Legumex Walker

We are stronger together.

Management's Discussion and Analysis

December 31, 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 three months and year ended December 31, 2013. This document should be read in conjunction with LWI's audited consolidated financial statements and related notes thereto for the year ended December 31, 2013. 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 December 31, 2013 reflect the finalization of the purchase price allocation for the assets and liabilities of St. Hilaire Seed Company, Inc. ("SHS") acquired on February 15, 2012 and Keystone Grain Ltd. ("KGL") acquired on October 1, 2012 (see Note 5 to the consolidated financial statements). The annual consolidated financial statements as well as the Annual Information Form and Management Information Circular for the year ended December 31, 2013 will be available, together with additional information relating to LWI, on SEDAR at www.sedar.com.

This MD&A has been prepared as of March 24, 2014 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.

The acquisitions of St. Hilaire Seed Company, Inc. ("SHS") and Keystone Grain Ltd. ("KGL") have been accounted for as business combinations under IFRS 3 by applying the acquisition method as described in Note 5 to the consolidated financial statements for the year ended December 31, 2013. The operating results of the acquired companies have been fully consolidated from the date control was transferred to LWI, which was February 15, 2012 for SHS and October 1, 2012 for KGL. The sunflower processing assets of Legumex Walker Sunflower LLC ("LWS") located in Mentor, MN, were acquired February 15, 2012 from Anderson Seed Company. Sales and earnings for the acquired companies prior to February 15, 2012 for SHS and October 1, 2012 for KGL are not included in LWI's sales for any period.

1. HIGHLIGHTS

The highlights of the consolidated results include 100 percent of Pacific Coast Canola, LLC ("PCC") which includes a non-controlling interest of 15 percent during 2013.

Highlights for Quarter ended December 31, 2013 (all comparative metrics are relative to the fourth quarter of 2012, unless otherwise stated):

Oilseed Processing (Canola) Segment

- First full quarter of commercial production for the Pacific Coast Canola (PCC) plant;
- Revenue of $33.9 million from 57,700 tonnes sold and 51,900 tonnes crushed (about 56% of operating capacity);
- Adjusted gross profit[1] of $1.8 million, after excluding $1.6 million of unrealized losses on deferred commodity hedging contracts, compared with an adjusted gross loss[1] of $935,000 last year;
- EBITDA[1] of $747,000 after excluding unrealized losses on deferred commodity hedging contracts compared with a loss before interest, taxes, depreciation and amortization[1] of $1.5 million last year;

Special Crops Segment

- Revenue of $101.5 million (126,300 tonnes shipped) compared with $103.5 million (118,300 tonnes shipped);
- Adjusted gross profit[1] increased 42% to $6.9 million from $4.9 million;

- EBITDA[1] doubled to $4.2 million from $2.1 million;

Consolidated

- Consolidated revenues increased 30% to $135.3 million from $104 million;
- Adjusted gross profit[1] increased 81% to $7.1 million from $3.9 million;
- EBITDA[1] increased to $3 million, after excluding PCC's unrealized losses on deferred commodity hedging contracts, compared to a loss before interest, taxes, depreciation and amortization[1] of $974,000 last year.

Highlights for the Year ended December 31, 2013 (all comparative metrics are relative to 2012, unless otherwise stated):

Oilseed Processing (Canola) Segment

- Revenue of $81 million from 127,100 tonnes sold and 132,700 tonnes crushed;
- Adjusted gross loss[1] of $5.0 million after excluding $1.6 million of unrealized losses on deferred commodity hedging contracts compared with and adjusted gross loss of $935,000 last year. The adjusted gross loss[1] of $5 million includes a $6.8 million adjusted gross loss from commissioning and initial commercialization of the PCC Plant in the first three quarters of the year, offset by the $1.8 million of adjusted gross profit in the fourth quarter;
- Loss before interest, taxes, depreciation and amortization[1] of $8.7 million, after excluding unrealized losses on deferred commodity hedging contracts, compared with a loss of $2.6 million last year;

Special Crops Segment

- Revenue increased 20% to $352.6 million (412,000 tonnes shipped) from $294.3 million (349,400 tonnes shipped);
- Adjusted gross profit[1] increased 36% to $27.1 million from $20.0 million;
- EBITDA[1] increased by 48% to $15.6 million from $10.5 million;

Consolidated

- Revenue increased 47% to $433.6 million from $294.8 million;
- Adjusted gross profit increased by 8% to $20.5 million from $19 million;
- Loss before interest, taxes, depreciation and amortization[1] for 2013 was $214,000, after excluding PCC's unrealized losses on deferred commodity hedging contracts, compared to EBITDA[1] of $1.4 million last year;

Highlights Subsequent to the End of 2013:

- PCC entered into agreements with Macquarie Bank Limited that provide additional liquidity of up to US$45 million through 1) a three-year, US$10 million working capital borrowing facility; 2) a US$15 million hedging line; and 3) up to US$20 million for feed stock purchase transactions;
- PCC finalized a six-month contract to deliver, by truck, super degummed canola oil to Imperium Renewables;
- PCC's Non-GMO canola meal received Non-GMO Project Verification;
- PCC expanded the geographic area of its truck canola origination program to include parts of western Canada.

Net loss attributable to shareholders of $25.4 million for the year ended December 31, 2013, or $1.56 loss per share (2012 – net loss of $12.6 million or $0.89 loss per share), including a net loss from the commissioning and commercialization of the PCC Plant of $17 million or $1.04 loss per share. The net loss attributable to shareholders for the most recent quarter was $7.1 million or $0.44 loss per share compared to a net loss of $5.4 million or $0.34 loss per share in the same quarter last year, including a net loss from the commissioning and commercialization of the PCC Plant of $3.1 million or $0.19 loss per share.

Cash flow provided by operations[1] was $1.7 million for the most recent 12 months after excluding PCC cash flow used in operations[1] of $13.5 million during the commissioning and commercialization of the plant. The Company's cash flow used in operations for the same 12 month period in 2012 was $2.2 million, entirely attributable to PCC.

[1] Adjusted gross profit, 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 12 "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 consolidated financial statements.

2. UNDERSTANDING OUR BUSINESS

2.1. Special Crops Segment

Industry Background

Special crops are a diverse group of crops that are not included in major grains and oilseeds or horticultural crops. Special crops include sunflower seed, flax, canary seed, dry beans, chickpeas, peas, and lentils. Special crops are the fifth-largest crop category produced in Canada after wheat, canola, corn and barley. These crops are primarily used as a protein and fiber source for human and animal consumption. Special crops are an increasing part of health conscious diets in North America, Europe as well as a critical part of the diet in developing nations.

Primary processing of special crops involves cleaning the seeds, beans, peas and lentils received from growers. Once the crops have been cleaned, secondary processing may include the de-hulling of sunflower seeds to extract the inner seeds or "meats" in baking or roasting for snack foods, the canning or dehydrating of beans, the splitting of dry peas, lentils and chickpeas; as well as dry packaging, the production of soup mixes, dehydrated products, precooked and individually quick-frozen products, soups, stews, hummus and snack food. Special Crops are also further processed into components such as fiber, gluten-free flour, starch and protein concentrates. The birdfood industry uses canary seed, sunflower seed and dry peas in feed mixtures for pets and wild birds. Processed special crops are shipped in bulk or bagged/packaged according to the customers' specifications.

The Company provides primary processing for the special crops received from growers and some secondary processing including the de-hulling of sunflower seed, the splitting of dry peas, lentils and chickpeas and the blending of various seed and peas for birdfood. The Company's facilities have the flexibility to ship product to customers in bulk or bagged/packaged including small bag packaging for retailers.

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 North America remains somewhat fragmented in terms of market share by product. The Company is one of the largest special crops processors in North America, 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 segment is organized into three operating divisions:

- the Sunflower, Flax and Birdfood Division includes primary and secondary processing 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;
- the Edible Bean Division includes primary processing plants located in Morden and Plum Coulee, MB, St. Hilaire, MN and Tianjin and Dalian, China with aggregate annual processing capacity of about 106,000 tonnes; and
- the Pea, Lentil and Canary Seed Division includes primary and secondary processing plants located in Runciman, Brooksby, Saskatoon and Regina, SK and a plant in St. Jean Baptiste, MB with aggregate annual processing capacity of about 275,000 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. 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 segment 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 segment 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 Segment

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 process which separates the oil from the meal. Crude canola oil is further refined to produce food grade Refined Bleached and Deodorized (RBD) canola oil. The canola industry in North America has generally enjoyed positive crush margins (crush margins represent canola oil and canola meal revenues FOB plant less the canola seed cost delivered to the plant) over time.

Canola seed supply and price are the foundation of cash crush margins. Canola is a globally traded oilseed driven by a number of supply and demand factors. Different growing conditions can contribute to swings in North American supply and demand. Canada is the largest canola producer in North America although US production is growing.

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, gaining the endorsement of the American Heart Association as a Heart Healthy Oil. Canola oil is also high in omega-3 and omega-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 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.

Canola oil is removed from canola seed by either expeller pressing canola seeds, or by using solvent extraction. Expeller pressing is a mechanical extraction process as opposed to a chemical extraction process used in solvent extraction plants. PCC has chosen an expeller-pressed technology widely used outside of North America and the PCC Plant is the larger of two commercial-sized canola expeller-press plants in North America. This mechanical extraction process differentiates the PCC Plant from solvent extraction plants that uses a chemical extraction process. The expeller-pressed canola oil market continues to grow as more and more supermarkets, food service suppliers, and restaurants are switching to canola oil specifically labeled as "expeller pressed" to meet consumer demands for transparency in food labeling and the demand for a more natural product.

Seasonality and Cyclicality

Canola producers in the Pacific Northwest have the option of growing spring or winter canola varieties. Spring canola varieties are generally seeded in April and harvested in September, whereas winter canola varieties are 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 outside of the harvest period. As the PCC Plant commenced commercial operations in late July 2013, the crushing facility operates on a fixed crushing schedule and produces product for sale on a daily basis. Accordingly, crop purchases should be stable throughout the year in order to supply the fixed crushing schedule, although opportunities to purchase seed at favourable prices may result in temporary peaks in purchasing from time to time.

Business Drivers

Canola oil is the primary source of revenue for PCC. 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 sale price of the canola oil and canola meal produced. Canola seed quality also plays a significant role in overall crush margin. Weather and growing conditions can have a significant impact on the final quality and oil content of canola seed.

Lower acquisition costs and freight costs from access to local supply and local customers and increased end-use demand for higher margin non-GMO canola can have a positive impact on crush margins. Crush margins are impacted by futures price, which can be hedged, and basis which cannot be hedged. The Company utilizes an active risk management program to lock in crush margins by buying seed futures and selling oil and meal futures when market conditions dictate.

The second value stream comes from canola meal. The expeller-pressed method of oil extraction produces a canola meal that is higher in residual fat. Many animal feed rations require additional fat to be added to the total mixed ration to meet nutrition and energy requirements for that species. PCC canola meal provides both the protein source as well as a fat source required in many rations. The dairy industry is a large consumer of canola meal and the PCC plant is located within trucking distance of numerous large dairies in Washington and Idaho with over 750,000 dairy cows in these two states alone. PCC is also located on a short line railroad with direct access to the Burlington Northern Railroad providing competitive access to other large dairies located in California.

3. CONSOLIDATED QUARTERLY RESULTS

The consolidated financial statements include 100 percent of the operations of the PCC Plant of which an arms-length equity partner held a 15 percent non-controlling interest throughout 2013. On January 8, 2014, the equity partner acquired a further 1 percent interest in PCC from the Company for US$1 million. The net loss attributable to shareholders for the fourth quarter ended December 31, 2013 of $7.1 million includes a net loss from the operation of the PCC Plant of $3.1 million. The net loss attributable to shareholders for the twelve months ended December 31, 2013 of $25.4 million includes a net loss from the commissioning and operation of the PCC Plant of $17 million.

Due to the weakening of the Canadian dollar relative to the U.S. dollar, the loss for the quarter ended December 31, 2013 also includes $2.1 million of foreign exchange losses arising from hedging of open sales contracts in Special Crops. These unrealized hedging losses associated with open sales contracts will be largely offset when the sales contracts are invoiced at a future date.

Cash flow used in operations for the fourth quarter ended December 31, 2013 of $1.3 million includes cash flow used in operation of the PCC Plant of $49,000 as a result of the PCC Plant running at about 56 percent of full operating capacity during the period. The cash flow used in operations for the year ended December 31, 2013 of $11.8 million includes cash flow used in operation of the PCC Plant of $13.4 million. Cash flow used in operation of the PCC Plant is largely attributable to the commissioning of the plant from the beginning of the year until July 2013 prior the commencement of commercial operations.

Selected Consolidated Financial Information

	Fourth quarter			Year		
For the periods ended December 31 (in thousands, except per share amounts)	**2013**	2012	*Better (Worse)*	**2013**	2012	*Better (Worse)*
Revenues	**$ 135,345**	$ 104,020	*$ 31,325*	**$ 433,567**	$ 294,810	*$ 138,757*
Cost of sales - inputs and other processing costs	**(128,227)**	(100,095)	*(28,132)*	**(413,053)**	(275,769)	*(137,284)*
Adjusted gross profit[2]	**7,118**	3,925	*3,193*	**20,514**	19,041	*1,473*
Selling and administrative expenses	**(5,645)**	(5,452)	*(193)*	**(22,308)**	(19,801)	*(2,507)*
Non-recurring costs[1]	**-**	553	*(553)*	**-**	2,176	*(2,176)*
EBITDA[2]	**1,473**	(974)	*2,447*	**(1,794)**	1,416	*(3,210)*
Depreciation and amortization	**(4,100)**	(3,068)	*(1,032)*	**(15,170)**	(10,365)	*(4,805)*
EBIT[2]	**(2,627)**	(4,042)	*1,415*	**(16,964)**	(8,949)	*(8,015)*
Earnings from investments in associate and joint venture	**57**	33	*24*	**121**	81	*40*
Gain on disposal of property, plant and equipment and other assets	**-**	(11)	*11*	**599**	1,032	*(433)*
Write-up (write-down) of investment and other asset	**-**	(6)	*6*	**-**	(502)	*502*
Foreign exchange and derivative contract gains (losses)	**(3,020)**	326	*(3,346)*	**(4,633)**	749	*(5,382)*
Less: Non-recurring costs[1]	**-**	(553)	*553*	**-**	(2,176)	*2,176*
Finance costs	**(2,779)**	(1,021)	*(1,758)*	**(8,843)**	(3,725)	*(5,118)*
Loss before taxes	**(8,369)**	(5,274)	(3,095)	**(29,720)**	(13,490)	(16,230)
Recovery of (provision for) income taxes	**583**	(659)	*1,242*	**1,100**	302	*798*
Less: Non-controlling interests	**679**	489	*190*	**3,240**	614	*2,626*
Net earnings (loss) attributable to shareholders	**(7,107)**	(5,444)	*(1,663)*	**(25,380)**	(12,574)	*(12,806)*
Add: Non-controlling interests	**(679)**	(489)	*(190)*	**(3,240)**	(614)	*(2,626)*
Net earnings (loss)	**$ (7,786)**	$ (5,933)	*$ (1,853)*	**$ (28,620)**	$ (13,188)	*$ (15,432)*
Basic weighted average number of shares	**16,295**	15,850	*445*	**16,295**	14,194	*2,101*
Net earnings (loss) per share	**$ (0.44)**	$ (0.34)	*$ (0.10)*	**$ (1.56)**	$ (0.89)	*$ (0.67)*

[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 12 "Non-GAAP Measures".

3.1. Selected Financial Information

Revenues

The Company generated consolidated revenues for the quarter and twelve months ended December 31, 2013 of $135.3 million (2012 – $104 million) and $433.6 million (2012 - $294.8 million), respectively. The increase of $31 million over the same quarter last year reflects PCC sales of $33.3 million offset by a modest reduction in Special Crop revenue despite increased tonnes sold. LWI shipped 126,300 tonnes (2012 – 118,300 tonnes) of special crops during the fourth quarter as higher shipments of sunflower, flax and birdfood offset lower shipments of edible beans, peas, lentils and canaryseed. In addition, the Company sold 58,000 tonnes of canola oil and meal in the fourth quarter (2012 – 1,000) during the ramp-up to full commercial operation of the PCC Plant.

Adjusted gross profit [1]

Adjusted gross profit for the three months ended December 31, 2013 of $7.1 million increased $3.2 million over the same quarter last year (12 months - $1.5 million) comprised of a $2.1 million increase (12 months - $7.1 million) from the Special Crops segment and a $1.1 million increase (12 months - $5.7 million decrease) from the Oilseed Processing segment (the PCC Plant).

The 12-month $7.1 million adjusted gross profit increase in Special Crops reflects a $7.6 million increase from higher commodity margins and a $7.3 million increase from higher shipping volumes, offset by higher plant costs ($7.8 million), such higher costs and margins largely attributable to KGL acquired in October 2012. Special Crops commodity margins (excluding plant processing costs) increased to $106 per tonne (2012 - $78 per tonne) for the quarter ended December 31, 2013, and increased to $117 per tonne (2012 - $95 per tonne) for the year ended December 31, 2013. In the most recent quarter, higher margins on Edible Beans, Peas, Lentils and Canaryseed offset in part by lower shipments, and higher shipments of Sunflower and Flax partially offset in part by lower margins accounted for most of the improvement. Plant costs and plant costs per tonne increased in 2013 compared to 2012 as a result of acquiring throughput capacity for Sunflowers, Flax and Birdfood and the annualized impact of the acquisition of SHS and LWS in early 2012.

The Oilseed Processing segment realized a modest profit of $210,000 during its early commercialization activity in the fourth quarter ended December 31, 2013 while crushing at about 56 percent of full productive capacity. The proportion of oil and meal produced was generally consistent with expectations. The PCC Plant crushed 51,900 tonnes of canola seed, sold 57,700 tonnes of canola oil and canola meal and inventoried 1,400 tonnes of meal and oil during the fourth quarter ended December 31, 2013.

Selling and administrative expenses

Selling and administrative ("S&A") expenses for the 12 months ended December 31, 2013 were $22.3 million (2012 - $19.8 million), including $5.6 million (2012 – $5.5 million) for the fourth quarter ended December 31, 2013. S&A expenses consist primarily of personnel salaries and benefits, information technology, professional fees, occupancy costs and office expenses

[1] Adjusted gross profit and EBITDA are non-GAAP measures. See Section 12 "Non-GAAP Measures".

associated with the merchandising and procurement activities of the operating segments as well as corporate functions. S&A costs include non-cash stock based compensation expenses of $87,000 (2012 - $403,000) and $1.1 million (2012 - $1 million) for the quarter and year ended December 31, 2013, respectively. S&A expense increases for the current year are largely attributable to annualized expenses associated with KGL, SHS and LWS acquired in 2012 as well as a full year of operation of the PCC Plant.

EBITDA [1]

EBITDA[1] for the quarter ended December 31, 2013 of $1.5 million included a loss before interest, taxes depreciation and amortization of $825,000 from the Oilseed Processing segment. For the twelve months ended December 31, 2013, Special Crops generated EBITDA of $15.6 million offset by a loss before interest, taxes and depreciation of $10.3 million in the Oilseed Processing segment and Corporate expenses of $7.1 million for a consolidated net loss before interest, taxes, depreciation and amortization of $1.8 million.

Depreciation and amortization

Depreciation and amortization of property, plant and equipment and intangibles for the fourth quarter and twelve months ended December 31, 2013 was $4.1 million (2012 - $3.1 million) and $15.2 million (2012 - $10.4 million), respectively. The $1 million increase in depreciation and amortization compared to the same quarter last year is primarily the result of the commencement of amortization of the PCC Plant following it being placed into service in December 2012. Depreciation and amortization for the quarter ended December 31, 2013 included $1.6 million related to the amortization of intangible assets, largely unchanged from the same quarter last year.

Finance costs

Finance costs for the three months ended December 31, 2013 were $2.8 million compared to $1 million for the three months ended December 31, 2012. Finance costs for the twelve months ended December 31, 2013 and 2012 were $8.8 million and $3.7 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 KGL and interest payable on the term loan and working capital loan for the PCC Plant that was placed into service in December 2012. Finance costs associated with the PCC Plant were $1.7 million and $5.1 million for the fourth quarter and twelve months ended December 31, 2013, respectively.

Gain on disposal of property, plant, equipment and other assets

On December 31, 2013, the Company sold its office building in Saskatoon, Saskatchewan for gross proceeds of $1.2 million resulting in a net gain of $663,000. In the prior year, the Company disposed of its investment in Blue Hills Processors (2003) Ltd. for gross proceeds of $1.8 million resulting in a net gain of $1 million.

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 $3 million for the three months ended December 31, 2013, compared to a $326,000 foreign exchange and derivative gain for the three months ended December 31, 2012. Due to the weakening of the Canadian dollar relative to the U.S. dollar, the loss for the quarter ended December 31, 2013 included $2.1 million of losses arising from currency hedging of open sales contracts in Special Crops. These hedging losses associated with open sales contract may diminish if the Canadian dollar strengthens, worsen if the Canadian dollar weakens and the impact will be largely offset when the underlying hedged sales contracts are invoiced at a future date.

Non-recurring costs

The non-recurring costs included in the same quarter and twelve months ended December 31, 2012 last year related to the acquisition of SHS and LWS, integration activities and the amalgamation of the legacy businesses.

Income taxes

The recovery of income taxes for the three months ended December 31, 2013 was $583,000 (representing an effective tax recovery rate of 7 percent), compared to an income tax provision of $659,000 for the three months ended December 31, 2012 (representing a negative effective tax rate of 12.5 percent).

The income tax recovery for the year ended December 31, 2013 was $1.1 million (representing an effective tax recovery rate of 3.7 percent), compared to an income tax recovery of $302,000 for the year ended December 31, 2012 (representing an effective tax recovery rate of 2.2 percent).

The abnormal effective tax rates in 2013 and 2012 reflects a full valuation allowance taken against any deferred tax expense recovery in the Company's U.S. operations (including PCC) pending future profitability.

Net loss and loss per share

The net loss attributable to shareholders for the quarter and twelve months ended December 31, 2013 was $7.1 million, or a $0.44 loss per share, and a loss of $25.4 million, or a $1.56 loss per share, respectively. The loss attributable to shareholders for the same quarter last year was $5.4 million, or $0.34 loss per share. The loss in the current quarter includes a loss of $3.1 million associated with the initial commercialization of the PCC Plant or a loss of $0.19 per share. The loss for the twelve months ended December 31, 2013 includes a loss attributable to shareholders associated with the PCC Plant of $17 million or $1.04 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 three months and year ended December 31, 2013 is set out below.

3.2.1. Special Crops

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 birdseed, significantly broadening the Company's product mix and geographic coverage.

As a result of the acquisitions of SHS and LWS in the U.S. in February 2012, as well as the addition of processing capabilities in Dalian China in September 2013, approximately 20 percent of LWI's processing capacity is now located outside of Canada. Accordingly, the timing of these acquisitions and expansion and the acquisition of KGL will affect the comparability of the results relative to prior periods.

Special Crops Segment

For the periods ended December 31 *(in thousands, except per tonne amounts)*	Fourth quarter **2013**	Fourth quarter 2012	Fourth quarter *Better (Worse)*	Year **2013**	Year 2012	Year *Better (Worse)*
Revenues	**$ 101,476**	$ 103,495	*$ (2,019)*	**$ 352,597**	$ 294,285	*$ 58,312*
Cost of sales - inputs and other processing	**(94,568)**	(98,635)	*4,067*	**(325,477)**	(274,309)	*(51,168)*
Adjusted gross profit[2]	**6,908**	4,860	*2,048*	**27,120**	19,976	*7,144*
Selling and administrative expenses	**(2,660)**	(2,878)	*218*	**(11,565)**	(10,706)	*(859)*
Add: Non-recurring costs[1]	**-**	136	*(136)*	**-**	1,205	*(1,205)*
EBITDA[2]	**4,248**	2,118	*2,130*	**15,555**	10,475	*5,080*
Depreciation and amortization	**(2,769)**	(2,822)	*53*	**(10,097)**	(10,077)	*(20)*
EBIT[2]	**$ 1,479**	$ (704)	*$ 2,183*	**$ 5,458**	$ 398	*$ 5,060*
Metric tonnes shipped	**126.3**	118.3	*8.0*	**412.0**	349.4	*62.6*
Commodity margin *(per tonne, excluding plant costs)*	**$ 105.51**	$ 78.45	*$ 27.06*	**$ 117.21**	$ 95.37	*$ 21.84*

[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 12 "Non-GAAP Measures".

LWI sold 126,300 tonnes of special crops in the fourth quarter of 2013, an increase of about 8,000 tonnes (7%) over the same quarter last year. Average commodity margin for the year ended December 31, 2013 of $117 per tonne (2012 - $95 per tonne) included a commodity margin for the fourth quarter of about $106 per tonne (2012 - $78 per tonne). Increased volumes contributed $848,000 of incremental commodity profit in the fourth quarter coupled with $3.2 million from improved commodity margins. For the twelve months ended December 31, 2013, increased volumes and improved margins contributed incremental commodity profit (revenue less cost of sales, excluding plant costs) of $7.3 million and $7.6 million, respectively.

The Edible Bean Division generated about 20 percent and 23 percent of total volumes sold in the fourth quarter and the year ended December 31, 2013 (2012 – 31 percent for the fourth quarter and 12 months), respectively. The Division realized average commodity margins for the quarter and year ended December 31, 2013 of about $146 per tonne compared to $76 per tonne and $134 per tonne for the quarter and year ended December 31, 2012, respectively. Higher commodity margins reflect continued strong prices in 2013 and the absence of the factors, such as the large position of high-valued beans and contractual obligations with growers, which negatively impacted the same quarter last year. Total plant processing costs increased about $1.1 million due to a combination of the annualized effect of the acquisition of SHS in February 2012 as well as the addition of the second processing facility in Dalian, China. Average plant processing costs for the year ended December 31, 2013 increased to $53 per tonne from $37 per tonne for the same period last year due in part to the reduced volume handled.

The Sunflower, Flax and Birdsfood Division was responsible for about 36 percent of tonnes sold in the fourth quarter (2012 – 18%) and 30% of tonnes sold for the twelve months ended December 31, 2013 as a result of the acquisition of KGL. Average commodity margins for the year of about $137 per tonne (2012 - $125 per tonne) strengthened over last year despite lower commodity margins in the fourth quarter of $114 per tonne compared to $159 per tonne in 2012. Higher margins in late 2012 and early 2013 reflect the size and quality of the 2012 crop relative to the smaller 2013 crop. Increased plant processing costs in 2013 largely reflects the annualized effect of the acquisition of KGL on October 1, 2012. Lower average plant processing costs for the quarter ended December 31, 2013 of about $49 per tonne compared to $61 per tonne for the 2013 fiscal year and $68 per tonne in the same quarter last year, reflects the impact of higher volumes processed and sold in the fourth quarter of 2013 compared to the same period last year.

The Pea, Lentil and Canaryseed Division generated about 44 percent (2012 – 51 percent) and 47 percent (2012 – 57 percent) of total tonnes sold in the fourth quarter and 12 months ended December 31, 2013, respectively despite shipping comparable volumes in 2013 compared to 2012. Average commodity margins for the quarter of about $80 per tonne (2012 - $52 per tonne) contributed to an average commodity margin for the 12 months ended December 31, 2013 of $90 per tonne (2012 - $68 per tonne). Higher commodity margins continue to reflect strengthening prices from reduced production of lentils and canaryseed in North American and other origins. Average plant processing costs for the quarter and year ended December 31, 2013 increased to about $45 per tonne due to the impact of higher plant processing costs coupled with a 4 percent reduction in shipping volumes in 2013 compared to 2012.

Plant costs included in cost of sales increased to $6.4 million in the fourth quarter (2012 - $4.4 million for the quarter), largely related to the timing of expenses such as repairs and maintenance as well as higher utilities costs associated with processing activity and weather. Nevertheless, average plant processing costs for the fourth quarter of about $51 per tonne were consistent with the average cost per tonne for the year ended December 31, 2013.

After factoring in plant processing costs, adjusted gross profit of $6.9 million for the quarter ended December 31, 2013 (2012 - $4.9 million) contributed to overall adjusted gross profit of $27.1 million for 12 months ended December 31, 2013 compared to $20 million for the same period last year. The year-over-year increase in commodity profit of about $4 million in the fourth quarter noted above more than offset the $2 million increase in plant processing costs and contributed to an increase in adjusted gross profit of $2 million in the fourth quarter and a $7.1 million increase in adjusted gross profit for the year ended December 31, 2013.

Special Crops incurred S&A expenses for the year ended December 31, 2013 of $11.6 million (2012 - $10.7 million), including $2.7 million for the three months ended December 31, 2013 (2012 - $2.9 million). S&A costs for 2013 and the quarter include a $260,000 allowance for doubtful accounts associated with the insolvency of a major customer in Canada.

S&A expenses for the fourth quarter and 12 months ended December 31, 2013 also include $73,000 and $610,000, respectively, in non-cash stock-based compensation.

Special Crops' EBITDA[1] for the three months ended December 31, 2013 of $4.3 million was $2.1 million better than the quarter ended December 31, 2012 as a result of the $2 million increase in adjusted gross profit and a $82,000 decrease in normalized S&A expenses. For the year ended December 31, 2013, Special Crops generated EBITDA[1] of $15.6 million (2012 - $10.5 million). Depreciation and amortization of $2.8 million for the quarter ended December 31, 2013 decreased $53,000 over the same quarter last year. Depreciation and amortization of $10.1 million for the year ended December 31, 2013 was consistent with the year ended December 31, 2012.

3.2.2. Oilseed Processing

The Company originally produced, sold and shipped super-degummed oil and canola meal prior to December 31, 2012, and then continued to complete commissioning of the plant until July 2013. 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. During the commissioning phase in the first six months ended June 30, 2013, crush margins were negatively affected by the high value of 2012 canola seed stocks relative to the underlying market value of meal and oil which in turn arose due to an atypical relationship between canola seed prices and the soy oil and meal complex. Due to the non-commercial nature of the commissioning process in the first six months of 2013, PCC crushed and sold about 36,000 tonnes of canola seed. Following the completion of commissioning in late July 2013, the PCC Plant commenced commercial level production equivalent to one of its two lines or about 550 tonnes per day.

Oilseed Processing Segment

For the periods ended December 31 (in thousands)	Fourth quarter **2013**	Fourth quarter 2012	Fourth quarter Better (Worse)	Year **2013**	Year 2012	Year Better (Worse)
Revenues	**$ 33,869**	$ 525	$ 33,344	**$ 80,970**	$ 525	$ 80,445
Cost of sales - inputs and other processing	**(33,659)**	(1,460)	(32,199)	**(87,576)**	(1,460)	(86,116)
Adjusted gross profit (loss)[2]	**210**	(935)	1,145	**(6,606)**	(935)	(5,671)
Selling and administrative expenses	**(1,035)**	(537)	(498)	**(3,642)**	(1,660)	(1,982)
Add: Non-recurring costs[1]	**-**	-	-	**-**	14	(14)
EBITDA[2]	**(825)**	(1,472)	647	**(10,248)**	(2,581)	(7,667)
Depreciation and amortization	**(1,264)**	(226)	(1,038)	**(4,888)**	(226)	(4,662)
EBIT[2]	**$ (2,089)**	$ (1,698)	$ (391)	**$ (15,136)**	$ (2,807)	$ (12,329)
Metric tonnes sold	**57.7**	1.0	*56.7*	**127.1**	1.0	*126.1*
Non-cash gain (loss) on derivative financial instruments [3]	**$ (1,572)**	$ -	$ (1,572)	**$ (1,580)**	$ -	$ (1,580)

[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 12 "Non-GAAP Measures".

[3]Non-cash gains and losses on derivative financial instruments are included in adjusted gross profit or loss.

The Company crushed and sold 33,400 tonnes during the start-up of commercial operations in the third quarter ended September 30, 2013. During the fourth quarter, the PCC Plant crushed 51,900 tonnes of canola seed, sold 57,700 tonnes and inventoried 1.4 tonnes of meal and oil. Inventory shrink during the fourth quarter was consistent with expectations and improved over the first two quarters. As a result, the proportion of oil and meal produced was also consistent with plant specifications and exceeded the experience of the first two quarters.

The Company continued to increase the PCC Plant's commercial operating activity level during the fourth quarter, averaging about 56 percent of full commercial level production during the three months ended December 31, 2013. The lack of railroad performance for both inbound and outbound product was a major factor constraining plant throughput in the most recent quarter. A significant increase in total grain production in Canada, coupled with colder than normal temperatures in late 2013 forced railroads to reduce train sizes causing a major backlog in shipping. Adjusted gross profit for the quarter was $210,000 as PCC generated crush margin (canola oil and canola meal revenues FOB plant less the seed cost delivered to the plant) for the latest quarter in excess of plant production costs. Excluding unrealized losses of $1.6 million for the fourth quarter (12 months - $1.6 million) on open derivative contracts, adjusted gross profit for the quarter ended December 31, 2013 was $1.8 million. Adjusted gross profit improved in the fourth quarter as PCC took advantage of improving crush margins from strong soy oil and meal prices and lower canola seed basis (cash price minus futures price) due to the large canola crop in western Canada.

S&A expenses of $1 million and $3.6 million for the three-month and twelve-month periods ended December 31, 2013, respectively, reflect the relative fixed nature of these costs during both the commissioning phase and the commercialization phase of the plant. Accordingly, the loss before interest, taxes and depreciation for the quarter and twelve-months ended December 31, 2013 was $825,000 and $10.2 million, respectively.

PCC incurred $1.3 million and $4.9 million in depreciation for the quarter and twelve-months ended December 31, 2013, respectively, as assets were placed in service in late December 2012 and February 2013 following substantial completion. Accordingly, the loss before interest and taxes for the quarter and twelve-months ended December 31, 2013 was $2.1 million and $15.1 million, respectively.

3.2.3. Corporate

SG&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 Special Crops segment as well as the Oilseeds Processing segment.

Corporate

For the periods ended December 31 (in thousands)	Fourth quarter **2013**	Fourth quarter 2012	Fourth quarter *Better (Worse)*	Year **2013**	Year 2012	Year *Better (Worse)*
Selling and administrative expenses	**$ (1,950)**	$ (2,037)	*$ 87*	**$ (7,101)**	$ (7,435)	*$ 334*
Add: Non-recurring costs[1]	**-**	417	*(417)*	**-**	957	*(957)*
EBITDA[2]	**(1,950)**	(1,620)	*(330)*	**(7,101)**	(6,478)	*(623)*
Less: Depreciation and amortization	**(67)**	(20)	*(47)*	**(185)**	(62)	*(123)*
EBIT[2]	**$ (2,017)**	$ (1,640)	*$ (377)*	**$ (7,286)**	$ (6,540)	*$ (746)*

[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 12 "Non-GAAP Measures" In the case of the Corporate segment, EBITDA is equivalent to selling and administrative expenses.

Corporate expenses for the year ended December 31, 2013 were $7.1 million ($2 million for the fourth quarter then ended) including $446,000 of non-cash stock compensation expense (an increase of $94,000), $3.5 million in employee salaries & benefits (an increase of $351,000), $644,000 in information technology costs (a decrease of $158,000) and $1.9 million in professional fees and governance costs (a decrease of $648,000). Information technology costs include $150,000 associated with an outsourcing contract terminated in May of 2013. The non-recurring expenses of $417,000 in the fourth quarter last year include professional fees associated with the purchase of the LWS assets, SHS purchase price adjustment and acquisition costs of KGL.

3.3. Selected Annual and Quarterly Information

Selected Quarterly Financial Information For the quarters ended (in thousands, except per share amounts)	**2013 Q4**	**2013 Q3**	**2013 Q2**	**2013 Q1**	**2012 Q4**	**2012 Q3** *(Recasted)*	**2012 Q2** *(Recasted)*	**2012 Q1** *(Recasted)*
Revenue	**135,345**	98,808	112,098	87,316	104,020	56,496	68,501	65,793
EBITDA[1]	**1,473**	(167)	(3,201)	165	(941)	(2,041)	2,291	2,188
Net earnings (loss)[2]	**(7,107)**	(3,764)	(8,664)	(5,845)	(5,444)	(5,490)	250	(1,890)
Net earnings (loss) per share[2]	**(0.44)**	(0.23)	(0.53)	(0.36)	(0.34)	(0.40)	0.02	(0.14)
Net earnings (loss) per share diluted	**(0.44)**	(0.23)	(0.53)	(0.36)	(0.34)	(0.40)	0.02	(0.14)

[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.

During 2012, the Company finalized the purchase price allocation for the assets and liabilities of Walker Seeds Ltd. and 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 $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 (2003) Ltd. on May 1, 2013 and recorded a gain in the second quarter of $1 million. The Company acquired SHS and LWS in February 2012 and KGL on October 1, 2012. As a result, the incremental earnings from these acquisitions will impact revenue, EBITDA and net earnings for each of the quarters in 2012 and 2013 post-acquisition.

The Company commenced commissioning of the PCC Plant in December 2012 and commenced commercial operations in July 2013. The first, second and third quarters of 2013 include an EBITDA loss from PCC of $4.5 million, $3.9 million and $1 million, respectively, which reflects normalized operating expenditures but non-commercial level of processing and sale activity.

The Company sold its office building in Saskatoon on September 30, 2013 and recorded a gain on disposal in the third quarter of $663,000.

Selected Annual Financial Information
For the years ended December 31
(in thousands, except per share amounts)

	2013	2012	2011 [3] (Recasted)
Revenue	**$433,567**	$ 294,810	$ 103,788
Net earnings (loss)[1]	**(25,380)**	(12,574)	(508)
Net earnings (loss) per share[1]	**(1.56)**	(0.89)	(0.04)
Net earnings (loss) per share diluted	**(1.56)**	(0.89)	(0.04)
Total assets	**345,620**	341,948	206,550
Total long-term financial liabilities	**84,096**	78,702	15,883
Cash dividends declared per Common Share [2]	**na**	na	na

[1] 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.
[2] No dividends have been declared or paid.
[3] Represents the 171 days from July 14, 2011 to Decmeber 31, 2011

4. OUTLOOK

4.1. Special Crops Segment

Dry pea production increased in 2013 in both Canada and the U.S., particularly in Saskatchewan, North Dakota and Montana. Production levels in the U.S. are expected to abate in 2014 and Canada is expected to produce about 3.5 million tonnes compared to 3.3 million tonnes in 2012 and 3.8 million tonnes in 2013. Similarly lentils production in Canada increased by 340,000 tonnes in 2013 to about 1.9 million tonnes and production is expected to contract to about 1.8 million tonnes in 2014, still higher than 2012. Despite lower seeded acres in North Dakota and Montana, lentils production in 2013 declined 5 percent to 228,000 tonnes from 240,000 tonnes in 2012. A further reduction in lentils production to 190,000 tonnes is projected for 2014. Canaryseed production in Canada in 2014 is expected to remain consistent with 2013 at about 130,000 tonnes.

As noted in the last quarter, improved moisture was expected to encourage farmers to increase pulse acreage during India's monsoon or Rabi season. However, the 2014 Rabi harvest suffered from high moisture resulting in estimated production of 19 million tonnes (slightly higher than the 2013 harvest of 18.5 million tonnes). Demand for yellow peas, the main import from Canada, is not expected to decline despite the expectation of a record desi chickpea crop. Uncertainty about a potential import duty on pulses has abated and the zero duty policy is expected to continue. In addition, a good Rabi harvest is expected to improve disposable income in the agriculture-dependent population which may lead to increased consumption of pulses. Accordingly, demand is expected to remain buoyant throughout 2014 with India potentially importing a minimum of about 3 million tonnes of pulses.

Following good sunflower production in Canada of 87,000 tonnes in 2012, production decreased to 52,000 tonnes in 2013 and is expected to grow by 8% to 56,000 tonnes in 2014. Similarly in the U.S., following reduced production in 2013 due to lower area seeded in North Dakota, production is expected to increase in 2014.

Dry bean production in Canada in 2013 decreased about 68,000 tonnes to 206,000 tonnes due to lower seeded acres in Manitoba and Ontario. Production forecasts for 2014 expect an increase of about 12 percent or 24,000 tonnes. Lower acreage seeded in North Dakota in 2013 also contributed to lower production of 1.1 million tonnes compared to 1.4 million tonnes in 2012. Production is forecast to increase in 2014 by about 7% or 76,000 tonnes.

A poor 2013 crop for Chinese edible beans contributed to higher prices and reduced export demand as Chinese edible beans are not as competitive with other origins at these price levels. In addition, the lack of supply of certain varieties such as dark red kidney beans and cranberry beans may negatively impact sales opportunities in the second and third quarters. However, higher prices are expected to encourage increased plantings for the 2014 crop with the expectation of improved handling volumes in the fourth quarter. Opportunities remain stronger for the import of oilseeds (flax and sesame seeds) and animal feeds for the Chinese market.

Argentina suffered from a below average crop for sunflower, peas and beans in 2013 with total production of beans down to 96,000 tonnes from 260,000 tonnes in 2012. Ukraine and Russia are not expected to have a significant impact on the pulses market for the balance of this crop year.

Cold winter temperatures reduced rail efficiencies in late 2013 and early 2014 and hampered the movement of a record 2013 harvest in Canada. Similar rail logistics challenges are also being felt in the northern tier of the U.S. In addition, the recent trucker action in the Port of Vancouver has delayed local traffic of imports and exports through that gateway. While not impervious to the impact, the Company has been successful in mitigating many of these logistical challenges due to the diversification of sales markets and the methods to access those markets as well as by using various shipping corridors and equipment options to minimize the risk of any break in the supply chain. As a result, the Company expects to continue to be successful in maintaining regular shipment of product to customers.

4.2. Oilseed Processing Segment

The record 2013/2014 canola crop in Canada continues to present opportunities as well as pose challenges for the entire industry. Statistics Canada data published on December 4th, 2013 further increased the Canadian canola crop up to 18 million tonnes, a year over year increase of 4 million tonnes. With the challenges of outbound rail logistics which impacts both the processing and export sectors, this increase in canola production will be largely additive to the 2013/2014 canola carryout. The massive crop has put pressure on flat price and driven canola futures to multi-year lows. US canola production was reduced as wet spring conditions in the key growing areas in North Dakota reduced acreage. Near ideal growing conditions partially offset the US acreage reduction as yields for the 2013/2014 crop year were 23% higher than the prior year.

The larger 2013/2014 canola crop has resulted in periods of improved crush margins compared to the prior year. Seed quality and oil content are above average. This higher oil content means that every ton of crush will yield more oil. Ample supply of seed and strong demand for protein meal and edible oils, both locally and globally, should support crush margins in the near-term. To protect margins, PCC has entered into hedge contracts to lock in this crush margin relationship for some periods throughout the year. PCC management monitors crush margins daily and will continue to hedge risk as appropriate.

PCC continues to ramp up productions with the plant performing as designed. Record crops in the prairies and harsh winter conditions have significantly impacted railroad efficiency and the resulting backlog of car movement could take months to clear. Although the plant is performing well, crush rates have been reduced due to the inbound logistical constraints and these constraints are an industry-wide problem that is expected to linger into late 2014. The Canadian Transport Minister and The Canadian Minister of Agriculture have recently announced measures that would help prompt the movement of grain out of western Canada by rail. PCC is actively managing inbound seed logistics by developing a truck origination program that will supplement rail receipts, but still remains subject to the performance of the railroad for a significant percentage of inbound seed. This rail dependence will be reduced in the short term by the expansion of a truck origination program and in the long term by the expansion of local seed production that will be delivered by truck.

As noted in previous quarters, PCC made significant investment to improve the efficiency of handling inbound seed. A $3 million project to add rail track, purchase a locomotive and increase storage on the PCC site to enable PCC to handle unit trains was completed in the third quarter of 2013. PCC has received 3 unit trains of canola since commencing commercial production and successfully unloaded each train within the allotted time per the unit train receiving program. A fleet of both tank cars and hopper cars have been leased to accommodate the efficient movement of outbound product. PCC is currently evaluating its logistics needs, balance of truck and rail inbound and outbound execution to determine the appropriate fleet size for both tank and hopper railcars. Based on preliminary analysis, the Company may choose to add additional tank and hopper cars to its leased fleet to better execute delivered sales. Building a sales book and executing logistics are both critical steps in operating the PCC canola crush plant at full capacity.

The USDA March crop production report estimated the 2013/2014 US canola crop to be 110,000 tonnes smaller than the 2012/2013 crop. This was only an 11% reduction in US Canola production year over year. Despite the reduction in acres in North Dakota, other growing regions continue to see significant increases in acreage The four state region surrounding the PCC plant in Warden, WA is expected to see further year on year growth as farmers are working to meet the growing regional demand for canola and canola products.

Based on numerous grower meetings, discussions with industry participants, the Company believes we will see another significant increase in planted acreage in the Pacific Northwest for the 2014/2015 crop year. This is due in large part to canola production having competitive per acre returns compared to other cereal grains. In addition, farmers are seeing yield increases in subsequent years' wheat crop which could make a crop rotation including canola a better overall return for the farmer. PCC is working with farmers, grain dealers, crop input providers and universities to educate farmers on the benefits of growing canola. Management expects to source the majority of its canola needs from the four state region over the next 3-5 years. Through specialty seed programs, PCC is working with growers to produce, identity preserve, and deliver specific varieties of seed to PCC for processing in return for a premium for producing and segregating non-GMO seed. With the natural foods and non-GMO markets continuing to grow, management expects to see these specialty seed programs grow as well.

While PCC is currently processing expeller-pressed oil from primarily conventional (GMO) seed sourced from the upper Midwest of the US to the prairies of Canada, PCC has successfully processed, segregated and shipped Non-GMO Project Verified canola oil. The Non-GMO Project offers North America's only independent verification for products made according to rigorous best practices for GMO (genetically modified organisms) avoidance. PCC achieved Non-GMO Project verification for its canola oil in October and continues to grow this business. PCC is also working with industry partners to establish a processing agreement to produce both GMO and non-GMO high-oleic canola oil. This expansion into specialty markets will offer consumers a wide range of specialty oils that will meet consumer demands for functionality and product labeling. The Company believes this shift toward specialty oils will continue to grow along with significant growth of specialty programs over the next 3-5 years.

Nutritionists and the dairy industry are recognizing the benefits of feeding high-fat canola meal and have seen increased milk production. PCC is working closely with area nutritionists to grow this business and establish premiums for high fat canola meal. Management believes this premium for high fat canola meal will continue to grow over time. In addition to the premiums for high fat canola meal, PCC is working with specialty feed suppliers to provide non-GMO canola meal. Although this is currently a small market, PCC is realizing significant premiums for non-GMO canola meal and also sees this market as a growth opportunity. PCC achieved Non-GMO Project verification for its non-GMO canola meal, which it believes will help to expand demand. In addition to the high value market opportunities selling to local and regional dairies, PCC has participated in several sales to export destinations. Volume of export meal is expected to grow over time.

With Non-GMO Project Verification and FSSC 22000 food safety certification, PCC achieved supplier certification from several large refined oil consumers throughout the US. Many canola oil buyers purchase their canola oil needs from several months up to a year in advance. PCC is working closely with several large consumers, both locally and regionally, to develop supply relationships to meet their buying needs. Demand for specialty oil products have previously been met by crushers much farther away from the PCC plant with higher freight and logistics costs. The location of the PCC plant should create freight and logistics advantages due to the proximity to the end-user. Management sees this as a positive growth opportunity for PCC as well as local and regional buyers of specialty oils and meal.

5. LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company manages its liquidity risk through cash and debt management. In managing liquidity risk, the Company maintains access to committed short and long-term debt facilities as well as to equity markets, the availability of which is dependent on market conditions. The Company monitors its requirements through the use of rolling future net cash flow projections and budgets and believes it has sufficient funding through the use of credit facilities in place at December 31, 2013 to meet foreseeable borrowing requirements. As at December 31, 2013, LWI remained in compliance with its covenants.

The various credit facilities have predominantly floating interest rates, and the Company regularly monitors interest rates should adjustments be required to the mix of fixed versus floating interest rate debt.

The Company maintains a foreign exchange management program to effectively manage its net exposure to the U.S. dollar. 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. The Company does not enter into foreign exchange contracts or commodity contracts for derivative trading purposes.

5.1. Sources and Uses

5.1.1. Cash Flow Provided by Operations

Cash Flow from Operations

For the periods ended December 31 (in thousands)	Fourth quarter **2013**	Fourth quarter 2012	Fourth quarter *Better (Worse)*	Year **2013**	Year 2012	Year *Better (Worse)*
EBITDA[2]	**$ 1,473**	$ (974)	*$ 2,447*	**$ (1,794)**	$ 1,416	*$ (3,210)*
Add (deduct):						
Non-cash rent expense	**-**	23	*(23)*	**-**	90	*(90)*
Share-based compensation	**87**	403	*(316)*	**1,084**	1,042	*42*
Cash foreign exchange and derivative gains (losses)	**283**	1,835	*(1,552)*	**(2,414)**	1,076	*(3,490)*
Adjusted EBITDA[2]	**1,843**	1,287	*556*	**(3,124)**	3,624	*(6,748)*
Finance costs	**(2,638)**	(879)	*(1,759)*	**(8,383)**	(3,570)	*(4,813)*
Non-recurring costs[1]	**-**	(553)	*553*	**-**	(2,176)	*2,176*
Pre-tax cash flow from operations	**(795)**	(145)	*(650)*	**(11,507)**	(2,122)	*(9,385)*
Current income tax provision	**(526)**	(55)	*(471)*	**(271)**	(80)	*(191)*
Cash flow provided by (used in) operations [2]	**$ (1,321)**	$ (200)	*$ (1,121)*	**$ (11,778)**	$ (2,202)	*$ (9,576)*
Cash flow provided by (used in) operations:						
Corporate	**(2,058)**	(2,962)	*904*	**(6,053)**	(7,547)	*1,494*
Special Crops	**786**	3,974	*(3,188)*	**7,732**	7,613	*119*
Oilseed Processing	**(49)**	(1,212)	*1,163*	**(13,457)**	(2,268)	*(11,189)*

[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 12 "Non-GAAP Measures".

The factors underlying the Company's EBITDA[2] for the three months and year ended December 31, 2013 are discussed in greater detail above under Section 3.2 "Business Segment Performance".

Share-based compensation expense relates to the value of stock options issued and outstanding offset by recoveries from forfeited stock options.

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. For the fourth quarter ended December 31, 2013, $1.9 million of realized foreign exchange contract losses were associated with rolling derivative contracts forward to match expected realization in 2014.

Cash gains or losses on derivative financial instruments 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. During the fourth quarter, PCC recorded unrealized losses of $2.1 million associated with open commodity hedging contracts. Both realized and unrealized gains and losses on commodity hedging contracts are included in adjusted gross profit in the Oilseed segment.

[2] Non-GAAP measures, see Section 12 "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 December 31, 2013 compared to December 31, 2012.

Non-cash Working Capital

As at December 31 (in thousands)	**2013**	2012
Accounts receivable	**55,835**	56,670
Income taxes receivable (payable)	**(459)**	3,471
Inventories	**89,664**	81,781
Prepaid expenses and other assets	**3,936**	1,983
Accounts payable and accrued liabilities	**(56,877)**	(52,861)
Net changes to non-cash working capital	**92,099**	91,044

Working capital requirements for the special crops business segment follows seasonal trends in the industry. Non-cash working capital generally peaks in the fourth and first quarters as the Company takes delivery of inventory following harvest and then monetizes the inventory through sale and collection. Non-cash working capital generally reaches its lowest level during the third quarter ending September 30th, as inventory stocks from the old crop decline and prior to delivery of new crop. The oilseed processing segment would expect to have an initial run-up in non-cash working capital as the PCC Plant achieves full commercial production, after which working capital levels would be expected to stabilize. Non-cash working capital for both the special crops segment and oilseed processing segment will also be subject to underlying swings in commodity prices. Financing of working capital requirements are met from the Company's earnings, with its credit facilities providing bridge financing until payments for sales are received.

Accounts receivable at December 31, 2013 decreased $835,000 compared to December 31, 2012 as lower receivables in Special Crops more than offset a $3.2 million increase in receivables in PCC associated with increased commercial operations.

Inventory increased $7.9 million over the prior year as a result of both a $2.1 million increase in PCC inventories associated with increased commercial operations as well as higher inventories in Special Crops.

The $4 million increase in accounts payable and accrued liabilities over December 31, 2012 was largely attributable to increased activity in PCC.

5.1.3. Net Capital Expenditures, Divestitures and Investments

During the first quarter of 2013, 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.

During the second quarter, the Company finalized the purchase price allocation for the assets and liabilities of KGL acquired on October 1, 2012. As a result, property, plant and equipment increased by $104,000 and accounts payable and accrued liabilities increased by $104,000. There was no impact on prior periods' net earnings.

Property, plant and equipment expenditures for the twelve months ended September 30, 2013 of $7.9 million consisted of: $2.3 million for the track expansion project and other miscellaneous capital expenditures associated with the PCC Plant in Warden, Washington; and $5.6 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 and $202,000 for the addition of the Dalian, China plant.

As a result of a final settlement reached with the Company's former information technology provider, the Company paid and capitalized in the fourth quarter about $450,000 in software development costs.

The Company sold its office building in Saskatoon, Saskatchewan on September 30, 2013 for gross proceeds of $1.2 million and recorded a gain on disposition of about $663,000. The Company also disposed of surplus agricultural land in Manitoba for book value of $72,000.

As at September 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, as well as project financing, 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

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

Short-term Borrowings

For the periods ended December 31 (in thousands)	Fourth quarter **2013**	Fourth quarter 2012	Fourth quarter *Better (Worse)*	Year **2013**	Year 2012	Year *Better (Worse)*
Cash flow provided by operations	**$ (1,321)**	$ (200)	*$ (1,121)*	**$ (11,778)**	$ (2,202)	*$ (9,576)*
Business combination	**-**	(2,923)	*2,923*	**-**	(7,919)	*7,919*
Purchase of property, plant and equipment, net of proceeds from disposal	**(1,380)**	(17,500)	*16,120*	**(6,608)**	(83,577)	*76,969*
Purchase of intangible assets	**(440)**	(364)	*(76)*	**(618)**	(791)	*173*
Less: Project financing	**730**	27,160	*(26,430)*	**3,159**	69,223	*(66,064)*
Other investments	**(138)**	(195)	*57*	**(723)**	1,202	*(1,925)*
Scheduled debt repayments	**(636)**	5,396	*(6,032)*	**(3,458)**	(1,886)	*(1,572)*
Free cash flow	**(3,185)**	11,374	*(14,559)*	**(20,026)**	(25,950)	*5,924*
Financing activities:						
Non-scheduled debt repayments	**(174)**	(3,626)	*3,452*	**(174)**	(22,796)	*22,622*
Proceeds of long-term debt issue, net of financing costs	**(445)**	(2,947)	*2,502*	**5,924**	20,864	*(14,940)*
Repayment of related party debt	**-**	(4,021)	*4,021*	**(378)**	(4,021)	*3,643*
Equity proceeds, net of issuance costs	**-**	15,304	*(15,304)*	**-**	15,275	*(15,275)*
Decrease (increase) in cash and cash equivalents	**(458)**	3,811	*(4,269)*	**3,868**	30,125	*(26,257)*
	(4,262)	19,895	*(24,157)*	**(10,786)**	13,497	*(24,283)*
Net changes in working capital amounts						
Decrease (increase) in non-cash working capital	**(16,768)**	(30,528)	*13,760*	**(1,055)**	(42,001)	*40,946*
Working capital acquired	**-**	6,890	*(6,890)*	**-**	6,890	*(6,890)*
Other non-cash working capital adjustments	**561**	(451)	*1,012*	**2,109**	(451)	*2,560*
Foreign exchange - currency translation account	**(529)**	-	*(529)*	**(1,073)**	-	*(1,073)*
Decrease (increase) in short-term borrowings	**(20,998)**	(4,194)	(16,804)	**(10,805)**	(22,065)	11,260
Short-term borrowings, beginning of period	**(37,231)**	(42,006)	*4,775*	**(47,424)**	(20,083)	*(27,341)*
Bank debt acquired	**-**	(1,224)	*1,224*	**-**	(5,276)	*5,276*
Short-term borrowings, end of period	**$ (58,229)**	$ (47,424)	*$ (10,805)*	**$ (58,229)**	$ (47,424)	*$ (10,805)*

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

On December 20, 2013, Legumex Walker Canada Inc. ("LWC") amended its credit facility (the "HSBC Credit Facility") with HSBC to add a $10 million seasonal bulge facility expiring March 31, 2014 to the total operating loan facility of $61 million – including a US$10 million operating loan facility through HBUS ("HBUS Credit Facility").

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 $1.8 million to assist in financing the acquisition of capital assets; and a $11.4 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. Although all amounts outstanding under the acquisition loan are to be repaid on demand by HSBC, the loan is being amortized over 15 years with equal monthly installments of principal and interest. The HSBC Credit Facility and HBUS Credit Facility are guaranteed by the Company and are secured by a general security agreement in favour of HSBC and HBUS. The interest rates and terms applicable to the

HSBC Credit Facility and the HBUS Credit Facility are disclosed in Notes 11 and 12 of the consolidated financial statements for the period.

As at December 31, 2013, the Company had issued a US$2 million letter of credit in favour of PCCs Senior Credit Facility syndicate of lenders. On January 8, 2014, the Company issued a further US$6 million in letters of credit in favour of Macquarie Bank in order to secure US$45 million in additional liquidity through three instruments.

As at December 31, 2013, $47 million of the HSBC facilities had been advanced.

The HSBC Credit Facility and HBUS 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).

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

Legumex Walker China Limited ("LW China") has a US$7.75 million combined credit facility with HSBC Hongkong, including a sublimit for an overdraft of up to HK$6 million, and a US$2 million Invoice Discounting and Factoring Agreement. The Company has guaranteed the obligations of LW China due to HSBC Hongkong up to US$10 million. The Company had drawn $6.5 million on these facilities as at December 31, 2013.

5.2.3. Macquarie Bank Limited ("Macquarie Bank")

On January 8, 2014, following year-end, PCC entered into agreements with Macquarie Bank that provides the Company's subsidiary additional liquidity of up to US$45 million including: 3-year US$10 million borrowing facility for working capital purposes, at market interest rates, with annual renewals; a US$15 million hedging line that allows PCC to enter into forward purchase and sales contracts; and up to US$20 million for physical grain purchase transactions for canola seed.

5.2.4. 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 and accrue 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 $5 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. In December 2013, the Company drew a final $730,000 to fund the construction of upgrades at the Regina plant.

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 13 of the 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 December 31, 2013 was $24.8 million.

5.2.5. 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 was amended on January 8, 2014 to amend certain of the financial covenants, including the removal of the minimum owner's equity ratio and current ratio, and conforming the minimum working capital requirements and net worth covenant to the agreements entered into with Macquarie Bank on January 8, 2014 as described above, and to defer the first principal payment to April 1, 2014 with the financial covenants being measured commencing March 31, 2014.

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.

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, and a subordinate interest in 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 December 31, 2013 was $61.2 million.

5.2.6. Other

As a result of a post-closing purchase price adjustment under the RECO Holdings Ltd. share purchase agreement dated Jun 2, 2011, 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 March 31, 2014 at a prescribed interest rate of 5.5 percent per annum. The Company expects to refinance this promissory note on or before March 31, 2014.

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 allowed PCC to better utilize working capital and maintain adequate commercial levels of canola seed storage. The Company had used $4.7 million under this agreement as at December 31, 2013. The contract was terminated in February 2014.

In September 2013, PCC received a short-term advance of US$2,070,000 from its minority shareholder, Glencore Grain Investment LLC, towards securing canola seed inventory for processing. On January 8, 2014, the advance was converted into a long-term subordinated note maturing March 8, 2017.

5.3. Contractual Obligations

The following table details the Company's contractual obligations as of December 31, 2013:

Contractual Obligations
For the periods ended December 31

(thousands of Canadian dollars)	Total	Within 12 months	13 to 24 months	2 to 4 years	After 4 years
Short-term borrowings	58,229	58,229	-	-	-
Accounts payable and accrued liabilities	56,877	56,877	-	-	-
Notes payable to related parties	3,065	3,065	-	-	-
Demand loan	16,906	855	855	1,710	13,486
Non-current borrowings [1]	116,828	12,492	13,663	30,973	59,700
Operating leases	7,863	1,801	1,664	2,235	2,163
Total	259,768	133,319	16,182	34,918	75,349

[1] Excludes unamortized balance of deferred financing costs of $2,459,000.

PCC entered into a five year agreement for canola procurement, meal sales and position management dated May 15, 2011 ("PCC Supply Agreement") with CHS Inc. ("CHS") for the PCC Plant which will be renewed automatically for one year terms unless terminated by PCC or CHS. Under the PCC Supply Agreement, CHS is required to provide PCC with 100% of the canola seed necessary to operate the PCC Plant. PCC may purchase a portion of its canola oilseed requirements from a third-party seller provided the sales price or delivery terms are better than offered by CHS and CHS has chosen not to match those terms. The contractual obligations associated with this supply agreement are included in accounts payable and accrued liabilities.

5.4. Share Capital and Retained Earnings

Share capital of $135.7 million at December 31, 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. As at December 31, 2013, the Company had advanced US$2.3 million to PCC towards investment in additional expansion of the track and receiving facilities for unit trains, a further US$5.5 million for working capital purposes and the balance for reinvestment in Special Crops.

Equity Financing

(in thousands)	Per October 25, 2012 Propectus	Incurred to December 31, 2013	To be Spent
Improvements and expansion of Special Crops facilities and facilities related to the PCC Plant	$ 4,000	$ 4,000	$ -
Possible investment opportunities for Special Crop Division	4,000	4,000	-
General corporate purposes and working capital [1]	7,283	7,283	-
Total	$ 15,283	$ 15,283	$ -

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

Contributed surplus of $3.7 million at December 31, 2013 increased $1.1 million over December 31 last year as a result of $1.1 million for stock based compensation expenses accrued in the year. As of December 31, 2013, LWI had issued outstanding stock options to acquire up to 255,333 Common shares at a price of $9.00 per share, 1,021,667 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 $40.6 million at December 31, 2013 increased $25.4 million over the deficit at December 31, 2012 due to the net loss for the year ended December 31, 2013, excluding non-controlling interests. No dividends were declared or paid in the year.

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 March 14, 2014 with a market capitalization of $71 million ($4.36 per share) compared to the Company's book value of $6.36 per share at December 31, 2013. The issued and outstanding common shares at March 14, 2014, together with securities convertible into common shares are summarized in the table below.

Fully Diluted Shares
As at March 14, 2014

Issued and outstanding Common Shares	16,294,635
Securities convertible into Common Shares	
Stock options	1,489,500
Warrants - right to purchase Common Shares on a 1:1 basis at $9.50 per share	660,000
Total	18,444,135

7. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2013, the Company adopted amendments to or additions of new standards to *Financial Instruments: Consolidated Financial Statements ["IFRS 10"], Joint Arrangements ["IFRS 11"], Disclosure of Interests in Other Entities ["IFRS 12"]*, *Fair Value Measurement ["IFRS 13"]* and amendments to *Presentation of Financial Statements [IAS 1]* as required under IFRS. Apart from additional disclosure reflected in the accompanying notes to the consolidated financial statements, there was no impact to the Company's financial statements as a result of the adoption of the changes.

8. 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 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.

Impairment ["IAS 36"]

Effective January 1, 2014, the Company will adopt the guidance in the amendments to IAS 36, Impairment of Assets. The amendment clarifies the disclosure about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
Levies ["IFRIC 21"]

The IASB Issued IFRIC 21, Levies, on the accounting for levies imposed by governments effective for annual periods beginning January 1, 2014. The interpretation considered the guidance in IAS 37, Provisions, Contingent Liabilities and

Contingent Assets for the recognition of a levy liability due to an obligating event described in the legislation that brings about payment of the levy. The Company is evaluating the impact this standard will have on the presentation of its financial statements.

9. CRITICAL ACCOUNTING ESTIMATES

Note 3 to LWI's December 31, 2013 audited consolidated financial statements describes LWI's significant accounting policies. The preparation of LWI's 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 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 for the years ended December 31, 2013 and December 31, 2012.

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

Where a valuation model is used to determine fair value of financial assets or financial liabilities, it makes maximum use of observable inputs. Where observable inputs are not available a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation techniques used by the Company are described in further detail in Significant Accounting Policies, note 3 to the consolidated financial statements.

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 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.

Acquisition Accounting

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 19 to the consolidated financial statements.

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

10. 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 prior years, 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 December 31, 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.

11. 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. The following is a summary of the material risks specific to LWI's business and its industry.

Risk Factors Relating to the Agricultural Industry

Weather – The Company is subject to risks inherent in the agricultural business, such as weather and similar risks. Poor weather conditions or climate change may adversely affect the Company's operational results. The success of agricultural production is highly dependent on favourable weather conditions during the growing season. In particular, a lack of adequate rainfall or incidents of frost may adversely affect crop yield and therefore revenue and operational results. There can be no assurance that these natural elements will not have a material adverse effect on the Company.

Weather conditions, which can vary substantially from year to year, have a significant impact on the size and quality of the harvest of the crops processed and sold by the Company. Significant increases or decreases in the total harvest will impact the Company's sales and the gross profits realized on sales of its products and, consequently, the results of its operations. A good harvest usually results in lower prices for products (due to high supply relative to demand), but higher volume of sales. A poor harvest usually results in higher prices for products (due to low supply relative to demand) but lower volume of sales. To mitigate this risk, the Company uses splitting and colour sorting equipment to assist in its efforts to extract the maximum value from the available crop in poor harvest years where the crop is amenable to the use of such equipment (e.g. lentils). Nonetheless, there can be no assurance that such factors would fully offset a significant decrease in volume and quality caused by a poor harvest, or the decrease in price caused by an issue in production. Such decreases in volume or price could have a material adverse effect on the business, financial condition and results of operations of the Company.

Planting Intentions – Growers make decisions about the number of acres seeded to different commodities based on a wide variety of economic factors including, but not limited to, recent and expected weather patterns, normal crop rotation decisions, expected market demand and prices for specific commodities, and cost and availability of crop inputs (including seed, nutrients and crop protection products). There can be no assurance that growers will plant the commodities which the Company expects to process and sell or in sufficient quantity to meet the Company's expected customer demand. As a result, decreases in planted acres of specific commodities could have a material adverse effect on the business, financial condition and results of operation of the Company.

Wholesale Price Volatility – The pulse, grain, canola and special crops processing industry is a margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale prices of crops caused by changes in supply (which itself depends on other factors such as weather, fuel, equipment and labour costs, shipping costs, economic situation and global demand), taxes, government programs and policies for the farming and transportation industries (including price controls), and other market conditions, all of which are factors beyond the Company's control. The Company will export the majority of the products it processes and will be subject to the inconsistencies of the global marketplace. The world market for pulses, special crops, canola oil and canola meal is subject to numerous risks and uncertainties, including risks related to international trade and global political conditions. In the event of a sudden and sharp increase in the wholesale price of pulses, grains, canola and special crops, in order to stay competitive, the Company may not be able to pass this price increase through to its customers, which could have a material adverse effect on the business, financial condition and results of operations of the Company, including causing it to suffer lower profits. A portion of the Company's crop purchases will be made through production contracts, which fix a price at which the Company may purchase pulse crops from a producer over the course of the selling season. In addition, a portion of the Company's crop purchases is made directly from local farmers and crops are delivered at the time of purchase to be held in inventory. Should events occur after the price is fixed or after the date of purchase that increase the cost of production or the ability of the Company to sell the processed products at expected levels, the margins realized by the Company on such products could be lower than expected. If, after the Company purchases crops, their sale price falls below the price at which the Company purchased them, the Company could realize a lower than expected margin on sales, or even have unprofitable sales.

As a result of fluctuations in wholesale prices of crops, sale prices of processed special crops and processing costs, the Company's Special Crop segment may experience margins on sales which are significantly lower than margins realized historically. In addition, as a result of fluctuations in the wholesale price of canola seed and sale price of canola oil and canola meal, and production and transportation costs, the Company's Oil Seed Processing Division may experience margins on sales of canola oil and canola meal which are significantly lower than historical industry margins.

Product Quality and Contamination – The Company is subject to risks which include, but are not limited to, spoilage, product quality or contamination; tampering or other adulteration of products, product recalls, shifting consumer preferences; federal, state and local food processing regulations; socially unacceptable farming practices; environmental, health and safety regulations; and customer product liability claims. Certain of the Company's merchandised commodities and finished products will be used as ingredients in livestock and poultry feed. The Company is subject to risks associated with the outbreak of disease in livestock and poultry and the outbreak of disease could adversely affect demand for the Company's products used as ingredients in livestock and poultry feed. A decrease in demand for these products could adversely affect the Company's revenues and operating results.

Environmental Risks – The current and future operations of the Company will be subject to laws and regulations governing pesticides, airborne emissions, pollution, occupational health, waste disposal, protection and remediation of the environment, toxic substances and other similar matters. The production of the Company's products will require the use of materials which can create emissions of certain regulated substances including greenhouse gas emissions. Failure to comply with these regulations can have serious consequences, including civil and administrative penalties as well as a negative impact on the Company's reputation, business, cash flows, and results of operations. In addition, any change in or increase to environmental protection regulations and requirements may require the Company to modify existing processing facilities and/or processes or modify the design of the PCC Plant, which could significantly increase operating costs and negatively impact operating results. Such changes could have a material effect on the capital expenditures, earnings and competitive position of the Company.

Risk Factors Relating to the Company's Business

Agricultural Commodities and Markets – The availability and prices of agricultural commodities such as peas, lentils, chickpeas, beans, canaryseed, flax, other pulses, special crops and canola are subject to wide fluctuations due to factors beyond the Company's control including but not limited to changes in weather conditions, crop failures, reduced harvests, disease, farmer planting decisions, government programs and policies, competition, changes in the biofuels industry, changes in global demand resulting from population growth and changes in standards of living, changes in eating patterns and global production of similar and competitive crops. These factors have historically caused volatility in agricultural commodity prices and markets and it is expected they will continue to do so. Reduced supply of agricultural commodities due to weather-related factors or other reasons could adversely affect the Company's profitability by increasing the cost of raw materials and/or limit the Company's ability to procure, transport, store, process, and merchandise agricultural commodities in an efficient manner.

The PCC Plant is expected to produce approximately 143,000 tonnes of canola oil and approximately 213,000 tonnes of canola meal per year operating at full capacity with regularly scheduled maintenance. A temporary imbalance between the supply and demand for the PCC Plant's output of canola oil and oilseed meal may arise, which may negatively impact oilseed processing and operating results.

Seasonality – The Company's operations are subject to the seasonality of its customers' demand, and as a result the Company's operating results vary from quarter to quarter. Demand from customers in the northern hemisphere is typically highest through the fourth and first quarters of the calendar year, which follows the harvest seasons in North America and China. The Company typically experiences its lowest revenue in the third quarter of each fiscal year when demand for special crops and canola declines at the end of the North American and Chinese crop year. Results of one quarter will not be indicative of results that may be achieved in other quarters or for the full year. While certain variable costs can be managed to match seasonal patterns, a significant portion of costs cannot be adjusted for seasonality, which could have a material adverse effect on the Company. In addition, no assurance can be given that the Company's credit facilities will be sufficient to offset the seasonal variations in the Company's cash flow.

The Company currently purchases the vast majority of its pulses and other special crops from a broad network of approximately 18,000 producers, a significant number of which are in Saskatchewan, Manitoba, Minnesota and North Dakota, which are subject to short growing seasons. As a consequence, the Company's processing, marketing and distribution operations are concentrated immediately following the growing season of its producers.

Processing and Crushing Facilities – The Company currently has an annual processing capacity of approximately 522,000 tonnes of special crops at its receiving stations and processing facilities in Saskatchewan, Manitoba, Minnesota, North Dakota and China and the 367,500 tonnes of processing capacity at the PCC Plant in Warden, Washington. The operation of these facilities will involve certain risks, including the failure or substandard performance of equipment, natural disasters, workplace accidents, labour problems, spoilage, as well as other hazards incidental to the production, use, handling, processing, storage and transportation of pulses and special crops. Also, as an industrial operation, the Company is exposed to workplace health and safety and workers' compensation claims. There can be no assurance as to the actual amount of these liabilities or the timing of them. The occurrence of material operational problems, including but not limited to the above events, may have a material adverse effect on the business, financial condition and results of operations of the Company.

While the Company may invest in additional canola crushing facilities in the future, the PCC Plant is likely to be the Company's only canola crushing facility in the near term, thereby providing all of the Company's operating revenue and cash flows with respect to its oilseeds business segment. Consequently, an interruption in the operations of the PCC Plant could materially and adversely affect the Company's financial condition and financial sustainability.

Transportation and Product Shipments – The Company is highly dependent on local and international third party transportation providers for the transportation of its products. The Company's products are transported by rail, ocean going containers or trucks either from source or via trans-load facilities. As the majority of the Company's products will be exported, the Company will also rely on these transportation companies for space and availability. All exported products also pass through third party transloading facilities to facilitate their final containerization for export. Strikes, work stoppages, labour disputes, failure or substandard performance of equipment, or other interruptions to the rail or road networks, haulage companies, transloading facilities or transportation companies to be used by the Company, and limited container availability, may have a material adverse effect on the business, financial condition and results of operations of the Company. The Company negotiates prices for the provision of these transportation services in circumstances where it may not have viable alternatives to using specific providers. Any increase in the cost of shipping the Company's products may have a material adverse effect on the Company's operations and financial condition. Contractual disputes, demurrage charges, rail and port capacity issues, availability of vessels and rail cars, weather problems or other factors can have a material adverse effect on the Company's ability to transport its products according to schedules and contractual commitments.

Dependence on Credit Facilities – The Company is subject to fluctuations in its working capital on a month-to-month basis associated with the seasonality of its underlying business. Consistent with its past practice, the Company will draw down on revolving credit facilities available under their credit facilities. There can be no assurance that the Company will continue to have access to appropriate credit facilities on reasonable terms and conditions, if at all. Moreover, the working capital requirements of the Company may exceed the availability under the revolving credit facilities. An inability to draw down upon credit facilities could have a material adverse effect on the Company's business, financial condition and results of operations.

Terms and Covenants of the Credit Facilities – The PCC Senior Credit Facility, the FCC Credit Facility, the HSBC Credit Facilities and the MBL Credit Facilities (the "Credit Facilities") subject the Company to a number of restrictive covenants that will limit the discretion of management with respect to certain business matters and maintain certain financial ratios. The covenants limit the Company's ability to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. Any failure of the Company to maintain the financial ratios provided for by the Credit Facilities or otherwise fulfill its obligations under the Credit Facilities could result in the acceleration of the indebtedness. If the indebtedness under any of the Credit Facilities is accelerated there can be no assurance that the assets of the Company or PCC, as the case may be would be sufficient to repay in full that indebtedness. Any failure of the Company to comply with the covenants of the Credit Facilities could have a material adverse effect on the Company.

Supply Counterparties and Contracts – The Company will purchase pulses and special crops from growers throughout the year but may not enter into written long-term agreements with its clients, distributors or suppliers. As a result, such parties may, without notice or penalty, terminate their relationship with the Company at any time. In addition, even if such parties should decide to continue their relationship with the Company, there can be no guarantee that the consideration or other terms of such contracts will continue on the same basis. If one or more of the Company's key distributors or suppliers terminates or otherwise alters the terms of its relationship with the Company and/or if a number of smaller distributors or suppliers concurrently were to terminate or otherwise alter the terms of their relationship with the Company, that could have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company also purchases pulses, other special crops and canola from a significant number of trade suppliers. The payment terms generally require payment on or following delivery to the Company's facilities or to a supplier's warehouse. In circumstances where a supplier is insolvent at the time of delivery or has insufficient inventory, the Company may be unable to take delivery of product from a supplier's warehouse or may be unable to recover amounts previously paid. In addition, the receipt of product purchased from an insolvent supplier may be subject to a possible lien in favour of growers.

The Company is highly dependent on CHS Inc. ("CHS") to supply canola to the PCC Plant. In the event of termination of the PCC Supply Agreement or non-performance by CHS of such agreement, the Company would be required to source its canola supply from a number of other growers or through brokers at then current negotiated or market prices which may be affected by factors beyond the control of PCC or the Company. This, in turn, may affect the Company's ability to continue to have readily available access to low-cost canola seed. In addition, the Company would need to contract with a number of other suppliers to source the volume of canola seed that CHS has contracted to supply, resulting in increased logistical and employee costs being diverted to sourcing canola seed, which could have a material adverse effect on the business, financial condition and results of operation of the Company.

Customer Contract and Concentration - Sales by the Special Crops Division are generally not made pursuant to long-term contracts, but rather are made through purchase order for one time delivery. Accordingly, the Company's Special Crops Division does not have the benefit of long-term sales orders. Although the Company's Special Crops Division sells its products to a significant number of customers, a limited number of customers may, from time to time, account for a relatively significant percentage of sales. For the year ended December 31, 2013 other than one customer that accounted for approximately 8.4% of sales, no other customer exceeded 5 percent of the Company's sales. There is no certainty that in future periods sales will not be more concentrated. The loss of a significant customer may negatively impact revenue.

Pursuant to the PCC Supply Agreement, CHS has agreed to market and sell on PCC's behalf all of the canola meal and all of the commodity canola oil produced at the PCC Plant. If CHS were to default on its obligations, there is no guarantee that the Company will be able to find other buyers for the canola meal or commodity canola oil it produces, which could have a material adverse effect on the business, financial condition and results of operations of the Company.

Counterparty Credit and Export Risk – Trade receivables comprise a significant amount of the Company's outstanding accounts receivable. As a result, the business is exposed to the credit risk associated with certain of its customers. The Company will manage its exposure to potential credit risk in respect of trade receivable contracts through analysis of outstanding positions, payment and loss history and ongoing credit reviews of all significant contracts. Negative credit experience with the Company's counterparties or customers could have a material adverse effect on the Company's financial results, business prospects and financial condition. There is also the risk that goods may be lost in transit before a foreign buyer can take delivery and before they are paid for in full, or that a foreign buyer may refuse delivery of the product after it has been shipped but before it has been paid for in full, which could lead to residual costs to the Company affecting its profitability. The Company's exposure to counterparty credit risk could have a material adverse effect on its business, financial condition and results of operations.

Competitive Environment and Customer Retention – The Company will face significant competition in each of its businesses and will have numerous competitors. Pricing of the Company's products is partly dependent upon industry processing capacity, which is impacted by competitor actions to bring on-line idled capacity or build new production capacity. Many of the products bought and sold by the Company are global commodities or are derived from global commodities. The markets for global commodities are highly price competitive and in many cases the commodities are subject to substitution. Competition could increase the Company's cost to purchase raw material, lower selling prices of its products, or reduce the Company's market share, which may result in lower and more inefficient operating rates. Certain competitors may have greater financial and capital resources than the Company. The Company could face increased competition from newly formed or emerging entities, as well as from established entities that choose to focus, or increase their existing focus, on the Company's primary markets and product lines. If the Company is unable to compete effectively in these areas, it may lose existing customers or fail to acquire new customers, which could have a material adverse effect on its business, financial condition and results of operations.

Foreign Exchange & Other Derivative Contracts – While a substantial portion of the Company's costs are incurred in Canadian dollars, most of its revenues are earned in U.S. dollars. As a result, the Company is exposed to currency exchange rate risks. A change in the currency exchange rate may increase or decrease the Canadian dollar amounts received by the Company. The Company enters into certain foreign exchange contracts to manage risks associated with entering into new sales contracts denominated in U.S. dollars but there can be no assurance that currency fluctuations will not have a material adverse effect on the Company. Although the Company enters into foreign exchange contracts with reputable financial institutions, the Company could be exposed to risk of default by the counterparties to those contracts, which could have a material effect on the Company's business. In addition, the Company is exposed to currency rate risks on investments in subsidiaries whose functional currency is other than Canadian dollars.

The Company also holds commodity-based derivative contracts for canola seed, soy oil and soy meal to manage its exposure to fluctuations in commodity prices related to its canola crushing operation. To the extent that the Company is unable to fully hedge its commodity position or changes in prices of derivative contracts for canola seed are not consistent with changes in prices of derivative contract for soy oil and soy meal, there can be no assurance that fluctuations in commodity prices will not have a material adverse effect on the Company. In addition, basis risk (the difference between cash price and futures price) cannot be hedged and large movements in basis could expose the Company to material adverse effect.

Construction Contract – PCC entered into a guaranteed maximum price construction contract in May 2011 with ICG, an affiliate of McKinstry, to build the PCC Plant. Construction of the PCC Plant commenced in the fourth quarter of 2011 and was substantially completed in February 2013 with a total project cost of US$80.9 million paid to December 31, 2013, subject to presentation of final invoices for approved scope improvements. Commissioning of the plant commenced in December 2012 and was completed in July 2013. Notwithstanding that the ICG construction provides for a maximum construction price, the cost of scope improvements if submitted by ICG and approved by the Company would be for the account of PCC. To date, no unpaid requests for scope improvements have been submitted or approved, although ICG may seek to do so in future.

PCC Plant Warranties – The Company is dependent on its relationships with ICG (an affiliate of McKinstry) and Crown Iron Works ("CIW"), for the ongoing maintenance and operation of the PCC Plant in accordance with warranties provided concerning the construction of the PCC Plant and installation of key pieces of processing equipment. ICG and CIW possess highly specialized skills and technical capabilities. Such skills and capabilities are not easily replaceable and there is no guarantee that even if such warranties, services and capabilities could be replaced, that they could be replaced in a timely manner or on commercially reasonable terms. As a consequence, any failure of ICG or CIW to meet its obligations under their respective contracts with the Company could adversely affect the Company's ability to operate and maintain the PCC Plant and could have a material adverse effect on the business, financial condition and results of operation of the Company.

Product Liability – As a producer of food and feed products, the Company is subject to potential product liabilities connected with its operations and the marketing and distribution of its special crop products, canola oil and canola meal products, including liabilities and expenses associated with contaminated or unsafe product. There can be no assurance that the insurance against all such potential liabilities maintained by the Company will be adequate in all cases. In addition, even if a product liability claim was not successful or was not fully pursued, the negative publicity surrounding any such assertion could harm the Company's reputation with its customers. The consequences of any of the foregoing events may have a material adverse effect on the Company's financial condition and results of operations.

Information Technology – The Company places significant reliance on information technology for information and processing that support financial, regulatory, administrative, and commercial operations. In addition, the Company relies upon telecommunication services to interface its global operations, customers and business partners. The failure of any such systems for a significant time period could have a material adverse effect on the Company's financial results, business prospects and financial condition.

Energy Price Fluctuation – The Company's operating costs, shipping costs and the selling prices of certain finished products will be sensitive to changes in energy prices. The Company's processing plants are powered principally by electricity and natural gas. The Company's transportation operations are dependent upon diesel fuel and other petroleum-based products. Significant increases in the cost of these items, including any consequences of regulation or taxation of greenhouse gases, could adversely affect the Company's production costs and operating results.

Employees – The success of the Company's business depends on a large number of both hourly and salaried employees. Changes in the general conditions of the employment market could affect the ability of the Company to hire or retain staff at competitive wage levels, which could have an adverse effect on the Company's business, financial condition and results of operations. There is no assurance that some or all of the employees of the Company will not unionize in the future. Unionization of the workforce could increase labour costs and thereby have an adverse effect on the Company's business, financial condition and results of operations.

Reliance on Key Personnel – The Company's operations are dependent on the abilities, experience and efforts of its management team. Should any of these persons be unable or unwilling to continue providing services to the Company, the business prospects and operating results of the Company could be materially adversely affected. The future success of the Company will depend on, among other things, its ability to keep the services of its executives and to hire other highly qualified employees at all levels. The Company will compete with other potential employers for employees, and it may not be successful in hiring and keeping the services of executives and other employees that it needs. The loss of the services of, or the Company's inability to hire, executives or key employees could have a material adverse effect on the Company's growth, business, financial condition and results of operations.

Uninsured and Underinsured Losses – The Company uses its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets and operations at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss relating to product liability and food safety matters, would not be sufficient to pay the full current market value or current replacement cost of its assets or cover the cost of a particular claim, which could have a material adverse effect on the business, financial condition and results of operations of the Company. It is also difficult to insure against every possible loss or liability. The assets and operations of the Company could be subject to extensive property damage and business disruption from various events which include, but are not limited to, acts of terrorism or war, natural disasters and severe weather conditions, accidents, explosions, and fires. The potential effects of these conditions could impact the Company's revenues and operating results.

Strategic Acquisitions and Investments – The Company intends to consider strategic acquisitions or investments as a means of pursuing its corporate strategy. It is possible that the Company may not identify suitable opportunities, or if it does identify suitable opportunities, that it may not complete those transactions on terms commercially acceptable to the Company or at all. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions could materially and adversely affect the Company's competitiveness and growth prospects. In the event the Company successfully completes an acquisition or investment, it could face difficulties managing the investment or integrating the acquisition into its operations. There can be no assurance that the Company will be able to achieve the strategic purpose of such an acquisition or investment. These difficulties could disrupt the Company's ongoing business, distract its management and employees, and increase its expenses, any of which could materially and adversely affect the Company's business and results of operations.

Control Risk – As of December 31, 2013, the Company's directors and executive officers, as a group, beneficially own or exercise control or direction over 2,251,647 Common shares, representing 13.8 percent of the then issued and outstanding Common shares (including Common shares owned or controlled by associates of members of the Company's senior management and their affiliates). As a result, members of management may be in a position to influence the outcome of shareholder votes relating to certain matters, including the composition of the Board or management, approving or disapproving of certain future transactions and other material decisions, each of which may conflict with, or have an adverse effect upon, the interests of the other shareholders of the Company.

Economic Condition and Capital Markets – The Company is subject to global and regional economic downturns and risks relating to turmoil in global financial markets**.** As a result of a weakened global economic situation, the demand for the Company's products may decline and the Company may experience restricted access to capital and increased borrowing costs as the lending capacity of all financial institutions has diminished. The Company's working capital requirements are directly affected by the price of agricultural commodities, which may fluctuate significantly and change quickly. The Company's ability to generate sufficient cash flows or raise adequate external financing to invest in its business, make acquisitions or otherwise pursue its growth strategy is dependent on, among other factors, the overall state of the capital markets and investor demand for investments in the commodities industry. Weak global economic conditions and turmoil in global financial markets, including constraints on the availability of credit, have in the past adversely affected, and may in the future continue to adversely affect, the financial condition and creditworthiness of some of the Company's customers, suppliers and other counterparties, which in turn may negatively impact the Company's financial condition and results of operations. Worsening economic conditions could have a direct material adverse effect on the business, financial condition and results of operations of the Company, and may have an adverse effect on the Company's business indirectly, through pressure on the liquidity of its business partners and the intermediaries necessary to bring product to market.

Geographic and Political Exposure – The Company's customers are located all around the world, many in jurisdictions which may not adopt comparable business and legal practices that are customary in Canada. Exposure to differing laws, administration, enforcement and diverse political entities may increase the risk of doing business in these countries, including having a material adverse effect on the business, financial condition and results of operations of the Company. Additionally, the Company leases and operates processing facilities in China, a country which carries certain risks associated with a different political, business, social and economic environment than that of Canada. The Company also sells and distributes its products to over 70 countries in the Indian Subcontinent, Asia, the Middle East, the Americas and Europe. The ability to carry on business in these regions could be affected by political or economic instability in those countries due to changes or shifts in their political attitude. Unfavourable legal or tax treatment could have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company may face restricted access to the markets its services, as a result of ongoing interruptions, trade barriers and currency restrictions due to policies and tariffs of individual countries, financial institution restrictions and the actions of certain interest groups to restrict the import of certain commodities. Although there are currently no significant trade, currency or other barriers existing or impending of which the Company is aware that do, or could, materially affect its access to certain markets, there can be no assurance that its access to these markets will not be restricted in the future.

Government Regulations – Agricultural production and trade flows are subject to government policies and regulations. Government policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies, incentives, and import and export restrictions on agricultural commodities and commodity products, including policies related to genetically modified organisms, renewable fuel, and low carbon fuel mandates, can influence the planting of certain crops, the location and size of crop production, whether unprocessed or processed commodity products are traded, the volume and types of imports and exports, the availability and competitiveness of feedstocks as raw materials, the viability and volume of production of certain of the Company's products, and industry profitability. In addition, international trade disputes can adversely affect agricultural commodity trade flows by limiting or disrupting trade between countries or regions. Future government policies may adversely affect the supply of, demand for, and prices of the Company's products, restrict the Company's ability to do business in its existing and target markets, and could negatively impact the Company's revenues and operating results.

12. 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 Provided By or Used In 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 the 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 or Loss 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

For the periods ended December 31 (in thousands)	Fourth quarter 2013	Fourth quarter 2012	Fourth quarter Better (Worse)	Year 2013	Year 2012	Year Better (Worse)
Revenues	**$ 135,345**	$ 104,020	*$ 31,325*	**$ 433,567**	$ 294,810	*$ 138,757*
Cost of sales	**(130,655)**	(101,544)	*(29,111)*	**(422,602)**	(279,939)	*(142,663)*
Gross profit	**4,690**	2,476	*2,214*	**10,965**	14,871	*(3,906)*
Add: Cost of sales - depreciation and amortization	**2,428**	1,449	*979*	**9,549**	4,170	*5,379*
Adjusted gross profit	**7,118**	3,925	*3,193*	**20,514**	19,041	*1,473*
Selling, general and administrative costs	**(7,317)**	(7,071)	*(246)*	**(27,929)**	(25,996)	*(1,933)*
Add: Selling, general and administrative costs - depreciation and amortization	**1,672**	1,619	*53*	**5,621**	6,195	*(574)*
Add: Non-recurring costs	**-**	553	*(553)*	**-**	2,176	*(2,176)*
EBITDA	**1,473**	(974)	*2,447*	**(1,794)**	1,416	*(3,210)*
Depreciation and amortization	**(4,100)**	(3,068)	*(1,032)*	**(15,170)**	(10,365)	*(4,805)*
EBIT	**(2,627)**	(4,042)	*1,415*	**(16,964)**	(8,949)	*(8,015)*
Earnings from investment in associate and joint venture	**57**	33	*24*	**121**	81	*40*
Gain on disposal of property, plant and equipment and other assets	**-**	(11)	*11*	**599**	1,032	*(433)*
Write-up (write-down) of investment and other asset	**-**	(6)	*6*	**-**	(502)	*502*
Foreign exchange and derivative contract gains (losses)	**(3,020)**	326	*(3,346)*	**(4,633)**	749	*(5,382)*
Financing costs	**(2,779)**	(1,021)	*(1,758)*	**(8,843)**	(3,725)	*(5,118)*
Recovery of (provision for) income taxes	**583**	(659)	*1,242*	**1,100**	302	*798*
Less: Non-controlling interests	**679**	489	*190*	**3,240**	614	*2,626*
Adjusted net loss	**(7,107)**	(4,891)	*(2,216)*	**(25,380)**	(10,398)	*(14,982)*
Less: Non-recurring costs	**-**	(553)	*553*	**-**	(2,176)	*2,176*
Add: Non-controlling interests	**(679)**	(489)	*(190)*	**(3,240)**	(614)	*(2,626)*
Net loss per the financial statements	**$ (7,786)**	$ (5,933)	*$ (1,853)*	**$ (28,620)**	$ (13,188)	*$ (15,432)*
EBITDA	**$ 1,473**	$ (974)	*$ 2,447*	**$ (1,794)**	$ 1,416	*$ (3,210)*
Add (deduct):						
Non-cash rent expense	**-**	23	*(23)*	**-**	90	*(90)*
Share-based compensation	**87**	403	*(316)*	**1,084**	1,042	*42*
Cash foreign exchange and derivative contract gains (losses)	**283**	1,835	*(1,552)*	**(2,414)**	1,076	*(3,490)*
Adjusted EBITDA	**1,843**	1,287	*556*	**(3,124)**	3,624	*(6,748)*
Finance costs	**(2,638)**	(879)	*(1,759)*	**(8,383)**	(3,570)	*(4,813)*
Non-recurring costs	**-**	(553)	*553*	**-**	(2,176)	*2,176*
Pre-tax cash flow used in operations	**(795)**	(145)	*(650)*	**(11,507)**	(2,122)	*(9,385)*
Current income tax provision	**(526)**	(55)	*(471)*	**(271)**	(80)	*(191)*
Cash flow used in operations	**(1,321)**	(200)	*(1,121)*	**(11,778)**	(2,202)	*(9,576)*
Decrease (increase) in working capital	**(16,207)**	(24,089)	*7,882*	**1,054**	(35,562)	*36,616*
Cash flow used in operating activities per the financial statements	**$ (17,528)**	$ (24,289)	*$ 6,761*	**$ (10,724)**	$ (37,764)	*$ 27,040*

13. 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 December 31, 2013. Management has concluded that, as of December 31, 2013, LWI's DC&P and ICFR are designed effectively and are effective.

14. 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, canola 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, and also includes crop forecasts obtained from third party sources described under Section 4 "Outlook". 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, weather, planting intentions, wholesale price volatility, product quality and contamination, environmental risks, agricultural commodities and markets, seasonality, processing and crushing facilities, transportation and product shipments, dependence on credit facilities, terms and covenants of credit facilities, supply counterparties and contracts, customer contracts and concentration, counterparty credit and export risk, competitive environment and customer retention, foreign exchange and other derivative contracts, construction contract, PCC Plant warranty, product liability, information technology, employees, reliance on key personnel, uninsured and underinsured losses, strategic acquisitions and investments, control, economic condition and capital markets, geographic and political exposure and government regulations as 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 2013 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; demand for canola oil and canola meal; 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.