Consolidated Financial Statements of

BEAUMONT SELECT CORPORATIONS INC.

Years ended June 30, 2011 and 2010

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Beaumont Select Corporations Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Corporation's external auditors.

MNP LLP, (formerly Meyers Norris Penny LLP), an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

October 19, 2011

Signed "Winston Ho Fatt"

Winston Ho Fatt, CEO

Auditors' Report to the Shareholders

To the Shareholders of Beaumont Select Corporations Inc.:

We have audited the accompanying consolidated financial statements of Beaumont Select Corporations Inc. and its subsidiaries, which comprise the consolidated balance sheets as at June 30, 2011 and 2010, and the consolidated statements of operations and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Beaumont Select Corporations Inc. and its subsidiaries as at June 30, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

MNP LLP

October 19, 2011
Calgary, AB

Chartered Accountants

BEAUMONT SELECT CORPORATIONS INC.

Consolidated Balance Sheets
As at June 30 (in thousands of dollars)

		2011		2010
Assets				
Current assets:				
Cash	**$**	**2,084**	$	1,335
Equity securities (note 2)		**22,363**		16,833
Accounts receivable		**1,887**		1,598
Inventory (note 3)		**1,387**		1,329
Prepaid expenses		**95**		222
		27,816		21,317
Note receivable (note 4)		**300**		300
Investment in and due from affiliated company (note 5)		**3,345**		3,481
Property and equipment (note 7)		**5,167**		5,245
Assets held for sale (note 7)		**50**		50
Intangible assets (note 8)		**42**		212
Goodwill		**868**		868
Future income taxes (note 11)		**2,915**		3,143
	$	**40,503**	$	34,616
Liabilities and Shareholders' Equity				
Current liabilities:				
Bank loans (note 9a)	**$**	**1,009**	$	842
Accounts payable and other liabilities		**1,372**		1,337
Margin loans on equity securities investment (note 2)		**11,739**		8,424
Term loans due on demand (note 9b)		**2,586**		376
Legal liability (note 14)		**207**		207
Related party liabilities (note 6)		**--**		71
		16,913		11,257
Future income taxes (note 11)		**1,882**		1,962
Long-term debt (note 9b)		**15**		638
Non-controlling interest		**505**		486
		2,402		3,086
Shareholders' equity:				
Share capital (note 10b)		**7,670**		7,737
Contributed surplus		**88**		95
Retained earnings		**13,430**		12,441
		21,188		20,273
Contingencies (note 14)				
Commitment (note 15)				
	$	**40,503**	$	34,616

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Signed "Winston Ho Fatt" Director *Signed "Terry Kent"* Director

BEAUMONT SELECT CORPORATIONS INC.

Consolidated Statements of Operations and Comprehensive Income
(in thousands of dollars except per share information)
Years ended June 30

		2011		2010
Revenues	$	**18,470**	$	18,842
Cost of sales:				
Direct expenses		**16,809**		16,324
Depreciation and amortization		**725**		763
		17,534		17,087
Operating margin		**936**		1,755
Operating expenses:				
Corporate and administrative		**1,678**		1,660
Interest		**102**		106
Depreciation and amortization		**25**		7
		1,805		1,773
Operating loss before the following:		**(869)**		(18)
Other income (expenses):				
Interest on margin loans		**(497)**		(240)
Investment income (note 2)		**988**		1,234
Gain on sale of equity securities		**1,787**		3,001
Unrealized gain of securities held for trading		**175**		931
Legal settlement		**--**		(370)
Stock-based compensation (note 10c)		**(5)**		(15)
Foreign exchange losses		**(65)**		--
Write-down of carrying value of certain financial instruments		**--**		(70)
Write-down of intangible assets (note 7)		**(173)**		(51)
Write-down of property and equipment (note 7)		**(64)**		(247)
Loss on sale of property and equipment		**(61)**		--
		2,085		4,173
Income from continuing operations before income taxes and non-controlling interest		**1,216**		4,155
Income tax expense (recovery) (note 11):				
Current		**4**		(15)
Deferred		**148**		(721)
		152		(736)
Income from continuing operations before non-controlling interest		**1,064**		4,891
Non-controlling interest (note 1a)		**(19)**		(82)
Net income and comprehensive income	**$**	**1,045**	$	4,809
Net income per share (note 10d):				
Net: basic / diluted	**$**	**0.06**	$	0.29

See accompanying notes to consolidated financial statements.

BEAUMONT SELECT CORPORATIONS INC.

Consolidated Statements of Changes in Shareholders' Equity
(in thousands of dollars)
Years ended June 30

		2011		2010
Common shares:				
Beginning of the year	**$**	**7,737**	$	7,873
Shares repurchased		**(93)**		(136)
Options issued		**26**		--
End of the year		**7,670**		7,737
Contributed surplus:				
Beginning of the year		**95**		80
Stock-based compensation		**5**		15
Exercise of options		**(12)**		--
End of the year		**88**		95
Retained earnings:				
Beginning of the year		**12,441**		7,702
Income for the year		**1,045**		4,809
Excess consideration over stated value of shares (note 10b)		**(56)**		(70)
End of the year		**13,430**		12,441
Shareholders' equity		**21,188**		20,273

See accompanying notes to consolidated financial statements.

BEAUMONT SELECT CORPORATIONS INC.

Consolidated Statements of Cash Flows
(in thousands of dollars)
Years ended June 30

		2011		2010
Cash provided by (used in):				
Operations:				
Net income from continuing operations	**$**	**1,045**	$	4,809
Add (deduct) items not requiring cash:				
Depreciation and amortization		**750**		770
Future income taxes (note 11)		**148**		(721)
Current income taxes (note 11)		**4**		(15)
Gain on sale of equity securities		**(1,787)**		(3,001)
Unrealized gain of securities held for trading		**(175)**		(931)
Loss on sale of property and equipment		**61**		--
Stock-based compensation		**5**		14
Write-down of intangible assets		**173**		51
Write-down of property and equipment		**64**		247
Write-down of carrying value of certain financial instruments		**--**		70
Non-controlling interest		**19**		82
Funds from operations		**307**		1,375
Net change in non-cash working capital balances (note 16)		**(185)**		(447)
Dividends receivable from affiliated company (note 5)		**-**		(136)
Cash from operating activities		**122**		792
Investing:				
Expenditures on property and equipment		**(781)**		(358)
Expenditures on intangible assets		**(25)**		(49)
Purchase of equity securities		**(3,568)**		(3,621)
Cash used in investing activities		**(4,374)**		(4,028)
Financing:				
Increase in bank loans, net of repayments		**167**		96
Dividends received from affiliated company (note 5)		**135**		-
Increase in margin loans, net of repayments		**3,315**		4,081
Repurchase and cancellation of Class A common shares (note 10b)		**(147)**		(207)
Shares issued for options		**15**		--
Issuance (repayment) of term loans due on demand		**1,587**		(720)
Repayment of amounts due to related parties		**(71)**		(23)
		5,001		3,227
Change in cash during the year		**749**		(9)
Cash, beginning of year		**1,335**		1,344
Cash, end of year	**$**	**2,084**	$	1,335

See accompanying notes to consolidated financial statements.

General:

Beaumont Select Corporations Inc. (the "Corporation") was incorporated under the Business Corporations Act of Alberta. The Corporation's primary operations relate to publicly traded investments as well as private investments in food processing and distribution.

1. Significant accounting policies:

The consolidated financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles. In the preparation of these consolidated financial statements, management has made estimates and assumptions that affect the recorded amounts of certain of the Corporation's assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. The most significant estimates relate to the calculation of stock based compensation expense, the recovery of accounts receivable, and determining the cost recoverability of the Corporation's goodwill, property and equipment, and intangible assets, which are principally based upon estimated future cash flows. The calculation of future income tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements from changes in such estimates in future years could be significant. While it is the opinion of management that these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below, actual results could differ from the estimates made.

(a) Basis of presentation:

After the elimination of intercompany balances and transactions, the consolidated financial statements include the accounts of the Corporation and its subsidiaries, which include Naleway Holdco Ltd., Naleway Foods Ltd., Naleway Realty Holdings Ltd., Naleway Foods International Inc., Beaumont Enterprises Inc., 571766 Alberta Ltd., Beaumont Realty Corporations Inc., The Food Source Ltd., Angiogene Inc., and Beaumont Select Corporations Inc. Certain of the comparative figures have been reclassified to conform to the current year's financial statement presentation.

As part of the acquisition of Angiogene Inc., the Corporation acquired less than 100% of the equity interests; therefore the interest held by other parties has been recognized as a non-controlling interest in these financial statements.

(b) Inventory:

Inventory is recorded at the lower of cost (first in, first out basis) and market, with market determined at net realizable value.

1. Significant accounting policies *(continued)***:**

(c) Property and equipment:

Property and equipment are recorded at cost upon acquisition. Depreciation on property and equipment is provided using methods and rates based on the estimated useful lives of the assets as follows:

Asset	Method	Rate
Buildings	Straight line	5%
Equipment pre-expansion	Declining balance	5% and 10%
Equipment post-expansion	Declining balance	10%
Leasehold improvements	Straight line	10%
Vehicles	Declining balance	30%

(d) Goodwill and intangible assets:

Goodwill represents the excess of cost over the fair value of net assets acquired. Management tests goodwill and other intangible assets for impairment at the end of the Corporation's fiscal year, taking into consideration the nature of the industry and the circumstances which might impair the value. The amount of impairment, if any, is determined based on estimated future cash flows. Any impairment in the value of the goodwill or other intangibles is charged in the period when impairment is determined.

(e) Foreign currency translation:

Integrated foreign operations have been translated into Canadian dollars using the temporal method as follows:

Monetary items - exchange rates in effect at the balance sheet date;

Non-monetary items - exchange rates in effect on the dates of those transactions; and,

Revenues and expenses - at the average exchange rate prevailing during the year; except for depreciation and amortization, which is translated at prevailing rates when the respective assets were acquired. Gains and losses arising from the translation are included in income for the current year.

(f) Equity securities:

Equity securities are recorded at market value with net unrealized gains or losses reported in income. Realized gains or losses on sale of securities arise when investments are sold, as determined on a specific identification basis. Transactions are recorded at trade date, and the closing price is used for valuation. Revenue from investment income is recognized when earned. The Corporation records return on capital as presented as a reduction to investment income and an equal adjustment to the adjusted cost base of the individual security.

1. Significant accounting policies *(continued)***:**

(g) Per share amounts:

Basic net income (loss) per share is calculated using the weighted average number of common shares outstanding during the year. Diluted net income per share is calculated following the treasury stock method assuming that the proceeds obtained upon the exercise of options would be used to purchase common shares at the average market price during the period. For all periods presented, all common share equivalents have been excluded from the calculation of dilutive loss per share as their effect is anti-dilutive.

(h) Income taxes:

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences - the difference between the carrying amount of an asset and liability in the consolidated balance sheet and its tax basis using income tax rates substantively enacted at the balance sheet date. The effect of changes in rates on future income tax liabilities and assets is recognized in the period that the change occurs. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when the tax assets or liabilities are to either be settled or realized.

The Corporation is subject to ongoing examinations by federal and provincial authorities of the jurisdictions in which it operates. The Corporation regularly assesses the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for income and other taxes. The Corporation believes that it has adequately provided for tax adjustments that are probable as a result of any ongoing or future examinations.

(i) Stock-based compensation:

In accordance with the Corporation's stock option plan, common share options may be granted to directors, officers, consultants and certain employees. In determining the stock-based compensation, the Corporation applies the Black-Scholes valuation method, and records the expense over the vesting period for stock options granted to the option holders. When stock options are exercised for common shares, consideration paid by the option holders and the previously recognized amount associated with the stock options are recorded as share capital. Accrued compensation for forfeited stock options is adjusted to earnings by decreasing the compensation expense in the period of occurrence. The Corporation assumes a forfeiture rate at the time of issue instead of the time of forfeiture.

1. **Significant accounting policies** *(continued)***:**

(j) Investment in affiliated company:

The Corporation's investment in the affiliated company called Somerset Properties Ltd. was reduced to 19.4% at June 30, 2008 at which time the investment was accounted for by the cost method. The investment will be written down if there is a permanent impairment in its carrying value.

(k) Revenue recognition:

Revenue from product sales are net of estimated returns and credit notes and are recorded when delivery has been made.

(l) Financial Instruments - recognition, measurement, disclosure and presentation

On initial recognition, financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. All financial instruments are classified into one of the following categories: held for trading, held to maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Held for trading financial assets are measured at their fair value and changes in fair value are recognized in the statement of operations. Changes in fair value that are recognized in the statement of operations and comprehensive income include interest income and unrealized gains or losses. Held to maturity and loans and receivables are measured at amortized cost which is generally the initially recognized amount. Available for sale assets are reported at fair market value with unrealized gains or losses excluded from the statement of operations and comprehensive income and reported as other comprehensive income or loss, unless any impairment in their value is other than temporary, in which case the loss is charged against earnings. Other financial liabilities are measured at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial asset or liability upon initial recognition. The Corporation has classified its financial instrument fair values based on the required three - level hierarchy:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities;
- Level 2: Valuations based on observable inputs other than quoted active market prices; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flows methods.

1. Significant accounting policies *(continued)*:

The Company has made the following classifications:

- Cash and the portfolio of equity securities are classified as held for trading and are measured at fair value.
- Accounts receivable, loans receivable and notes receivable are classified as loans and receivables and recorded at amortized cost using the effective interest method.
- Bank loans, accounts payable and other liabilities, margin loans on portfolio of equity securities investment, related party liabilities and long-term debt are classified as other liabilities and measured at amortized cost using the effective interest method.
- The investment in Somerset Properties Ltd is classified as an available for sale financial asset and recorded at cost as there is no ready market for the investment.

Financial instruments disclosure and presentation requires discussions on the significance of financial instruments for the Corporation's financial position and performance and the nature and extent of risks arising from financial instruments to which the Corporation is exposed during the year and at the balance sheet date. See note 13 for how the Corporation manages those risks.

(m) Future accounting pronouncements:

i) International Financial Reporting Standards (IFRS): The Accounting Standards Board of Canada ("AcSB") confirmed the adoption of IFRS for all Canadian publicly accountable enterprises by 2011. The Corporation is required to prepare IFRS interim and annual financial statements, with comparatives, for its fiscal year beginning July 1, 2011, and is currently assessing the impact of adoption and developing a plan of action for IFRS implementation.

ii) In October 2008, the CICA issued Handbook Section 1582, "Business combinations", concurrently with Handbook Section 1602, "Consolidated Financial Statements", and Handbook Section 1601, "Non-controlling Interests". CICA 1582, which replaces Handbook Section 1581, establishes standards for the measurements of a business combination and the recognition and measurement of assets acquired and liabilities assumed. CICA 1601, which replaces Handbook Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. The objective of the new standards is to harmonize Canadian accounting for business combinations with the International and U.S. accounting standards. The three new standards have to be adopted concurrently and will apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will adopt these standards on July 1, 2011 and is currently evaluating their impact

(Except where indicated and per share amounts, all dollars are in thousands)

2. Equity securities:

All equity securities are investments held for trading, and consisted of the following as at June 30, 2011.

Investment	**Industry**	**Cost**	**Market Value**
Equal Energy Ltd.	Energy Exploration	**$6,607**	**$6,560**
Student Transportation of America Ltd.	Transportation	**2,532**	**3,711**
Premium Brands Holding Corp.	Consumer	**2,001**	**2,747**
AutoCanada Inc	Retail	**1,560**	**1,666**
Open Range Energy Corp	Energy Exploration	**1,365**	**1,326**
Pure Energy Services Ltd.	Energy Services	**914**	**1,057**
43 other equity investments		**5,669**	**5,296**
Total investments		**$20,648**	**$22,363**

At year-end June 30, 2010:

Investment	Industry	Cost	Market Value
Student Transportation of America Ltd.	Transportation	$ 5,024	$ 6,511
Premium Brands Holding Corp.	Consumer	1,625	1,962
Equal Energy Ltd.	Energy Exploration	1,937	1,558
Extendicare Real Estate Investment Trust	Real Estate	1,243	1,196
Churchill Corporation Subscription receipts	Construction	921	975
38 other equity investments		4,543	4,631
Total investments		$15,293	$16,833

Most of the Corporation’s investments were classified as Level 1, as they are traded on active stock exchanges (Toronto, Nasdaq, NYSE and TSX Venture) with strong liquidity and quoted prices. The Corporation uses the last trade price for its valuation. At year end the Corporation held five positions (three equities, two warrants) in oil and gas companies that are not publicly traded, and classified as Level 2. In aggregate these positions had a market value of $111 thousand as derived from quotations from equity brokers.

The Corporation holds some large positions, relative to their daily trading, that represent a liquidity risk should a fast liquidation be required. The largest position, Equal Energy, represents eight days of average daily shares traded. The AutoCanada position represents twenty-four days average trading. A fast liquidation of these positions could have adverse affects on its price. No other position represents more than two days average daily shares traded. The Corporation believes that it has other investments that could be sold to mitigate the need for a quick liquidation.

(Except where indicated and per share amounts, all dollars are in thousands)

2. Equity securities *(continued)*:

At June 30, 2011, the Corporation held equity securities with a fair market value of $22.363 million (2010 - $16.833 million) of which 36.7% were in the oil and gas sector (2010 – 12.4%). In addition, the Corporation has margin loans totaling $11.739 million (2010 - $8.424 million). Equity securities are held as collateral to satisfy the requirements of the margin loans.

The investment income during the year consisted of:

		2011		2010
Dividends from Somerset Properties	**$**	**--**	$	136
Interest and other		**59**		40
Income from equity securities		**929**		1,058
	$	**988**	$	1,234

3. Inventory:

		2011		2010
Raw materials	**$**	**908**	$	962
Finished goods		**479**		367
	$	**1,387**	$	1,329

4. Note receivable:

In 2008, the British Columbia division of 571766 Alberta Ltd. (formerly Mrs. Willman's Baking Ltd.) was sold to Premium Brands Operating Ltd. Partnership in exchange for a note receivable in the amount of $300 thousand. The note receivable earns interest at a rate of 6.5% per annum, payable annually. The principal portion of the note receivable is due and payable on May 2, 2013.

5. Investment in and due from affiliated company:

Somerset Properties Ltd. ("Somerset") is a management corporation that manages investments in farming, real estate and a portfolio of equity securities (the latter includes the use of margin loans). It is 19.4% owned by the Corporation (2010-19.4%), with the remaining ownership held by the Corporation's Chairman and persons associated with him. Somerset is also the registered owner of 44% of the outstanding shares of Beaumont Select Corporations Inc. Somerset is an insider of the Corporation's shares and has advised the Corporation that its ownership of the Corporation's share are held for long-term investment.

Somerset's income and financial position are subject to stock and real estate market fluctuations.

(Except where indicated and per share amounts, all dollars are in thousands)

5. Investment in and due from affiliated company *(continued)***:**

Details of the amount due from and investment in Somerset are as follows:

		2011		2010
Investment in Somerset – beginning	**$**	**2,995**	$	2,995
Other loans:				
Due from Somerset, unsecured, bearing interest at 6% per annum with no specific terms of repayment		**350**		350
Short term receivable		**--**		136
Due from Somerset - ending		**350**		486
Investment in Somerset - ending	**$**	**3,345**	$	3,481

6. Related party transactions:

(a) Balance sheet:

		2011		2010
Promissory notes due to shareholders of the Corporation, bears interest at 10% per annum. The notes are unsecured and with no fixed terms of repayment. During the 2010 year $23 thousand was repaid, with the remaining portion repaid in 2011.	**$**	**--**	$	60
A loan agreement with an officer and director of the Corporation whereby the Corporation loaned the officer $29 thousand in January 2009, with $18 thousand of such loan paid in June 2009. The remaining portion was repaid in 2011.		**--**		11
	$	**--**	$	71

(b) Income statement:

		2011		2010
(i) Management fees charged by current and former officers of the Corporation included in corporate and administrative expenses	**$**	**282**	$	357
(ii) Rent paid to a Corporation controlled by the Chairman	**$**	**73**	$	-
(iii) Consulting fees paid to current and former directors of the Corporation, included in corporate and administrative expenses	**$**	**132**	$	148

The transactions were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(Except where indicated and per share amounts, all dollars are in thousands)

7. Property and equipment:

2011		Cost		Accumulated depreciation		Net book value
Production equipment	$	**17,748**	$	**13,297**	$	**4,451**
Buildings		**1,237**		**1,022**		**215**
Leasehold improvements		**1,614**		**1,321**		**293**
Vehicles		**298**		**225**		**73**
Land		**135**		**-**		**135**
	$	**21,032**	$	**15,865**	$	**5,167**

During 2011, $64 thousand in property and equipment and $173 thousand in intangible assets (with an original cost of $648 thousand) (2010 - $51 thousand) were deemed unusable and were written off.

Production equipment with a cost of $431 thousand and accumulated depreciation of $134 thousand had been deemed surplus during 2010 and have been reclassified as assets held for sale. The estimated sale price has been estimated at $50 thousand, and a write-down of $247 thousand was taken in the previous fiscal year on this equipment.

2010		Cost		Accumulated depreciation		Net book value
Production equipment	$	16,688	$	12,088	$	4,600
Buildings		1,237		960		277
Leasehold improvements		1,489		1,310		179
Vehicles		257		203		54
Land		135		-		135
	$	19,806	$	14,561	$	5,245

8. Intangible assets:

2011		Cost		Accumulated depreciation		Net book value
Deferred costs	$	**1,147**	$	**1,105**	$	**42**

2010		Cost		Accumulated depreciation		Net book value
Deferred costs	$	1,735	$	1,523	$	212

(Except where indicated and per share amounts, all dollars are in thousands)

9. Bank loans, term loans on demand and long-term debt:

(a) Bank loan:

The bank loan is a revolving line of credit, repayable on demand, bearing interest at the bank's prime rate plus 0.5% per annum and is secured under various general security agreements covering, all present and after-acquired property of the Corporation, an assignment of life insurance on an officer and shareholder of the Corporation, a general assignment of accounts receivable and inventory and a postponement of claim by the Corporation. The present credit limit is $2.263 million (2010 - $2.0 million).

(b) Term loans due on demand and long-term debt:

	2011	2010
Term loans, repayable in monthly principal installments of approximately $8,300 (2010 - $43,200) plus interest ranging from the lenders' base lending rate plus 0.5% per annum, and secured by general security agreements covering certain equipment and fixtures of a subsidiary and an assignment of postponement of claim by the Corporation.	**$ 446**	$ 438
Mortgages, repayable in monthly principal installments of approximately $10,800 (2010 - $10,800) bearing interest at rates ranging from the lenders' floating base rate to the lenders' cost of funds plus 0.5% per annum, and secured by the building (see note 7). Mortgages are not subject to renewal until dates ranging from October, 2011 to May, 2016.	**--**	544
Demand loan, repayable in monthly installments of $13,763 bearing interest at 4.6% over a seven year term ending January 2018, with a 20 year amortization secured by the Winnipeg building.	**2,131**	--
Capital leases, due 2010 to 2014, payable monthly, with interest rates at 6.57% per annum and secured by certain equipment with a carrying value at June 30, 2011 totaling approximately $24,000 (2010 - $35,000).	**24**	32
	2,601	1,014
Less current portion	**2,586**	376
	$ 15	$ 638

The Corporation is required to make future principal payments as follows:

	Term loans due on demand	**Capital leases**	**Total**
2012	169	8	177
2013	173	9	182
2014	176	7	183
2015	180	--	180
2016	129	--	129
2017 and beyond	1,750	--	1,750
	$ 2,577	$ 24	$ 2,601

(Except where indicated and per share amounts, all dollars are in thousands)

10. Share capital:

(a) Authorized:

(i) Unlimited Class A voting common shares; and

(ii) 100,000,000 non-voting Class B shares, Series 2.

(b) Class A common shares issued:

	2011			2010		
	Shares		**Amount**	Shares		Amount
Balance, beginning of year	**16,379,097**	**$**	**7,737**	16,672,097	$	7,873
Options redeemed	**30,000**		**26**	--		--
Redemption of shares	**(193,500)**		**(93)**	(293,000)		(136)
Balance, end of year	**16,215,597**	**$**	**7,670**	16,379,097	$	7,737

During the year ended June 30, 2011, the Corporation acquired 193,500 (2010 – 293,000) Class A common shares for cash consideration totaling $147 thousand (2010 - $207 thousand). As the consideration rendered was in excess of the stated value of the shares, the amount in excess totaling $56 thousand (2010 - $70 thousand) was recorded as a reduction of retained earnings.

(c) Stock options:

The Corporation has a stock option plan whereby officers, directors, employees and consultants may be granted options to purchase Class A common shares of the Corporation. Options vest over a period of three years and have a term of five years to expiry ranging from 2010 to 2015. During the year ended June 30, 2011 no options were granted to purchase (2010 – 150,000 at $0.50) Class A common shares.

	2011			2010		
	Number		**Weighted average exercise price**	Number		Weighted average exercise price
Outstanding options, beginning of year	**318,750**	**$**	**0.98**	467,500	$	0.98
Options granted	**--**		**--**	150,000		0.50
Options forfeited	**(120,000)**		**0.50**	(168,750)		1.00
Options exercised	**(30,000)**		**0.50**			
Options expired unexercised	**--**		**0.94**	(130,000)		0.94
Outstanding options, end of year	**168,750**	**$**	**1.00**	318,750	$	0.98
Options exercisable, end of year	**168,750**	**$**	**1.00**	198,750	$	0.92

(Except where indicated and per share amounts, all dollars are in thousands)

10. Share capital *(continued)*:

Options Range of Exercise Price	**Outstanding June 30, 2011**	Weighted average remaining contractual life (years)	**Exercisable June 30, 2011**	Weighted average exercise price
$ 1.00	**168,750**	2.25	**168,750**	1.00

The fair value of the options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes Weighted Average assumptions used	2010
Expected volatility	31%
Expected dividend yield	n/a
Risk-free interest rate	2.9%
Expected option life in years	5
Forfeiture rate	49%
Fair value per stock option granted August 10, 2009	$0.16

(d) Per share amounts:

The weighted average number of Class A common shares outstanding during the year ended June 30, 2011 was 16,267,471 (2010 - 16,548,889).

(Except where indicated and per share amounts, all dollars are in thousands)

11. Income taxes:

Total income taxes are different from the amount computed by applying the average combined expected Canadian Federal and Provincial tax rate of 27.25% (2010 – 28.5%) to income before income taxes and other items. The reasons for the difference are as follows:

		2011		2010
Computed expected tax provision	**$**	**331**	$	1,184
Add (deduct) the tax effect of the following:				
Impact of change in tax rates and impact of temporary differences		**(243)**		247
Change in valuation allowance		**45**		(1,848)
Non-taxable portion of capital (gains) losses		**(260)**		(563)
Change in estimated tax pools, write down of assets		**230**		5
Non-deductible expenses		**49**		268
Non-taxable income from affiliated companies (note 6)		**--**		(39)
Capital losses		**--**		10
Total income taxes, as reported	**$**	**152**	$	(736)
Current taxes	**$**	**4**	$	(15)
Future taxes		**148**		(721)
	$	**152**	$	(736)

The components of the net future income tax asset (liability) at June 30, 2011 and 2010 are as follows:

		2011		2010
Future income tax liabilities:				
Carrying value of property, equipment and intangible assets in excess of tax cost	**$**	**(637)**	$	(839)
Non-deductible reserve		**(787)**		(644)
Equipment for sale		**(14)**		(14)
Tax cost of investment below carrying value		**(444)**		(465)
	$	**(1,882)**	$	(1,962)
Future income tax assets:				
Non-capital losses	**$**	**3,806**	$	4,022
Net capital and other losses		**644**		176
Scientific research and development pools		**1,216**		1,207
Tax cost of property, equipment and intangible assets in excess of carrying value		**260**		698
Other		**56**		62
		5,982		6,165
Valuation allowance		**(3,067)**		(3,022)
		2,915		3,143
Net future income tax assets	**$**	**1,033**	$	1,181

(Except where indicated and per share amounts, all dollars are in thousands)

11. Income taxes *(continued)*:

At June 30, 2011 the Corporation had cumulative income tax deductions for federal or provincial income tax purposes totaling approximately $28.7 million, including reported non-capital losses for income tax purposes of approximately $15.2 million which expire from 2014 to 2031.

12. Segmented information:

Reportable segments are identified on the basis of internal reporting to senior management. The Corporation operates primarily through two operating groups being: 1) food processing and distribution and 2) equity securities investment.

Inter-segment eliminations relate to revenues between segments recorded at transfer prices based on current market prices. Operating margin represents total revenues less cost of sales, including depreciation. Operating expenses are comprised of interest, corporate, royalty, amortization and administrative charges. Identifiable assets by industry segment are the assets specifically attributable to those operations.

The following is an analysis of certain consolidated financial information by segment for the years ended June 30:

		2011		2010
Revenues: (1)				
Food processing and distribution	**$**	**18,470**	$	18,842

Income (loss) before income taxes				
Food processing and distribution	**$**	**(518)**	$	(771)
Equity securities investment		**1,734**		4,926
	$	**1,216**	$	4,155

(1) During the year ended June 30, 2011, sales totaling approximately $1.4 million (2010 - $1.7 million) were made to customers located in the United States.

Total identifiable assets:

		2011		2010
Food processing and distribution	**$**	**10,723**	$	10,436
Equity securities		**22,363**		16,833
Corporate and other		**7,417**		7,347
	$	**40,503**	$	34,616

13. Financial instruments:

(a) Fair values:

As at June 30, 2011 and 2010, the carrying values of the Corporation's current assets and liabilities including cash, accounts receivable, bank loans, margin loans on equity securities investment, accounts payable and other liabilities, related party liabilities and legal liability approximate their fair values. These short-term financial instruments approximate their fair value due to the relatively short period to maturity.

Unless otherwise stated in these consolidated financial statements, the fair value of the Corporation's financial instruments approximates their carrying values.

(b) Credit risk:

Credit risk arises from the possibility that the entities to which the Corporation provides products may experience difficulty and be unable to fulfill their obligations. The Corporation is exposed to financial risk that arises from the credit quality of the entities to which it provides services.

The Corporation derived significant revenue from two major customers, which exceeded 10% of consolidated revenues from operations for the years ended June 30, 2011 and 2010. The first customer accounted for 34% of consolidated revenues (2010 – 37%) and the second customer accounted for 13% of consolidated revenues (2010 – 12%). As at June 30, 2011, 53% of consolidated accounts receivable was receivable from the first customer (2010 – 44%) and 8% of consolidated accounts receivable was receivable from the second customer (2010 – 9%). The Corporation believes that there is no unusual exposure associated with the collection of these receivables. The Corporation performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

(c) Interest rate risk:

The Corporation is exposed to fluctuations in interest rates with respect to its margin loan, bank loan, long-term debt, and balances due to and from related parties. The effective interest rate paid on margin loans during the fiscal year was 4.17% (2010 – 3.67%). The Corporation averaged $11.920 million (2010 - $9.406 million) in floating rate margin borrowings. A one percent change in the underlying interest rate would change the interest expense by $119 thousand (2010 - $102 thousand).

(d) Market risk:

A substantial portion of the Corporation's income is derived from its equity securities portfolio. The performance of this portfolio and the income derived therefrom are subject to market fluctuations, changes in commodity prices and the performance of the entities whose securities are held. The value of the Corporation's real estate investments are also subject to market fluctuations.

(e) Liquidity Risk

Although the Corporation aims to invest in publicly traded shares, there can be no assurance that any position can be liquidated at any time at a price acceptable to the Corporation.

13. Financial instruments *(continued):*

(f) Currency Risk

The Corporation is investing in equity securities traded on US exchanges in US currency, and has corresponding US dollar margin borrowings. In addition, it holds cash in US dollar bank accounts as much of its raw materials are priced and purchased in US Currency. Changes in value in the Canadian dollar to US dollar exchange rates can affect potential gains and losses. At the current level a one cent increase in exchange rates would decrease the value of the US dollar currency account, net of margin loans, by $8 thousand (2010 - $24 thousand). A one cent decrease in exchange rates would increase the value of the US dollar currency accounts, net of margin loans by $8 thousand (2010 - $24 thousand).

The Corporation buys flour in US dollars and sells frozen foods in the US. A one cent change in the exchange rate will affect our total sales by approximately $14 thousand (2010 - $16 thousand).

14. Contingencies:

A subsidiary of the Corporation has been named as a defendant in a claim alleging wrongful termination of a contract to provide waste removal services and is seeking damages of $207 thousand, which was accrued at year-end (2010 - $207 thousand). The litigation is in its early stages and the Corporation has filed a defense and counterclaim and is vigorously contesting the claim.

The Corporation or its subsidiaries are involved in other litigation or claims in the ordinary course of business. The amounts at stake in these disputes are not material individually nor in the aggregate. Therefore, no amount associated with these claims has been accrued as assets or liabilities, or recorded as income or charged as expenses on these consolidated financial statements. In the event that the Corporation is successful in a claim or is found to be liable for a claim, the resulting settlement will be appropriately recorded to the statement of operations and comprehensive income in the period as incurred.

15. Commitments:

a) Royalties

In accordance with the terms of the agreement relating to the sale of the Mrs. Willman's B.C. operations, the Corporation will receive an annual royalty of 2.5% of the future sales of the products existing at the time of the sale to the then existing customers, for the next ten years (expiring in 2018) up to a maximum aggregate of $700 thousand. Revenues accrued from this royalty during the fiscal year totaled $5 thousand (2010 – $22 thousand).

b) Purchase contracts

The nature of the Company's operations results in exposure to fluctuations in commodity prices. The Company may mitigate this risk by entering into commitments to purchase goods and services. As at June 30, 2011 the Company had contractual commitments to purchase goods and services on various dates for a total purchase price of $1,233,645.

(Except where indicated and per share amounts, all dollars are in thousands)

16. Supplemental cash flow disclosure:

(a) Changes in non-cash working capital:

		2011		2010
Accounts receivable		**(289)**		(6)
Inventory		**(58)**		(9)
Prepaid expenses		**127**		(105)
Accounts payable and other liabilities		**35**		(327)
	$	**(185)**	$	(447)

(b) Cash payments:

The following approximate cash payments were made:

		2011		2010
Interest	**$**	**594**	$	341
Taxes		**(2)**		32

17. Capital Disclosures

Section 1535, *Capital Disclosures* specifies the disclosure of (i) an entity's objectives, policies and processes of managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The Corporation's breakdown of capital is as follows:

		2011		2010
Bank debt	**$**	**1,009**	$	842
Long-term debt and term loans due on demand		**2,601**		1,014
Margin loan		**11,739**		8,424
Shareholder's equity		**21,188**		20,273
Total capital	**$**	**36,537**	$	30,553

The Corporation relies on its capital base differently depending on the division. The frozen food division utilizes the bank lines to fund inventory and manage payables and receivables. The investment division relies on margin loans to generate interest dividends and capital gains. Margin loans are dependent on the nature of the underlying stocks, as well as Brokerage firm policies and equity on deposit. The Corporation has in the past been requested to sell down positions in order to meet margin requirements.

During the fiscal year the Corporation refinanced its Winnipeg building with the intention of providing cash for working capital and equipment purchases. The building was refinanced with a demand loan for $2.165 million at an interest rate of 4.6% over a seven year term, repayable over 20 years at $14 thousand per month.

18. Comparative Figures

Certain comparative figures have been reclassified in order to conform to the current period's financial statement presentation.