by operations of $7.1 million for the six months ended June 30, 2013 (2012 - $6.7 million);
- To take advantage of growth in sales opportunities out of China, the Company commenced the addition of a new processing plant in Dalian which is expected to be in operation in time for the fall harvest;
- Over the past few months, the Company has undertaken targeted marketing efforts in grower areas of western Canada, Minnesota and North Dakota, added additional procurement resources and secured sourcing and storage agreements in order to secure sufficient handling volumes to meet customer demand.

Corporate expenses of $3.6 million for the six months ended June 30, 2013 increased $631,000 over the same period last year. Cash flow used in operations of $3.5 million for the most recent six months remained relatively stable with cash flow used in operations of $3.2 million for the comparable period ended June 30, 2012.

Special Crops, net of corporate costs, realized cash flow provided by operations of $3.6 million for the six months ended June 30, 2013.

Commissioning of the PCC Plant progressed according to plan and was completed in July 2013. The PCC Plant was placed into service in December 2012 and substantially completed in February 2013. PCC shipped its first food-grade canola oil in mid-March. The PCC Plant is now capable of operating at full capacity, is performing as designed and in late July, the PCC Plant commenced commercial level production equivalent to one of its two lines of about 550 tonnes per day:

- Due to commissioning of the PCC Plant, the Oilseed Processing segment generated non-commercial level processing revenue for the six months ended June 30, 2013 of $25.5 million from 41,700 tonnes crushed and sold, the majority of which occurred in the second quarter;
- Adjusted gross loss of $3.2 million in the quarter ($6.8 million for the year-to-date) including a loss on crush margins;
- Loss before interest, taxes and depreciation of $8.4 million for the six months ended June 30, 2013 (2012 – a loss of $555,000);
- PCC completed FSSC 22000 food safety certification in late May;
- PCC successfully crushed non-GMO canola seed and is holding the oil and meal in segregated storage and expects to receive non-GMO project verification by the end of the third quarter;
- Unit train track expansion capital project was completed early in the third quarter on budget and on schedule and the first unit train of canola is expected to arrive late in the third quarter;

In summary, for the periods ended June 30 on a consolidated basis:

- Six month revenues of $199.4 million (2012 - $134.3 million), including revenues of $112.1 million for the most recent quarter (2012 - $68.5 million);
- Adjusted gross profit[1] of $7.8 million for the year-to-date declined $4.2 million over the same six month period last year associated with the cost of commissioning the PCC Plant. Adjusted gross profit[1] of $2.1 million for the quarter ended June 30, 2013 (2012 - $6.3 million) was similarly affected;
- Loss before interest, taxes and depreciation for the six months ended June 30, 2013 of $3 million (2012 - EBITDA[1] of $4.5 million);
- Net loss attributable to shareholders of $14.5 million for the six months year-to-date, or $0.89 loss per share (2012 – net loss of $1.6 million or $0.12 loss per share), including a net loss from the commissioning of the PCC Plant of $11.1 million or $0.68 loss per share. The net loss attributable to shareholders for the most recent quarter was $8.7 million or $0.53 loss per share (2012 – net earnings of $250,000 or $0.02 earnings per share), including a net loss from the commissioning of the PCC Plant was $5.4 million or $0.33 loss per share;
- Excluding PCC cash flow used in operations[1] of $10.4 million, cash flow provided by operations[1] of $3.6 million for the last six months. The Company's cash flow provided by operations for the same six month period in 2012 was $3.4 million.

[1] Adjusted gross profit or loss, EBITDA, EBIT, adjusted net earnings (loss), adjusted net earnings (loss) per share, and cash flow provided by or used in operations are non-GAAP measures. See Section 13 "Non-GAAP Measures" for an explanation of these non-GAAP measures and a reconciliation of these non-GAAP measures to the most directly comparable measure calculated in accordance with IFRS and included in the Company's unaudited condensed interim consolidated financial statements.

2. UNDERSTANDING OUR BUSINESS

2.1. Special Crops Division

Industry Background

Special crops are a diverse group of crops that are not included in major grains and oilseeds or horticultural crops. Special crops are generally categorized as pulses (lentils, peas, beans and chickpeas) and other special crops (e.g. sunflower seed, flax and canary seed). Special crops are the fifth-largest crop category produced in Canada after wheat, canola, corn and barley, and are primarily used as a protein and fiber source food for human and livestock consumption and increasingly in industrial applications. Pulses are a critical part of the diet in developing nations, which consume approximately 85 percent of the world's pulse production and where populations are growing at a faster pace than local agricultural production. Consumption of pulses is rising in developed nations as a result of increased multiculturalism and health awareness of consumers who are increasing their consumption of vegetable proteins in their diets.

Primary processing of special crops involves the receiving, cleaning and sorting of seed. Secondary processing includes the splitting of dry peas, lentils and chickpeas; as well as canning, dry packaging, and the production of soup mixes, dehydrated products, precooked and individually quick-frozen products, soups, stews, and snack food. Pulses are also processed into components such as fiber, gluten-free flour, starch and protein concentrates. Non-oil sunflower seeds are used extensively as a snack food, such as roasted seeds, or de-hulled for use in baking. The birdfood industry uses canary seed, sunflower seed and dry peas in feed mixtures for pets and wild birds.

The special crops industry in North America has begun to consolidate over the past ten years, following the initial growth of the industry which occurred over the prior three decades. The special crops industry in Canada remains somewhat fragmented in terms of market share by product. The Company is one of the largest special crops processors in Canada, and other than two large scale competitors, the balance of the industry is characterized primarily by family owned operations which generally lack significant global sales volumes, and may process product for larger participants such as the Company. Competition is based on product price (both to growers and to consumers), dependability, logistics and specialized processing capabilities, product line diversity and scale. Products are not exchange traded, requiring relationships and expertise in various global markets to determine regional pricing for products.

The Company's Special Crops business is organized into three operating divisions:

- the Edible Bean Division includes operating plants located in Morden and Plum Coulee, MB, St. Hilaire, MN and China with aggregate annual processing capacity of about 96,000 tonnes;
- the Sunflower, Flax and Birdfood Division includes operating plants located in Winnipeg, Winkler and St. Jean Baptiste, MB and a plant located in Mentor, MN with aggregate annual processing capacity of about 141,000 tonnes; and
- the Pea, Lentil and Canary Seed Division includes operating plants located in Runciman, Brooksby, Saskatoon and Regina, SK and a plant in St. Jean Baptiste, MB with aggregate annual processing capacity of about 240,000 tonnes

Organizing processing plants handling similar products into these three divisions allows each general manager to focus on safety, quality, overall efficiency and profitability of these operations. Responsibility for merchandising and position management is also centralized along product lines rather than being attached to specific operating plants or legal entities.

Seasonality and Cyclicality

The growing season for major agricultural commodities in the Canadian prairies, Midwest U.S. and Northern China span from May to October. Pulses and other special crops are typically seeded (April to early June) and harvested (August to early October) once a year. While purchase and sale activity is generally spread out through the Company's fiscal year, it can be slightly higher in the last and first quarters of the fiscal year (October 1 to March 31). The timing and volume of sales and shipments in a given quarter or 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.

The Company's Special Crops division sources its raw material from a broad base of suppliers in the Canadian Prairies, Midwest U.S. and Northern China where special crops are seeded (April to early June) and harvested (August to early October) once a year.

Business Drivers

The key drivers in LWI's Special Crops Division are volumes and export demand. Volume is a key driver of profitability due to the relatively fixed costs associated with the Company's storage, handling and distribution infrastructure combined with the fee-for-service nature of the business. Target fees or margins are typically adjusted annually by management once export targets, product supply and customer demands have been determined. Maximum margins are typically earned on those commodities that LWI receives into its processing facilities and distributes directly to buyers. Although the Company can mitigate risk associated with price movements by purchasing product to support sales on a back-to-back basis, in some cases the Company will purchase inventory in advance of sale in which case the Company is subject to price risk, both favourable and unfavourable.

Worldwide supply and demand and the quality and price of grains, oilseeds and other commodities influence export levels and are factors that can impact volumes and profitability.

2.2. Oilseed Processing Division

Industry Background

Canola seed is grown primarily to produce canola oil for human consumption while the canola meal byproduct is used as high-protein animal feed. Both canola oil and meal are produced through a crushing and refining process which separates the oil from the meal. Canola oil consumption has grown significantly in recent years as consumers have shifted towards healthier edible oils. The canola oil industry has been one of the leading beneficiaries of this trend as canola oil is the lowest among all edible oils in saturated fats and among the highest of all edible oils in cholesterol-lowering mono-unsaturated fats. Canola oil is also high in omega-3 and -6 fatty acids. Canola meal is valued as a high-quality, high-protein livestock feed and is widely used as a component in hog, poultry and cattle rations. However, its greatest demand is in the dairy market, where canola meal supplies almost 50 percent of dairy herds' protein needs in Washington State.

Canola now holds a preferential position in the crop rotation on many farms in Canada and increasingly in the United States. Given the lack of significant alternative uses for canola seed other than oil and meal, there has been a high degree of correlation between seed and oil pricing as canola seed prices have effectively been passed through to purchasers of canola oil.

Scale and logistics are significant barriers to the development of new canola crush facilities. Successful canola crush facilities require strong canola seed sourcing capabilities to ensure reliable, cost-effective access to canola seed throughout the year from a large grower network as well as strong sales, shipping and logistics capabilities to manage the significant quantities of canola oil and canola meal sold to a diverse customer base. In addition, the capital required for the development, construction, working capital, and management of an efficient canola crush facility is high given the necessary scale of these facilities. As a result of these factors, only a few independent canola crush facilities have been built in recent years.

PCC has chosen an expeller-pressed technology widely used outside of North America. The PCC Plant is the larger of two commercial-sized canola expeller-press plants in North America. This mechanical crushing process differentiates PCC from the rest of the canola processing industry that uses a chemical extraction process. PCC's expeller-pressed canola oil allows the Company to enter the health conscious natural food segment of the market that is rapidly growing in the United States.

Seasonality and Cyclicality

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. PCC expects to draw on stored canola supplies to meet its daily crushing needs. As the PCC Plant completed commissioning and commenced commercial operations in late July, 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 volumes will remain stable throughout the year once it achieves full commercial operating levels.

Business Drivers

Profitability in canola processing is driven by volume, due to relatively high fixed costs, and by crush margins. Crush margins are a function of the cost of canola seed, processing yields and the selling price of the oil and meal produced.

3. CONSOLIDATED QUARTERLY RESULTS

The consolidated financial statements include 100 percent of the operations of the PCC Plant of which the non-controlling interest of 15 percent is owned by Glencore International plc.

Selected Consolidated Financial Information	Second quarter			Six months			
For the periods ended June 30 (in thousands, except per share amounts)	**2013**	2012 (Recasted)	*Better (Worse)*	**2013**	2012 (Recasted)	*Better (Worse)*	Latest 12 months
Revenues	**$ 112,098**	$ 68,501	*$ 43,597*	**$ 199,414**	$ 134,294	*$ 65,120*	$ 359,930
Cost of sales - inputs and other processing costs	**(109,960)**	(62,186)	*(47,774)*	**(191,651)**	(122,285)	*(69,366)*	(345,135)
Adjusted gross profit[2]	**2,138**	6,315	*(4,177)*	**7,763**	12,009	*(4,246)*	14,795
Earnings (loss) from investments in associate and joint venture	**32**	22	*10*	**32**	43	*(11)*	70
Selling and administrative expenses	**(5,371)**	(4,493)	*(878)*	**(10,831)**	(8,795)	*(2,036)*	(21,837)
Non-recurring costs[1]	**-**	447	*(447)*	**-**	1,222	*(1,222)*	954
EBITDA[2]	**(3,201)**	2,291	*(5,492)*	**(3,036)**	4,479	*(7,515)*	(6,018)
Depreciation and amortization	**(3,513)**	(2,588)	*(925)*	**(7,272)**	(4,699)	*(2,573)*	(12,938)
EBIT[2]	**(6,714)**	(297)	*(6,417)*	**(10,308)**	(220)	*(10,088)*	(18,956)
Finance costs	**(2,221)**	(998)	*(1,223)*	**(4,237)**	(1,688)	*(2,549)*	(6,274)
Gain on disposal of property, plant and equipment and other assets	**(78)**	1,043	*(1,121)*	**(78)**	1,043	*(1,121)*	(89)
Write-up (write-down) of investment and other assets	**-**	-	*-*	**-**	-	*-*	(502)
Foreign exchange and derivative gains (losses)	**(1,533)**	658	*(2,191)*	**(2,688)**	409	*(3,097)*	(2,348)
Less: Non-recurring costs[1]	**-**	(447)	*447*	**-**	(1,222)	*1,222*	(954)
Earnings (loss) before taxes	**(10,546)**	(41)	(10,505)	**(17,311)**	(1,678)	(15,633)	(29,123)
Recovery of (provision for) income taxes	**894**	230	*664*	**786**	(44)	*830*	1,132
Less: Non-controlling interests	**988**	61	*927*	**2,016**	82	*1,934*	2,548
Net earnings (loss) attributable to shareholders	**(8,664)**	250	*(8,914)*	**(14,509)**	(1,640)	*(12,869)*	(25,443)
Add: Non-controlling interests	**(988)**	(61)	*(927)*	**(2,016)**	(82)	*(1,934)*	(2,548)
Net earnings (loss)	**$ (9,652)**	$ 189	*$ (9,841)*	**$ (16,525)**	$ (1,722)	*$ (14,803)*	$ (27,991)
Attributable to:							
Non-controlling interests	**(988)**	(61)	*(927)*	**(2,016)**	(82)	*(1,934)*	(2,548)
Shareholders of the Company	**(8,664)**	250	*(8,914)*	**(14,509)**	(1,640)	*(12,869)*	(25,443)
Net earnings (loss)	**$ (9,652)**	$ 189	*$ (9,841)*	**$ (16,525)**	$ (1,722)	*$ (14,803)*	$ (27,991)
Basic weighted average number of shares	**16,295**	13,802	*2,493*	**16,295**	13,555	*2,740*	15,555
Net earnings (loss) per share	**$ (0.53)**	$ 0.02	*$ (0.55)*	**$ (0.89)**	$ (0.12)	*$ (0.77)*	$ (1.64)

[1] One time costs deemed to be non-recurring by management relating to acquisitions, integration and amalgamation activities.
[2] Adjusted gross profit, EBITDA and EBIT are non-GAAP measures. See Section 13 "Non-GAAP Measures".

The net loss for the second quarter ended June 30, 2013 of $9.7 million includes a net loss from the commissioning of the PCC Plant of $6.4 million. The net loss for the six months ended June 30, 2013 of $16.5 million includes a net loss from the commission of the PCC Plant of $13.1 million.

3.1. Selected Financial Information

Revenues

The Company generated consolidated revenues for the quarter and six months ended June 30, 2013 of $112.1 million (2012 – $68.5 million) and $199.4 million (2012 - $134.3 million), respectively, almost entirely attributable to the Special Crops segment. The increase of $43.6 million over the same quarter last year is primarily related to product mix and higher tonnes sold. LWI shipped 104,400 tonnes of special crops during the second quarter compared with 80,500 tonnes in the same quarter last year as incremental sales from the operations acquired February 15, 2012 and October 1, 2012 complemented the existing business. In addition, the Company shipped 29,900 tonnes of canola oil and meal in the second quarter (2012 – nil) representing gross revenue of $20.9 million.

Adjusted gross profit [1]

Adjusted gross profit for the three months ended June 30, 2013 of $2.1 million decreased $4.2 million over the same quarter last year comprised of a $1 million decrease from the Special Crops business segment and a $3.2 million loss from the Oilseed Processing business segment (the PCC Plant).

The adjusted gross profit decrease in Special Crops reflects a combination of lower commodity margins ($1.7 million) and higher plant costs ($1.6 million) from the U.S. plants acquired in February 2012 and KGL acquired in October 2012, offset by higher shipping volumes ($2.3 million). Special Crops commodity margins (excluding plant processing costs) decreased to $99 per tonne for the quarter ended June 30, 2013 compared to $120 per tonne for the quarter ended June 30, 2012. Higher shipments of sunflower and flax at higher margins in the most recent quarter could not fully offset the unusually high value sales and margins of edible beans in the same quarter last year. Plant costs and plant costs per tonne increased in 2013 compared to 2012 as a result of acquiring throughput capacity for Edible Beans and Sunflowers, Flax and Birdfood which typically require more processing and therefore have a higher cost per tonne than Peas, Lentils and Canary Seed.

The Oilseed Processing segment incurred a loss as the ongoing commissioning of the plant incurred costs of $1.9 million for the quarter and was not expected to be fully recouped from the limited production and sale of canola oil and meal. While the level of activity and proportion of oil and meal produced was generally consistent with expectations, the PCC Plant had not yet achieved commercial production levels and total canola crushed during commissioning in the quarter was limited to only 31,500 tonnes, of which 29,900 tonnes was shipped.

Selling and administrative expenses

Selling and administrative ("S&A") expenses for the latest 12 months ended June 30, 2013 were $21.8 million, including $10.8 million (2012 – $7.6 million) for the year-to-date and $5.4 million (2012 – $4.0 million) for the second quarter ended June 30, 2013. S&A expenses consist primarily of personnel salaries and benefits, information technology, professional fees, occupancy costs and office expenses associated with the merchandising and inventory procurement activities of the operating segments as well as corporate functions. S&A costs include non-cash stock based compensation expenses of $749,000 (2012 - $307,000) and $347,000 (2012 - $205,000) for the year-to-date and quarter ended June 30, 2013, respectively.

EBITDA [1]

EBITDA[1] for the quarter ended June 30, 2013 was a loss of $3.2 million including a loss before interest, taxes and depreciation of $3.9 million in the Oilseed Processing segment. For the six months ended June 30, 2013, Special Crops generated EBITDA of $8.9 million offset by a loss before interest, taxes and depreciation of $8.4 million in the Oilseed Processing segment and Corporate expenses of $3.6 million.

Depreciation and amortization

Depreciation and amortization of property, plant and equipment and intangibles for the second quarter and six months ended June 30, 2013 was $3.5 million (2012 - $2.6 million) and $7.3 million (2012 - $4.7 million), respectively. The $925,000 increase in depreciation

[1] Adjusted gross profit and EBITDA are non-GAAP measures. See Section 13 "Non-GAAP Measures".

and amortization compared to the same quarter last year is primarily the result of the acquisition of KGL and SHS and the assets of Legumex Walker Sunflower, LLC ("LWS") as well as the commencement of amortization of the PCC Plant following it being placed into service in December 2012. Depreciation and amortization for the quarter ended June 30, 2013 and 2012 included $1 million and $1.4 million, respectively, related to the amortization of intangible assets.

Finance costs

Finance costs for the three months ended June 30, 2013 were $2.2 million compared to $998,000 for the three months ended June 30, 2012. Finance costs for the six months ended June 30, 2013 and 2012 were $4.2 million and $1.7 million respectively. Financing costs are comprised of interest on operating lines of credit, interest on senior debt, interest on related party debt and the amortization of deferred bank and finance costs. The increase in financing costs is attributable to additional senior debt related to the acquisition of SHS, LWS assets and KGL, higher balances of non-cash working capital and interest payable on the construction loan for the PCC Plant that was placed into service in December 2012. Finance costs associated with the PCC Plant were $1.3 million and $2.3 million for the second quarter and six months ended June 30, 2013, respectively.

Foreign exchange and derivative losses

Foreign exchange gains and losses arise from the change in value of derivative foreign exchange instruments used to hedge cash, receivables, payables and open sales contracts offset by changes in foreign currency denominated financial instruments (including cash, receivables and payables but excluding open sales contracts). The Company reported a foreign exchange and derivative loss of $1.5 million for the three months ended June 30, 2013, compared to a $658,000 foreign exchange and derivative gain for the three months ended June 30, 2012. The loss for the quarter ended June 30, 2013 includes $3 million of unrealized losses arising from changes in foreign exchange rates associated with derivative foreign currency financial instruments.

Non-recurring costs

The non-recurring costs included in the same quarter and six months ended June 30, 2012 last year related to the acquisition of SHS and assets of LWS, integration activities and the amalgamation of the legacy businesses.

Income taxes

A recovery of income taxes for the quarter and six months ended June 30, 2013 was $894,000 (representing an effective tax rate of 8.5 percent) and $786,000 (representing an effective tax rate of 2.7percent), respectively. The abnormally low effective tax rate in 2013 reflects a full valuation allowance taken against any deferred tax expense recovery in the Company's U.S. operations pending future profitability.

Net loss and loss per share

The net loss attributable to shareholders for the quarter and six months ended June 30, 2013 was $8.7 million, or a $0.53 loss per share, and a loss of $14.5 million, or a $0.89 loss per share, respectively. Earnings attributable to shareholders for the same quarter last year was $250,000, or $0.02 per share. The loss in the current quarter includes a loss of $5.4 million associated with the commissioning of the PCC Plant or a loss of $0.33 per share. The loss for the six months ended June 30, 2013 includes a loss attributable to shareholders associated with the PCC Plant of $11.1 million or $0.68 loss per share.

3.2. Business Segment Performance

The Company's three reportable business segments include Special Crops, Oilseed Processing and Corporate. Segmented financial information for the second quarter, six months and latest 12 months ended June 30, 2013, along with comparatives, is set out below.

3.2.1. Special Crops

Special Crops Segment	Second quarter			Six months			
For the periods ended June 30 *(in thousands, except per tonne amounts)*	**2013**	2012 (Recasted)	*Better (Worse)*	**2013**	2012 (Recasted)	*Better (Worse)*	Latest 12 months
Revenues	**$ 91,157**	$ 68,501	*$ 22,656*	**$ 173,898**	$ 134,294	*$ 39,604*	$ 333,889
Cost of sales - inputs and other processing	**(85,836)**	(62,186)	*(23,650)*	**(159,384)**	(122,285)	*(37,099)*	(311,408)
Adjusted gross profit[2]	**5,321**	6,315	*(994)*	**14,514**	12,009	*2,505*	22,481
Earnings from investments in associate and joint venture	**32**	22	*10*	**32**	43	*(11)*	70
Selling and administrative expenses	**(2,789)**	(2,542)	*(247)*	**(5,612)**	(4,792)	*(820)*	(11,526)
Add: Non-recurring costs[1]	**-**	247	*(247)*	**-**	711	*(711)*	494
EBITDA[2]	**2,564**	4,042	*(1,478)*	**8,934**	7,971	*963*	11,519
Depreciation and amortization	**(2,236)**	(2,578)	*342*	**(4,837)**	(4,676)	*(161)*	(10,238)
EBIT[2]	**$ 328**	$ 1,464	*$ (1,136)*	**$ 4,097**	$ 3,295	*$ 802*	$ 1,281
Metric tonnes shipped	**104.4**	80.5	*23.8*	**201.9**	162.7	*39.2*	388.6
Commodity margin *(per tonne, excluding plant costs)*	**$ 98.52**	$ 119.67	*$ (21.15)*	**$ 120.63**	$ 110.93	*$ 9.70*	$ 101.98

[1] One time costs deemed to be non-recurring by management relating to acquisitions, integration and amalgamation activities.
[2] Adjusted gross profit, EBITDA and EBIT are non-GAAP measures. See Section 13 "Non-GAAP Measures".

On October 1, 2012, the Company acquired Manitoba-based KGL, one of the largest sunflower and birdfood processors in Canada and North America. The acquisition of KGL added 40,000 tonnes processing capacity of sunflowers, 11,500 tonnes processing capacity of flax and 11,500 tonnes processing capacity of birdfood, significantly broadening the Company's product mix and geographic coverage.

As a result of the acquisitions of SHS and LWS in the U.S., as well as the addition of processing capabilities in China in 2012, approximately 20 percent of LWI's processing capacity is now located outside of Canada. Accordingly, the timing of these acquisitions, expansion and the acquisition of KGL will affect the comparability of the results relative to prior periods.

LWI sold 104,400 tonnes of special crops in the second quarter of 2013, an increase of about 23,800 tonnes (30 percent) over the same quarter last year, entirely as a result of the acquisition of KGL which generated 24,900 tonnes of sales in the quarter. These higher volumes also represent increased diversification towards the Edible Bean and Sunflower, Flax & Birdfood divisions. Average commodity margin for the latest 12 months ended June 30, 2013 of $102 per tonne included a commodity margin for the second quarter of about $99 per tonne (2012 - $120 per tonne). Increased volumes contributed $2.3 million of incremental commodity profit in the second quarter offset by a $1.7 million reduction from lower commodity margins. The stronger margins in the second quarter of 2012 were entirely attributable to Edible Beans and reflects the value of contracts executed at peak pricing in the prior year complemented by favourable carrying values on inventories assumed with the SHS acquisition. A $1.6 million increase in plant costs from the acquisition of KGL resulted in a $1 million decrease in adjusted gross profit to $5.3 million.

The Edible Bean division generated about 21 percent and 24 percent of total volumes sold in the second quarter (2012 – about 29 percent for the second quarter and 27 percent for the six months) and six months ended June 30, 2013, respectively, and 29 percent for the 12 months ended June 30, 2013. The Division realized average commodity margins for the latest 12 months ended June 30, 2013 of about $109 per tonne ($112 per tonne in the second quarter compared to $232 per tonne for the second quarter ended June

30, 2012). The unusually high commodity margin in the second quarter of last year reflects the value of contracts executed at peak pricing and complemented by favourable carrying value on inventories assumed with the SHS acquisition. Lower commodity profit in the most recent quarter is almost entirely related to lower commodity margins per tonne, and reflects lower margin on Black Beans due to an unfavourable short position put on in the fall of 2012 and lower margins on China beans due to reduced supply and the resulting increase in procurement costs. The Company eliminated its short position on black beans prior to the most recent increase in bean prices, particularly pinto and black beans, late in the second quarter. Average plant processing costs for the latest 12 months ended June 30, 2013 increased modestly to $37 per tonne from $36 per tonne for the year ended December 31, 2012 reflecting the annualized impact of the acquisition of SHS and expansion of China operations.

The Sunflower, Flax and Birdfood division was responsible for about 29 percent of tonnes sold in the second quarter (2012 – 9 percent) as a result of the acquisition of KGL. Average commodity margin for the 12 months ended June 30, 2013 of about $149 per tonne includes commodity margin for the second quarter and six months then ended of $136 per tonne and $150 per tonne, respectively. Commodity profit increased $3.7 million, largely due to higher handling volumes, complemented by improved margins, following the acquisition of KGL. Average plant processing costs for the most recent quarter of $67 per tonne were consistent with the latest 12 months ended June 30, 2013 of $67 per tonne.

The Pea, Lentil and Canary Seed division sold about 52,000 tonnes (about 50 percent of total tonnes sold) in the quarter ended June 30, 2013 compared to 50,000 tonnes sold in the same quarter last year, increasing total volumes sold for the 12 months ended June 30, 2013 to 194,000 tonnes. Average commodity margins for the latest quarter of $71 per tonne (2012 - $77 per tonne) contributed to an average commodity margin for the 12 months ended June 30, 2013 of about $78 per tonne. Commodity margins for the most recent quarter reflect higher margins on peas offset by lower margins on lentils and chick peas. These three product groups represent about 80 percent of the total tonnes sold by the Division in the quarter. Although fixed plant processing costs for the second quarter were consistent with the first quarter of 2013, higher shipping in the quarter contributed to lower average fixed plant processing costs of $42 per tonne and $44 per tonne for the quarter and the six months ended June 30, 2013, respectively. The handling process for peas, lentils and canary seed allows higher throughput volumes than edible beans, sunflowers or birdfood which generally contributes to a lower average plant processing costs per tonne compared to plant processing costs per tonne for either of the other two divisions.

Within normal operating parameters, plant costs included in cost of sales are not typically variable with throughput volumes. Plant costs included in cost of sales for the second quarter ended June 30, 2013 of $4.9 million increased over the $3.3 million for the same quarter last year, largely the result of the acquisition of KGL, SHS and LWS. However, second quarter costs were consistent with the first quarter of 2013.

After factoring in plant processing costs, adjusted gross profit of $5.3 million for the quarter ended June 30, 2013 (2012 - $6.3 million) contributed to overall adjusted gross profit of $14.5 million for the six months ended June 30, 2013 (2012 - $12 million). The year-over-year increase in commodity profit of about $453,000 in the second quarter noted above, was more than offset by the $1.6 million increase in plant processing costs (arising from the acquisitions of KGL, SHS and LWS assets), and contributed to a year-over-year decrease in adjusted gross profit of $1.2 million in the second quarter.

Special Crops incurred normalized S&A expenses for the latest 12 months ended June 30, 2013 of $11 million which includes $2.8 million for the three months ended June 30, 2013 (2012 - $2.3 million). S&A expenditures for the second quarter include $186,000 in non-cash stock-based compensation expenses.

Special Crops' EBITDA[1] for the three months ended June 30, 2013 of $2.6 million decreased $1.5 million over the same quarter last year as a result of the $1 million decrease in adjusted gross profit and the $494,000 increase in normalized S&A expenses noted

above. For the six months ended June 30, 2013, EBITDA[1] of $8.9 million increased $1 million over the comparable period in 2012 due to a $2.5 million increase in adjusted gross profit offset by $1.5 million increase in normalized S&A expenses. For the latest 12 months ended June 30, 2013, Special Crops generated EBITDA[1] of $11.5 million. Depreciation and amortization of $4.8 million for the six months ended June 30, 2013 (including $2.2 million for the most recent quarter) increased modestly over the $4.7 million for the same six month period last year. As a result, EBIT[1] of $4.1 million for the six months ended June 30, 2013 (including $328,000 for the most recent quarter) increased $802,000 over $3.3 million for the six months ended June 30, 2012.

3.2.2. Oilseed Processing

Oilseed Processing Segment	Second quarter			Six months			
For the periods ended June 30 *(in thousands)*	**2013**	2012 (Recasted)	Better (Worse)	**2013**	2012 (Recasted)	Better (Worse)	Latest 12 months
Revenues	**$ 20,941**	$ -	$ 20,941	**$ 25,516**	$ -	$ 25,516	$ 26,041
Cost of sales - inputs and other processing	**(24,124)**	-	(24,124)	**(32,267)**	-	(32,267)	(33,727)
Adjusted gross loss[2]	**(3,183)**	-	(3,183)	**(6,751)**	-	(6,751)	(7,686)
Selling and administrative expenses	**(708)**	(391)	(317)	**(1,651)**	(569)	(1,082)	(2,742)
Add: Non-recurring costs[1]	**-**	14	(14)	**-**	14	(14)	-
EBITDA[2]	**(3,891)**	(377)	(3,514)	**(8,402)**	(555)	(7,847)	(10,428)
Depreciation and amortization	**(1,229)**	-	(1,229)	**(2,365)**	-	(2,365)	(2,591)
EBIT[2]	**$ (5,120)**	$ (377)	$ (4,743)	**$ (10,767)**	$ (555)	$ (10,212)	$ (13,019)
Metric tonnes shipped	**29.9**	-	*29.9*	**41.7**	-	*41.7*	42.7

[1] One time costs deemed to be non-recurring by management relating to acquisitions, integration and amalgamation activities.
[2] Adjusted gross profit (loss), EBITDA and EBIT are non-GAAP measures. See Section 13 "Non-GAAP Measures".

Commissioning of the plant continued as planned with commercial level production commencing in the third quarter. The Company originally produced, sold and shipped super-degummed oil and canola meal prior to December 31, 2012. On March 19, 2013, PCC completed the commissioning of the deodorizer and sold its first refined, bleached and deodorized ("RBD") food grade canola oil ahead of schedule. Commissioning was completed in July 2013 and in late July the PCC Plant commenced commercial level production equivalent to one of its two lines or about 550 tonnes per day.

Due to the non-commercial nature of the commissioning process in the first six months of 2013, PCC crushed and sold about 29,900 tonnes of canola seed during the second quarter. Inventory shrink during the quarter was consistent with plant specifications. Although the PCC Plant did not operate at commercial production levels during the second quarter, the proportion of oil and meal produced remains consistent with expectations.

Adjusted gross profit for the quarter was a loss of $3.2 million as the commissioning of the plant incurred costs of $1.9 million for the quarter that were not recouped from the limited production and sale of canola oil and meal. The PCC Plant generated a commodity loss in the quarter due to the high value of 2012 canola seed stocks relative to the underlying market value of meal and oil which in turn arose due to a disconnect between canola seed prices and the soy oil and meal complex. As noted last quarter, the smaller than anticipated canola crop last fall led to increased volatility in crush margins. The 2012/2013 crop year began with many analysts predicting a record canola crop in North America. The expectation of a large crop led to some of the highest board crush margins in recent history. The Canadian canola crop was adversely impacted by late season dry weather that had a significant impact on canola production. A tighter canola supply and above average canola basis led to a significant appreciation in canola oil basis over the past several months. Despite the improved oil basis, above average seed basis resulted in negative crush margins.

S&A expenses of $708,000 for the three-month period ended June 30, 2013 were lower than the costs incurred in the first quarter of 2013 during the initial ramp up of operations for commissioning purposes. PCC incurred $1.2 million in depreciation for the quarter ended June 30, 2013 and comparable to costs for the first quarter of 2013, as assets were placed in service in December 2012 and February 2013 following substantial completion.

3.2.3. Corporate

Corporate Segment	Second quarter			Six months			
For the periods ended June 30 (in thousands)	**2013**	2012 (Recasted)	*Better (Worse)*	**2013**	2012 (Recasted)	*Better (Worse)*	Latest 12 months
Selling and administrative expenses	**$ (1,874)**	$ (1,560)	*$ (314)*	**$ (3,568)**	$ (3,434)	*$ (134)*	*$ (7,569)*
Add: Non-recurring costs[1]	**-**	186	*(186)*	**-**	497	*(497)*	460
EBITDA[2]	**(1,874)**	(1,374)	*(500)*	**(3,568)**	(2,937)	*(631)*	(7,109)
Less: Depreciation and amortization	**(48)**	(10)	*(38)*	**(70)**	(23)	*(47)*	(109)
EBIT[2]	**$ (1,922)**	$ (1,384)	*$ (538)*	**$ (3,638)**	$ (2,960)	*$ (678)*	$ (7,218)

[1] One time costs deemed to be non-recurring by management relating to acquisitions, integration and amalgamation activities.
[2] Adjusted gross profit, EBITDA and EBIT are non-GAAP measures. See Section 13 "Non-GAAP Measures" In the ase of the Corporate segment, EBITDA is equivalent to Selling, and Administrative expenses.

S&A expenses include executive compensation, governance costs, information technology and communications costs, professional and consulting costs, rent and occupancy costs, and banking and treasury costs necessary to support both the existing Special Crops segment as well as the Oilseeds Processing segment currently under development.

Corporate S&A expenses of $1.9 million for the second quarter ended June 30, 2013 included $158,000 of non-cash stock compensation expense, $888,000 in employee salaries & benefits, $159,000 in information technology costs and $464,000 in professional fees representing an aggregate increase of $195,000 over the quarter ended March 31, 2013. Professional fees include $37,000 for various legal services, $49,000 for investor relations and corporate secretarial services and tax services associated with Canadian and US filings and audit fees associated with quarterly reviews of the parent company and each of its subsidiaries. Corporate expenses for the latest 12 months ended June 30, 2013, excluding non-recurring costs, were $7.1 million.

3.3. Selected Quarterly Information

Selected financial information for each of the last eight quarters is as follows:

Selected Quarterly Financial Information For the quarters ended (in thousands, except per share amounts)	**2013 Q2**	**2013 Q1**	**2012 Q4**	**2012 Q3**	**2012 Q2** *(Recasted)*	**2012 Q1** *(Recasted)*	**2011 Q4** *(Recasted)*	**2011 Q3** *(Recasted)*
Revenue	**112,098**	87,316	104,020	56,496	68,501	65,793	62,389	41,399
EBITDA[1]	**(3,201)**	165	(941)	(2,041)	2,291	2,188	2,746	1,852
Net earnings (loss)[2]	**(8,664)**	(5,845)	(5,444)	(5,490)	250	(1,890)	1,943	(2,451)
Net earnings (loss) per share[2]	**(0.53)**	(0.36)	(0.34)	(0.40)	0.02	(0.14)	0.15	(0.22)

[1] EBITDA is a non-GAAP measure. See Section 13 "Non-GAAP Measures".
[2] Portion attributable to shareholders. Outstanding stock options and warrants were excluded from the calculation of diluted loss per share because their effect is anti-dilutive.

The Company did not conduct any commercial operations and had no employees during the period from its inception on April 20, 2011 to July 13, 2011. The results for the third quarter of 2011 reflect only 79 days of operations.

In the third quarter of 2012, the Company finalized the purchase price allocation for the assets and liabilities of Walker Seeds Ltd. and the Roy Legumex Group of Companies acquired on July 14, 2011. As a result of changes to property, plant and equipment, identifiable intangible assets and the deferred tax liability, depreciation and amortization increased $107,000 with an offsetting increase in the deferred tax recovery of $29,000 for the quarter ended September 30, 2011; depreciation and amortization increased $131,000 with an offsetting increase in the deferred tax recovery of $36,000 for the quarter ended December 31, 2011; and depreciation and amortization increased $131,000 with an offsetting increase in the deferred tax recovery of $36,000 for each of the quarters ended March 31, 2012 and June 30, 2012, respectively. Net earnings or loss and adjusted net earnings or loss were recast to reflect these changes.

The Company sold its 20 percent interest in Blue Hills Processors on May 1, 2012 and recorded a gain in the second quarter of $1 million.

The Company acquired SHS and LWS assets on February 15, 2012 and KGL on October 1, 2012. As a result, the incremental earnings from these acquisitions impacted revenue, EBITDA and net earnings for each of the quarters in 2012 but were not present in fiscal 2011.

The Company commenced commissioning of the PCC Plant in December 2012. The first and second quarters of 2013 include an EBITDA loss from PCC of $4.5 million and $3.9 million, respectively, which reflects normalized operating expenditures but non-commercial level processing and sale activity.

4. OUTLOOK

4.1. Special Crops Division

Although seeding was delayed in all of the major sourcing areas due to late snow cover and wet weather in 2013, seeding was largely completed on time and crop development is progressing well. Pulses and specialty crops in major sourcing areas are mainly in good to excellent condition. The production of pulses and special crops in Canada is forecast to rise marginally to 5.1 million tonnes, including 3.1 million tonnes of pea production, as higher yields more than offset lower acreage seeded in the 2012/2013 growing season. By contrast, the most recent USDA production estimates assume a decline in overall acres seeded for dry beans, peas, lentils and sunflowers to about 4.2 million acres from about 4.8 million acres last year including reductions in acres of edible beans, sunflowers and lentils, partially offset by about a 200,000 acre increase in peas. However, management does not expect any potential tightening of supply to impact on the Company's handling volumes through the balance of this year and early next year and has been taking steps to mitigate any potential negative impact beyond that.

Dry edible bean seeded area in Canada is forecast to decrease sharply from 2012/2013 to less than 100,000 hectares because of lower potential returns compared to other crops, particularly soybeans and corn. Seeded area in Ontario is forecast to fall by 22 percent, mostly due to a decrease in area devoted to white pea bean types. In Manitoba, seeded area is estimated to fall by 43 percent, due to smaller areas for coloured and white pea bean types. Supply is expected to decrease by only 25 percent, due to large carry-in stocks. The U.S. and the EU-27 are forecast to remain the main markets for Canadian dry beans, with smaller volumes exported to Japan, Mexico and countries in Africa. Carry-out stocks are also expected to shrink. The average Canadian dry bean price is forecast to increase due to lower supply in North America. In the U.S., area seeded to dry beans is forecast by the USDA to decrease by 19

percent to below 1.3 million acres, largely due to lower acres seeded in North Dakota. Dry edible bean production in Mexico is expected to be smaller during the 2013/2014 production cycle due to drought conditions in several agricultural regions across that country. A smaller crop is expected to positively affect import demand from Mexico in the coming market year. Although the United States would supply the lion's share of this demand, Mexican government officials have maintained that Mexico is looking to source from as many countries as possible as a preventative measure in case adverse conditions reduce the expected current domestic production.

Camara de Legumbres de la Republica Argentina (CLERA), an umbrella group representing Argentina's legume industry, has declared force majeure with respect to the country's bean crop. CLERA said the situation is so dire that growers may not be able to harvest enough seed to plant next year's crop.

Chinese edible bean inventories have been drawn down significantly because of heavy buying from Brazil, which is trying to make up for shortfalls in its and Argentina's harvests. As it did in the second quarter, this condition is expected to limit sales and margins from the Company's china operations until new crop is available. To take advantage of this opportunity, the Company has commenced expansion of its operations in China with the addition of a new processing plant in Dalian, similar to Tianjin, and this plant is expected to be in operation in time for the fall harvest. The Company has sought, and HSBC Hong Kong is considering, an increase in LW China's credit facility to US$9.75 million to facilitate LW China's continuing growth.

Seeded pea acres is forecast to rise marginally in Canada because of higher returns relative to other crops and continued recognition of the benefits of dry peas as part of crop rotation plan. Production is expected to increase by 10 percent to 3.1 million tonnes. However, supply is forecast to rise only marginally due to tight carry-in stocks. India and China continue to be Canada's top two markets. In the U.S., seeded acreage to dry peas for 2013/2014 is forecast by the USDA to rise by 30 percent over the prior year. This is largely due to an expected rise in acreage in Montana and North Dakota.

Seeded lentil acreage in Canada is expected to fall by 2 percent to 1 million hectares due to lower returns in the 2012/2013 growing season compared to other crops, particularly for large green lentil types. India, the EU-27 and Turkey are expected to remain the top three export markets. In the U.S., the area seeded to lentils for 2013/2014 is forecast by the USDA at 300,000 acres, down 28 percent due to lower seeded acreage in Montana.

The unexpected decline in the value of the Indian currency combined with improved availability of new crop production from India's winter or rabi season has negatively impacted short-term demand from India, although the subcontinent is not a significant part of the Company's total export program and is not expected to significantly affect either Company sales or margins.

The area seeded to canary seed is forecast to decline sharply despite solid returns relative to other crops and lower carry-in stocks. Supply is forecast to decrease by 40 percent due to lower production and carry-in stocks. The EU-27 and Mexico are forecast to remain the main export markets, followed by the U.S. Carry-out stocks are expected to tighten. Despite the tightening supply, canary seed prices have remained relatively stable.

For 2013/2014 intended seeded area for flax is forecast to increase by 16 percent based on support from higher prices. Cropping area is shifting westwards into the province of Saskatchewan in response to increased Chinese demand combine with lower EU-27 imports.

For 2013/2014, the area seeded to sunflowers is expected to fall sharply to 30,000 hectares due to wet weather in the spring. The U.S is expected to remain Canada's main export market for sunflower seed. U.S. sunflower seed area for 2013/2014 is forecast by the USDA at 1.5 million acres, down 18 percent from 2012/2013 and largely due to lower acreage in North Dakota. The area seeded to oil

type varieties is expected to fall sharply to 1.3 million acres and the area seeded to confectionery type varieties is forecast to rise to 300,000 acres. Sunflower prices currently remain stable.

Grain prices in Canada have been strongly supported by lower production in the U.S. and drought related conditions in the Black Sea region. Markets have begun the transition to a new crop trading basis with increases in prices for indicative edible bean crops like black beans and pinto beans.

Through the past few months, the Company has undertaken targeted marketing efforts in the grower areas of western Canada, Minnesota and North Dakota, added additional procurement resources and secured sourcing and storage agreements in order to secure sufficient handling volumes to meet customer demand.

4.2. Oilseed Processing Division

Demand for canola and canola products remains strong globally. The canola industry in North America has generally enjoyed positive margins (crush margins represent canola oil and canola meal revenues FOB plant less the canola seed cost delivered to the plant) over time. Canola oil is the primary source of revenue for Pacific Coast Canola.

The Pacific Northwest is home to a multi-billion dollar food processing industry. There is growing demand from secondary food processing participants in the Pacific Northwest as well as a number of distribution opportunities both along the West Coast and the Pacific Rim. PCC, the only commercial-scale canola crusher west of the Rocky Mountains, should have significant cost and service advantages in addressing this growing market. The PCC Plant is located directly adjacent to or near many of the largest potato processors and users of canola oil in the United States. In addition to the move to healthier oils, consumers are starting to demand more comprehensive labeling of food ingredients. The growing consumer demand for non-genetically modified food and food ingredients is expected to grow significantly in the coming years, especially on the heavily populated and health conscious U.S. West Coast. By example, Whole Foods Market recently announced that all foods containing genetically modified organisms sold in its U.S. and Canadian stores will be labeled as such by 2018.

Management continues to expect North American oilseed supplies to remain tight for the balance of the 2012/2013 crop year and the values for canola oil and meal to remain firm. PCC has begun forward contracting with meal and oil customers to supply meal and oil in an effort to service customer demands. PCC is committed to providing food, feed and industrial customers with a high quality product to meet their demands. PCC completed FSSC 22000 food safety certification in late May. This certification meets strict food safety requirements and will help ensure customers are receiving a quality product. Through strategic sourcing and product segregation, PCC is positioning itself to be a reliable source of specialty meal and oil for our customers. Growth into the specialty markets is expected over the next several years and is expected to have a significant positive contribution to the Company profits.

Recent USDA and Agriculture and Agri-Food Canada reports have increased production estimates for canola in western Canada for the 2013/2014 growing season to about 15 million tonnes. As noted previously, PCC's access to raw material continues to expand outside traditional sources in western Canada and the northern tier of the U.S. plain states. Canola production has increased dramatically over the past several years in the Southern plains states, especially in Kansas and Oklahoma. The growth in Oklahoma and Kansas is largely due to the compelling agronomic benefits of adding canola as a rotation crop. Western U.S. farmers are increasingly including canola production on their land for the same reason. This trend is expected to continue.

Local sourcing for the PCC facility in Warden, Washington includes planting acreage in the Western U.S. region (Washington, Idaho, Montana, Oregon). As noted in previous quarters, acres planted to canola have increased steadily from 66,000 in the 2011/2012

growing season to just over 111,000 acres in 2012/2013 and about 140,000 acres of canola for 2013/14. Recent grower field days hosted by PCC were well attended and, along with other anecdotal information, provided good feedback that this trend of increasing acres planted to canola in the Western U.S. region will continue. Although this increase in Western U.S. planting should allow PCC to source more feedstock locally for processing during the first year of operations than originally anticipated, the timing of the spring harvest was slightly delayed compared to normal years although there is no expectation of lower production volume or quality in the Western U.S. region. This delay impacted the timing of PCC moving to commercial level production.

PCC is in the process of completing a third party Non-GMO project verification program. In response to the increasing demand for non-genetically modified canola oil and canola meal, PCC has begun contracting with growers to produce certain non-GMO varieties to help fill customer demand. In addition to contracting acres in the Western U.S. region, PCC has also developed strategic partnerships with agricultural input providers in Canada to help meet this growing non-GMO demand. Discussions with growers indicate a significant volume of non-GMO canola was seeded in the Western U.S. region last winter and is becoming available as part of the current harvest. PCC has successfully crushed non-GMO canola seed and is holding the oil and meal in segregated storage and expects to receive final non-GMO project verification by the end of the third quarter.

Canola meal is valued as a high-quality, high-protein livestock feed and is widely used as a component in hog, poultry, dairy and cattle rations. Due to the higher energy content of expeller pressed canola meal, PCC has been able to realize a premium over traditional solvent extracted canola meal. PCC has shipped its first containers of canola meal to Southeast Asia and is in the process of completing registration that will allow for export into China. Due to the close proximity to west coast port container activity, the Company is able to take advantage of significant back-haul opportunities at favourable freight rates. In addition to any premium for expeller pressed canola meal, demand is also growing for non-GMO canola meal. Management expects this demand growth to continue and will be a natural complement to non-GMO canola crush.

As noted in previous quarters, to efficiently handle unit trains of inbound canola and benefit from freight savings on unit shipments, PCC Board of Directors approved a $3 million capital expenditure to build additional rail track, increase unload speed, purchase a locomotive and expand on site storage. In addition to increased seed handling capacity, these rail track improvements will improve the logistical efficiency of PCC's fleet of 60 vegetable oil tank cars. The track expansion was completed early in the third quarter of 2013 with the first unit train of canola expected to arrive late in Q3.

PCC completed commissioning of the plant in July and the plant is now capable of operating at full capacity and is performing as designed.

In late July, the PCC Plant commenced commercial level production equivalent to one of its two lines or about 550 tonnes per day. As noted above, PCC expects to move to full commercial production of about 1,100 tonnes per day this year as it begins to deliver on the forward meal and oil contracts noted above. In order to ensure a smooth ramp-up to full production, PCC is working closely with CHS to build and develop local end-use markets and its oil railcar logistics capability. PCC is in the process of leasing additional meal railcars to supply non-local customers that cannot be serviced by truck.

5. LIQUIDITY AND CAPITAL RESOURCES

The Company holds financial instruments, including foreign currency and commodity derivatives, with large reputable counterparties or recognized exchanges and accordingly, does not believe it has significant liquidity risk with regard to these counterparties.

5.1. Sources and Uses

5.1.1. Cash Flow Provided by Operations

Cash Flow from Operations

	Second quarter			Six months			
For the periods ended June 30 (in thousands)	**2013**	2012 (Recasted)	*Better (Worse)*	**2013**	2012 (Recasted)	*Better (Worse)*	Latest 12 months
EBITDA[2]	**$ (3,201)**	$ 2,291	*$ (5,492)*	**$ (3,036)**	$ 4,479	*$ (7,515)*	$ (6,018)
Add (deduct):							
Earnings from investments in associate and joint venture'	**(32)**	(22)	*(10)*	**(32)**	(43)	*11*	(70)
Non-cash rent expense	**23**	45	*(22)*	**46**	45	*1*	91
Share-based compensation	**347**	205	*142*	**749**	307	*442*	1,484
Cash foreign exchange and derivative gains (losses)	**1,123**	1,794	*(671)*	**(389)**	1,148	*(1,537)*	(461)
Adjusted EBITDA[2]	**(1,740)**	4,313	*(6,053)*	**(2,662)**	5,936	*(8,598)*	(4,974)
Finance costs	**(2,083)**	(998)	*(1,085)*	**(4,000)**	(1,688)	*(2,312)*	(5,882)
Non-recurring costs[1]	**-**	(447)	*447*	**-**	(1,222)	*1,222*	(954)
Pre-tax cash flow from operations	**(3,823)**	2,868	*(6,691)*	**(6,662)**	3,026	*(9,688)*	(11,810)
Current income tax provision	**(149)**	458	*(607)*	**(149)**	(108)	*(41)*	(121)
Cash flow provided by (used in) operations [2]	**$ (3,972)**	$ 3,326	*$ (7,298)*	**$ (6,811)**	$ 2,918	*$ (9,729)*	$ (11,931)
Cash flow provided by (used in) operations:							
Corporate	**(3,066)**	(1,463)	*(1,603)*	**(3,527)**	(3,235)	*(292)*	(7,268)
Special Crops	**3,994**	5,135	*(1,141)*	**7,121**	6,677	*444*	7,681
Oilseed Processing	**(4,900)**	(346)	*(4,554)*	**(10,405)**	(524)	*(9,881)*	(12,344)

[1] One time costs deemed to be non-recurring by management relating to acquisitions, financing and other.
[2] Cash flow from Operations and EBITDA are non-GAAP measures. See Section 13 "Non-GAAP Measures".

The factors underlying the Company's EBITDA[2] for the three months, six months and latest 12 months ended June 30, 2013 are discussed in greater detail above under Section 3.2 "Business Segment Performance".

Stock-based compensation expense relates to the value of stock options issued and outstanding. Cash gains or losses on derivative financial instruments include forward foreign exchange contracts for which there is generally an offsetting gain or loss on the revaluation of U.S. dollar denominated accounts receivable included in non-cash working capital. Cash foreign exchange and derivative gains or losses also include gains and losses on commodity hedging contracts for which there is an offsetting gain or loss realized on the sale of the commodity. The Company does not enter into foreign exchange contracts or commodity contracts for derivative trading purposes.

[2] Non-GAAP measures - see Section 13 "Non-GAAP measures".

5.1.2. Non-Cash Working Capital

The table below sets out the Company's changes to non-cash working capital at June 30, 2013 compared to June 30, 2012.

Non-cash Working Capital			
As at June 30 (in thousands)	**2013**	2012 (Recasted)	Sources (Uses)
Accounts receivable	**52,595**	47,807	(4,788)
Income taxes, net	**3,116**	175	(2,941)
Inventories	**65,446**	49,119	(16,327)
Prepaid expenses and other assets	**1,845**	842	(1,003)
Accounts payable and accrued liabilities	**(38,781)**	(38,982)	(201)
Net changes to non-cash working capital	**84,221**	58,961	(25,260)

Accounts receivable at June 30, 2013 increased $4.8 million compared to June 30, 2012 as a result of the acquisition of KGL, SHS and LWS assets as well as the expansion of operations in China, offset by lower receivables in legacy operations.

Inventory increased $16.3 million over the prior year largely due in part to the purchase of $6.5 million of canola for the start-up of the PCC Plant and $8 million associated with the acquisition of KGL.

Accounts payable and accrued liabilities decreased modestly by $201,000 compared to June 30, 2012.

5.1.3. Net Capital Expenditures, Divestitures and Investments

During the first quarter, the Company finalized the purchase price allocation for the assets and liabilities of SHS acquired on February 15, 2012. As a result, the Company made no additional changes.

Property, plant and equipment expenditures for the six months ended June 30, 2013 of $4.5 million consisted of: $2 million for the track expansion project and other miscellaneous capital expenditures associated with the PCC Plant in Warden, Washington; and $2.5 million for a number of improvements and upgrades undertaken in the ordinary course of business in the Special Crops segment including an expansion of the Regina plant. The PCC track expansion was completed early in the third quarter of 2013 on schedule and on budget .

Capital expenditures for fiscal 2013 are expected to total about $8 million of which about $6 million relates to growth projects and about $2 million relates to maintenance projects.

As at June 30, 2013, there were no other commitments for capital expenditures other than those disclosed below in Section 5.3 "Contractual Obligations". The financing resources available to LWI were those listed in Section 5.2 "Debt Financing" below. Management believes that the cash generated by the existing business, together with cash on hand and available under credit facilities, will be sufficient in the short to medium-term for existing general corporate expenditures and working capital purposes in its existing business.

5.2. Debt Financing

Short-term Borrowings

For the periods ended June 30 *(in thousands)*	Second quarter **2013**	Second quarter 2012 (Recasted)	Second quarter *Better (Worse)*	Six months **2013**	Six months 2012 (Recasted)	Six months *Better (Worse)*	Latest 12 months
Cash flow provided by operations	**$ (3,972)**	$ 3,326	*$ (7,298)*	**$ (6,811)**	$ 2,918	*$ (9,729)*	$ (11,931)
Business combination	**-**	-	*-*	**-**	(4,996)	*4,996*	(2,982)
Purchase of property, plant and equipment, net of proceeds from disposal	**(2,696)**	(28,828)	*26,132*	**(4,440)**	(44,843)	*40,403*	(43,174)
Purchase of intangible assets	**(31)**	(76)	*45*	**(119)**	(252)	*133*	(658)
Less: Project financing	**2,324**	32,749	*(30,425)*	**2,324**	32,749	*(30,425)*	38,798
Other investments	**133**	1,460	*(1,327)*	**(368)**	1,530	*(1,898)*	(696)
Scheduled debt repayments	**(1,051)**	(427)	*(624)*	**(1,922)**	(25,920)	*23,998*	22,112
Free cash flow	**(5,293)**	8,204	*(13,497)*	**(11,336)**	(38,814)	*27,478*	1,469
Financing activities:							
Non-scheduled debt repayments	**-**	-	*-*	**-**	-	*-*	(22,796)
Proceeds of long-term debt issue, net of financing costs	**-**	(32,645)	*32,645*	**4,329**	-	*4,329*	25,193
Repayment of related party debt	**-**	-	*-*	**(378)**	-	*(378)*	(4,399)
Equity proceeds, net of issuance costs	**-**	-	*-*	**-**	(29)	*29*	15,304
Decrease (increase) in cash and cash equivalents	**(269)**	22,232	*(22,501)*	**3,449**	32,789	*(29,340)*	785
	(5,562)	(2,209)	*(3,353)*	**(3,936)**	(6,054)	*2,118*	15,556
Net changes in working capital amounts							
Decrease (increase) in non-cash working capital	**25,919**	8,764	*17,155*	**8,730**	(9,067)	*17,797*	(24,100)
Working capital acquired	**-**	-	*-*	**-**	-	*-*	6,890
Other non-cash working capital adjustments	**-**	-	*-*	**68**	-	*68*	(428)
Foreign exchange - currency translation account	**(433)**	-	*(433)*	**(779)**		*(779)*	(779)
Sources (uses) of cash	**19,924**	6,555	13,369	**4,083**	(15,121)	19,204	(2,861)
Short-term borrowings, beginning of period	**(63,265)**	(45,811)	*(17,454)*	**(47,424)**	(20,083)	*(27,341)*	(39,256)
Bank debt acquired	**-**	-	*-*	**-**	(4,052)	*4,052*	(1,224)
Short-term borrowings, end of period	**$ (43,341)**	$ (39,256)	*$ (4,085)*	**$ (43,341)**	$ (39,256)	*$ (4,085)*	$ (43,341)

Each credit facility contains limitations on distribution between operating companies. However, these restrictions have not had any effect on the Company's ability to meet its obligations.

5.2.1. HSBC Bank Canada ("HSBC") and HSBC Bank USA ("HBUS")

On July 17, 2013, Legumex Walker Canada Inc. ("LWC") amended its credit facility (the "HSBC Credit Facility") with HSBC to increase the total operating loan facility to $51 million from $46 million to finance various aspects of its operations. Concurrently, HBUS agreed to reduce the variable interest rate US$15 million operating loan facility ("HSBC USA Credit Facility") to US$10 million. The realignment of the two credit facilities provides a better match to the underlying borrowing base. Both HSBC and HBUS have also approved combining the borrowing base underlying each facility ("North American Borrowing Base") to simplify the Company's ability to access the combined credit facility of $61 million as needed.

The HSBC Credit Facility operating loan includes a sublimit for a $5 million import loan to assist in financing import requirements. The HSBC Credit Facility also includes: a foreign exchange loan of up to $33.3 million available to LWC to hedge against currency fluctuations in connection with export sales; a capital lease line of $2 million to assist in financing the acquisition of capital assets; and a $12 million demand revolving line to issue letter of guarantees in support of LWC's security requirements with the Canadian Grain Commission; and a US$11.8 million acquisition loan facility which was drawn down to assist LWC in the financing of the acquisition of SHS and assets of LWS. All amounts outstanding under the acquisition loan are to be repaid on demand by HSBC. Interest only was paid for the first six months of the loan, followed by equal monthly installments of principal and interest amortized over 15 years. The HSBC Credit Facility is guaranteed by the Company and is secured by a general security agreement in favour of HSBC. The interest

rates and terms applicable to the HSBC Credit Facility are disclosed in Notes 8 and 9 of the unaudited condensed interim consolidated financial statements for the period

The HBUS Credit Facility finances various aspects of SHS's operations and is guaranteed by LWI and is secured by a first priority lien on all of the personal property of SHS in favour of HBUS. Interest is payable based on near-term LIBOR rates plus 3 percent.

As at June 30, 2013, $33.2 million of the HSBC facility and $5.1 million of the HBUS facility have been advanced.

The HSBC Credit Facility requires LWI to maintain a specified current ratio and a debt to tangible net worth ratio (tested quarterly); a specified ratio of cash flow to debt service and certain cross default provisions (tested at December 31, 2013 and on a trailing 12 month basis quarterly thereafter). As at June 30, 2013, LWI remained in compliance with these covenants.

5.2.2. The Hongkong and Shanghai Banking Corporation Limited ("HSBC Hongkong")

Legumex Walker China Limited ("LW China") has a US$4.75 million combined credit facility with HSBC Hongkong, including a sublimit for an overdraft of up to HK$6 million. In February 2013, the Company added a US$2 million seasonal credit facility which expired June 30, 2013. The Company has guaranteed the obligations of LW China due to HSBC Hongkong up to US$10 million. The balance of the overdraft at June 30, 2013 was $5.1 million.

5.2.3. Farm Credit Canada ("FCC")

On January 3, 2012, LWC entered into a $25 million credit facility with FCC (the "FCC Credit Facility"). The FCC Credit Facility was drawn down by $20.4 million to repay previous loans of certain subsidiaries of the Company prior to the amalgamation of those subsidiaries into LWC and to pay for current and future capital expenditures of LWC. The borrowed funds were issued by FCC as multiple loans. Two of the loans amounting to $20 million in aggregate, each have a term of five years, accrue an interest at FCC's variable mortgage rate, with blended payments required to be paid on a monthly basis. As part of the acquisition of KGL on October 1, 2012, the Company assumed several loans payable by KGL to FCC ("KGL Loans")

A remaining loan of $4.2 million has a term of five years and interest at FCC's variable mortgage rate plus 0.25 percent. This FCC loan includes a further drawdown of $1.5 million, the proceeds of which were used to finance the cash portion of the purchase of KGL on October 1, 2012. In April 2013, the loan was increased by $2.3 million to fund the final cash purchase price adjustment for KGL.

The FCC Credit Facility is guaranteed by the Company and is secured by a general security agreement in favour of FCC and a first charge mortgage on several owned and leased properties of LWC. The interest rates and terms applicable to the FCC Credit Facility and KGL Loans are disclosed in Note 10 of the unaudited condensed interim consolidated financial statements for the period. The FCC Credit Facility requires LWC to maintain a specified current ratio, debt to service coverage ratio, debt to equity ratio and funded debt to EBITDA ratio (as defined in the FCC Credit Facility) tested at December 31.

The aggregate outstanding balance at June 30, 2013 was $24 million.

5.2.4. Pacific Coast Canola Loans

On July 14, 2011, PCC obtained a senior secured credit facility (the "Senior Credit Facility") from a syndicate of lenders which in February 2013 was converted into a term loan (US$45.4 million net of deferred financing costs of US$2.4 million) and a working capital loan (US$12 million), both maturing in 2021. The term loan bears interest at a variable rate of LIBOR plus 5.5 percent with the first quarterly principal payment on the term loan of US$1.5 million due January 1, 2014. Quarterly interest payments commenced in April 2013. The working capital loan bears interest at a variable rate of LIBOR plus 6 percent and 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 amount 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 December 31, 2014, the last day of the first full year following substantial completion of the PCC Plant on February 14, 2013.

The Senior Credit Facility is secured by a first-security interest in the PCC Plant, 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 US$2.0 million replenishing debt-service reserve to be pledged as security for the Senior Credit Facility. The Company provided, and the syndicate of lenders accepted, a US$2.0 million letter of credit on behalf of PCC in lieu of funding the debt-service reserve fund.

As a requirement of the Senior Credit Facility, Industrial Construction Group, Inc. ("ICG") obtained a US$10.0 million 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.

The balance on the Senior Credit Facility on June 30, 2013 was $60.3 million.

5.2.5. Other

As a result of a post-closing purchase price adjustment under the RLI share purchase agreement, the Company recorded a note payable to related parties of $3 million which was classified as a current liability. In an amending agreement dated September 28, 2012, the Company converted the note payable to a related party into a promissory note maturing June 30, 2014 at a prescribed interest rate of 5.5 percent per annum.

In January 2013, PCC executed a canola sale and repurchase credit agreement with FCStone Merchant Services LLC which allows PCC to utilize US$13.5 million to purchase and store canola in licensed and bonded warehouses. This allows PCC to better utilize working capital and maintain adequate commercial levels of canola seed storage. The line was undrawn at June 30, 2013.

5.3. Contractual Obligations

PCC entered into a guaranteed maximum price construction contract (the "PCC Construction Contract") dated May 27, 2011 with ICG and PCC gave ICG notice to proceed on construction of the PCC Plant on July 14, 2011. The PCC Construction Contract is a design-build agreement pursuant to which ICG provided both the design and construction of the PCC Plant for a guaranteed maximum price of US$80.9 million, subject to presentation of final invoices for approved scope improvements. The PCC Construction Contract is unconditionally and irrevocably guaranteed by McKinstry Co. LLC ("McKinstry"), an established full service design-build firm, which is

affiliated with ICG. The total project cost of the PCC Plant of US$109.6 million, excluding working capital, includes site development, plant construction, staff and interest costs.

5.4. Share Capital and Retained Earnings

Share capital of $135.7 million at June 30, 2013 did not change from December 31, 2012.

The utilization of equity proceeds as outlined in the October 25, 2012 prospectus have been updated as outlined in the following table. The Company continues to evaluate investment opportunities for the Special Crops segment. As at June 30, 2013, the Company advanced $2.7 million to PCC towards investment in additional expansion of the track and receiving facilities for unit trains and a further $5.6 million for working capital purposes.

Equity Financing *(in thousands)*	Per October 25, 2012 Propectus	Incurred to June 30, 2013	To be Spent
Improvements and expansion of Special Crops facilities and facilities related to the PCC Plant	$ 4,000	$ 2,000	$ 2,000
Possible investment opportunities for Special Crop Division	4,000	2,500	1,500
General corporate purposes and w orking capital [1]	7,283	7,283	-
Total	$ 15,283	$ 11,783	$ 3,500

[1] The $7.3 million of net proceeds has been deployed for general corporate purposes and working capital.

Contributed surplus of $3.3 million at June 30, 2013 increased $749,000 over December 31, 2012 as a result of stock-based compensation expenses accrued in the year. As of June 30, 2013, LWI had issued outstanding stock options to acquire up to 262,000 Common Shares at a price of $9.00 per share, 1,065,000 Common Shares at a price of $6.43 per share, 82,500 Common Shares at a price of $8.32 and 150,000 Common Shares at a price of $8.38 under the Company's stock incentive plan.

The deficit of $29.8 million at June 30, 2013 increased over the deficit at December 31, 2012 due to the net loss attributable to shareholders of $16.5 million for the six months ended June 30, 2013, including a $13.1 million net loss from the PCC Plant. No dividends were declared or paid in the latest 12 months.

6. OUTSTANDING SHARE DATA

The Company's authorized share capital includes an unlimited number of Common Shares and an unlimited number of Preferred shares, of which 16,294,635 Common Shares were outstanding as of August 7, 2013 with a market capitalization of $64.2 million ($3.94 per share) compared to the Company's book value of $113.8 million ($6.99 per share) attributable to shareholders at June 30, 2013. The issued and outstanding Common Shares at August 7, 2013, together with securities convertible into Common Shares are summarized in the table below.

Fully Diluted Shares	
As at August 7, 2013	
Issued and outstanding Common Shares	16,294,635
Securities convertible into Common Shares	
Stock options	1,559,500
Warrants - right to purchase Common Shares on a 1:1 basis at $9.50 per share	660,000
Total	18,514,135

7. ACQUISITION AND INTEGRATION

The Company acquired the shares of SHS and the LWS assets on February 15, 2012. The Company acquired the shares of KGL on October 1, 2012. Prior to these acquisitions, these companies operated as separate and distinct businesses for many years, each with their own management team, sales force and operations.

During 2012 and early 2013, the Company substantially completed the integration of these various businesses within the following functional areas.

Functional Area	Integration Progress
Merchandising & Logistics	• Merchandising, Logistics, Traffic and Documentation functions were consolidated and organized along product groups consistent with Plant operations: o Merchandising, logistics, traffic and documentation functions are no longer managed at the Plant level for SHS and LWS. • The expertise of KGL's merchandising and logistics team for Sunflower, Flaxseed & Birdfood division has assumed responsibility for those commodities within LWC.
Plant Operations	• Plant operations were reorganized into operating divisions along key product groups rather than by plant or jurisdiction: o Edible Beans includes the SHS plant as well as plants in Manitoba. o Sunflower, Flax & Birdfood division represents the KGL assets and now includes responsibility for the LWS assets in Mentor, MN. • The VP & General Manager of each operating division now has direct responsibility for the grain buying team supporting those respective plant operations.
Information Technology	• The Company transitioned its day-to-day IT functions in-house effective May 31, 2013, largely utilizing existing staff that have been re-deployed for that purpose. To reduce costs of operation further, IT systems have been relocated to owned rather than leased space. Domain names and email systems have been consolidated. • The Company has completed implementing a new inventory management system in the first six months of 2013 which replaces the legacy systems from the predecessor companies of LWC. The Company is planning to complete the integration of its systems in SHS, LWS and KGL on or before December 31, 2013. • The Company implemented a new accounting system on January 1, 2013 which replaces the legacy systems from the predecessor companies of LWC. The Company is planning to complete the integration of its systems in SHS, LWS, KGL and PCC on or before December 31, 2013. The original six legacy financial reporting systems will be reduced to two, one in North American and one in China.
Finance & Accounting	• Banking and treasury functions have been consolidated: o A new US$15 million operating facility with HBUS was created October 19, 2012 for SHS. The Company is working with HSBC and HBUS to consolidate the North American borrowing base underlying the two facilities. o KGL's banking and treasury functions have been consolidated with LWC. o SHS's banking and treasury functions have been consolidated with LWC.

Functional Area	Integration Progress
Human Resources	• A Director of Human Resources was retained in 2012 to standardize benefit plans, codes of conduct, employee development and review and employment manuals across all of LWI's operations. • Payroll functions for KGL have been incorporated into LWC's systems effective December 31, 2012
Legal	• KGL was amalgamated into LWC effective January 1, 2013. • A legal reorganization of LWI and its various subsidiaries was completed January 1, 2013

8. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2013, the Company adopted amendments to or 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 to the unaudited condensed interim consolidated financial statements, there was no impact to the Company's financial statements as a result of the adoption of the changes.

9. FUTURE ACCOUNTING STANDARDS

The IASB has issued new standards and amendments that will be effective on various dates. The listing below is of standards, interpretations and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The impact on the Company is currently being assessed.

The following standards are effective on the indicated dates:

Financial Instruments ["IFRS 9"]

IFRS 9 is effective for fiscal years that begin on or after January 1, 2015. It is the result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement." The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and de-recognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Financial Instruments: Presentation ["IAS 32"]

The amendments to IAS 32 are effective for fiscal years that begin on or after January 1, 2014. It was amended to clarify the meaning of certain terms used to decide when financial assets and financial liabilities can be offset.

10. CRITICAL ACCOUNTING ESTIMATES

Note 3 to LWI's December 31, 2012 audited consolidated financial statements describes LWI's significant accounting policies. The preparation of LWI's condensed interim consolidated financial statements in accordance with IFRS may require management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. 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 to 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 or Corporate segment as at 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 carrying value of 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

The 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 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 stock-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 stock-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 stock-based payment transactions are disclosed in Note 16 to the unaudited condensed interim consolidated financial statements.

There have been no changes to the critical accounting estimates during the periods referred to in this MD&A.

11. 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 Combination

As part of business combinations undertaken during 2012 and 2011, notes payable to related parties were assumed by the Company. Notes payable to the former shareholders of KGL were repaid in March 2013. As of June 30, 2013, the note payable to related parties was $3 million (2012 - $3.4 million). The remaining note payable matures on March 31, 2014 and bears interest at 5.5 percent.

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We are stronger together.

12. RISKS AND UNCERTAINTIES

LWI is a processor and merchandiser of pulses, other special crops and canola products, and is exposed to a number of risks and uncertainties that are common to other companies engaged in the same or similar businesses. A summary of these risks and uncertainties as well as additional information relating to the Company is included in the Company's annual MD&A for the year ended December 31, 2012 (the "Annual MD&A") and the 2013 Annual Information Form (the "AIF") which are available on SEDAR at www.sedar.com. The sections entitled "Risks and Uncertainties" from the Annual MD&A and the "Risk Factors" from the AIF are incorporated herein by reference.

13. NON-GAAP MEASURES

This MD&A contains references to "Adjusted Gross Profit", "EBIT", "EBITDA," "Cash Flow from Operations", "Non-recurring Costs" and "Adjusted Net Earnings."

Adjusted gross profit or loss is defined for the purposes of this MD&A as gross profit or loss before depreciation and amortization.

EBITDA is defined for the purposes of this MD&A as earnings from operations before other income and expenses, depreciation and amortization, financing costs, non-recurring costs and income taxes.

Adjusted EBITDA is defined for the purposes of this MD&A as EBITDA adjusted for non-cash revenues and expenses.

EBIT is defined for the purposes of this MD&A as earnings from operations before other income and expenses, financing costs, income taxes and non-recurring costs.

Cash Flow from Operations is defined for the purposes of this MD&A as the cash provided by or used in operating activities excluding non-cash working capital changes. Management believes excluding the seasonal swings of non-cash working capital assists in th evaluation of long-term liquidity.

Non-recurring Costs is defined as one-time costs deemed to be non-recurring by management relating to acquisitions, integration and other incorporation or amalgamation activities.

Adjusted Net Earnings is defined for the purposes of this MD&A as EBIT less financing costs and income taxes.

Management believes that EBIT, EBITDA, Cash Flow from Operations and Adjusted Net Earnings are useful supplemental measures of cash flow prior to finance costs, capital expenditures, income taxes and other non-cash items included in earnings. Management uses Cash Flow from Operations as a financial measure of liquidity.

EBIT, EBITDA, Cash Flow from Operations and Adjusted Net Earnings are not recognized earnings measures under Canadian Generally Accepted Accounting Principles or IFRS (collectively referred to herein as "Canadian GAAP") and do not have standardized meanings prescribed by Canadian GAAP. Therefore, EBIT, EBITDA, Cash Flow from Operations and Adjusted Net Earnings may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBIT, EBITDA, Cash Flow from Operations and Adjusted Net Earnings should not be construed as an alternative to net earnings or loss (which are determined in accordance with Canadian GAAP) as an indicator of the performance of the Company or as a measure of liquidity and cash flows.

Management believes that EBIT, EBITDA and Cash Flow from Operations are useful supplemental measures of cash flow prior to debt service, investing and financing activities and income taxes. Management also believes that Adjusted Net Earnings is a useful supplemental measure of net earnings prior to giving effect to certain items. The Company's method of calculating EBIT, EBITDA, Cash Flow from Operations and Adjusted Net Earnings may differ materially from the methods used by other public companies and, accordingly, may not be comparable to similarly titled measures used by other public companies.

Reconciliation of each of these terms to IFRS measures is provided in the table below:

Non-IFRS Terms, Reconciliations and Calculations							
	Second quarter			*Six months*			
For the periods ended June 30 (in thousands)	**2013**	2012 (Recasted)	*Better* *(Worse)*	**2013**	2012 (Recasted)	*Better* *(Worse)*	Latest 12 months
Revenues	**$ 112,098**	$ 68,501	*$ 43,597*	**$ 199,414**	$ 134,294	*$ 65,120*	$ 359,930
Cost of sales	**(112,510)**	(63,159)	*(49,351)*	**(196,431)**	(124,023)	*(72,408)*	(352,347)
Gross profit	**(412)**	5,342	*(5,754)*	**2,983**	10,271	*(7,288)*	7,583
Add: Cost of sales - depreciation and amortization	**2,550**	973	*1,577*	**4,780**	1,738	*3,042*	7,212
Adjusted gross profit	**2,138**	6,315	*(4,177)*	**7,763**	12,009	*(4,246)*	14,795
Earnings from investment in associate and joint venture	**32**	22	*10*	**32**	43	*(11)*	70
Selling, general and administrative costs	**(6,334)**	(6,108)	*(226)*	**(13,323)**	(11,756)	*(1,567)*	(27,563)
Add: Selling, general and administrative costs - depreciation and amortization	**963**	1,615	*(652)*	**2,492**	2,961	*(469)*	5,726
Add: Non-recurring costs	**-**	447	*(447)*	**-**	1,222	*(1,222)*	954
EBITDA	**(3,201)**	2,291	*(5,492)*	**(3,036)**	4,479	*(7,515)*	(6,018)
Depreciation and amortization	**(3,513)**	(2,588)	*(925)*	**(7,272)**	(4,699)	*(2,573)*	(12,938)
EBIT	**(6,714)**	(297)	*(6,417)*	**(10,308)**	(220)	*(10,088)*	(18,956)
Financing costs	**(2,221)**	(998)	*(1,223)*	**(4,237)**	(1,688)	*(2,549)*	(6,274)
Recovery of (provision for) income taxes	**894**	230	*664*	**786**	(44)	*830*	1,132
Less: Non-controlling interests	**988**	61	*927*	**2,016**	82	*1,934*	2,548
Adjusted net earnings (loss)	**(7,053)**	(1,004)	*(6,049)*	**(11,743)**	(1,870)	*(9,873)*	(21,550)
Gain on disposal of property, plant and equipment and other assets	**(78)**	1,043	*(1,121)*	**(78)**	1,043	*(1,121)*	(89)
Write-down of investment and other assets	**-**	-	*-*	**-**	-	*-*	(502)
Foreign exchange and derivative gains	**(1,533)**	658	*(2,191)*	**(2,688)**	409	*(3,097)*	(2,348)
Less: Non-recurring costs	**-**	(447)	*447*	**-**	(1,222)	*1,222*	(954)
Add: Non-controlling interests	**(988)**	(61)	*(927)*	**(2,016)**	(82)	*(1,934)*	(2,548)
Net earnings (loss) per financial statements	**$ (9,652)**	$ 189	*$ (9,841)*	**$ (16,525)**	$ (1,722)	*$ (14,803)*	$ (27,991)
EBITDA	**$ (3,201)**	$ 2,291	*$ (5,492)*	**$ (3,036)**	$ 4,479	*$ (7,515)*	$ (6,018)
Add (deduct):							
Earnings from investments in associate and joint venture	**(32)**	(22)	*(10)*	**(32)**	(43)	*11*	(70)
Non-cash rent expense	**23**	45	*(22)*	**46**	45	*1*	91
Share-based compensation	**347**	205	*142*	**749**	307	*442*	1,484
Cash foreign exchange and derivative gains (losses)	**1,123**	1,794	*(671)*	**(389)**	1,148	*(1,537)*	(461)
Adjusted EBITDA	**(1,740)**	4,313	*(6,053)*	**(2,662)**	5,936	*(8,598)*	(4,974)
Finance costs	**(2,083)**	(998)	*(1,085)*	**(4,000)**	(1,688)	*(2,312)*	(5,882)
Non-recurring costs	**-**	(447)	*447*	**-**	(1,222)	*1,222*	(954)
Pre-tax cash flow from operations	**(3,823)**	2,868	*(6,691)*	**(6,662)**	3,026	*(9,688)*	(11,810)
Current income tax provision	**(149)**	458	*(607)*	**(149)**	(108)	*(41)*	(121)
Cash flow from operations	**(3,972)**	3,326	*(7,298)*	**(6,811)**	2,918	*(9,729)*	(11,931)
Decrease (increase) in working capital	**25,919**	8,764	*17,155*	**8,798**	(9,067)	*17,865*	(17,638)
Cash flow provided by operating activities per the financial statements	**$ 21,947**	$ 12,090	*$ 9,857*	**$ 1,987**	$ (6,149)	*$ 8,136*	$ (29,569)

14. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The President and Chief Executive Officer and Chief Financial Officer, designed or caused to be designed under their supervision and have evaluated the effectiveness of design of LWI's disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") (as defined in National Policy Instrument 52-109 of the Canadian Securities Administrators) as of June 30, 2013. Management has concluded that, as of June 30, 2013, LWI's DC&P and ICFR are designed effectively and are effective. In accordance with Section 3.3(1)(b) of National Instrument 52-109, LWI has limited its assessment of the design of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of KGL, which was acquired within 365 days before the end of the recent reporting period.

15. FORWARD-LOOKING INFORMATION

This MD&A of LWI contains certain forward-looking statements. Forward-looking statements include, but are not limited to, those with respect to the estimated size and quality of future harvests of, and future demand for, pulses and other crops, the cost of production, expected plant capacity, currency fluctuations, the growth of LWI's business, strategic initiatives, planned capital expenditures, plans and reference to future operations and results, critical accounting estimates and expectations regarding future capital resources and liquidity of the Company. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or state that certain actions, events or results "may", "could", would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of LWI (including its operating subsidiaries) to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, timing and cost overrun risks associated with the construction and commissioning of the PCC Plant (as defined herein), risks related to the operation of the PCC Plant, product liabilities, erosion in margins realized by the Company on the sale of its products, environmental risks, regulations related to agricultural commodities, weather related risks, the demand for and availability of rail, port and other transportation services, the actual results of harvests, fluctuations in the price of pulses and other crops, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes, risks relating to the integration of acquisitions, as well as those factors referred to in the section entitled "Risk and Uncertainties" and which should be reviewed in conjunction with this document. Although LWI has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. 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 forward-looking statements.

Although LWI believes the assumptions inherent in forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this MD&A. In addition to other assumptions identified in this MD&A, assumptions have been made regarding, among other things: Canadian crop production quality in 2012 and subsequent crop years; the volume and quality of crops held on farm by growers in North America; demand for and supply of pulses and special crops globally; margins realized by the Company on the sale of its products being consistent with historical results; agricultural commodity prices; general financial conditions for North American growers; market share of pulses and special crop sales and purchases that will be achieved by LWI; the ability of the railways to ship products without labour or other service disruptions; ability to maintain existing customer

contracts and relationships; the impact of competition; the ability to obtain and maintain existing financing on acceptable terms, and currency, exchange and interest rates. LWI expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required in accordance with applicable securities laws.