BEAUMONT SELECT CORPORATIONS INC.

Notice to Reader

December 31, 2012

(Unaudited)

Notice to reader pursuant to National Instrument 51-102

Responsibility for Consolidated Financial Statements:

The unaudited interim consolidated financial statements of Beaumont Select Corporations Inc. (“Beaumont” or “the Corporation”) as at and for the three and six months ended December 31, 2012 and 2011 have been prepared by management in accordance with International Financial Reporting Standards (IFRS) applicable to interim financial statements. Recognizing that the Company is responsible for both the integrity and objectivity of the interim consolidated financial statements, management is satisfied that these interim consolidated financial statements have been fairly presented.

Auditors’ involvement:

MNP LLP, Chartered Accountants, the independent external auditors of the Corporation, have not audited or performed review procedures applicable to auditor review of interim financial statements as at and for the three and six months ended December 31, 2012 and 2011 nor have they conducted any procedures with respect to the notes herein. As a result, the auditors express no opinion on the Corporation’s interim statements.

BEAUMONT SELECT CORPORATIONS INC.
Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

As At	Dec 31, 2012	June 30, 2012
Assets		
Current Assets:		
Cash and cash equivalents	**$1,786,597**	$1,848,086
Portfolio of equity securities (note 5)	**20,966,505**	17,310,374
Accounts receivable	**2,878,863**	1,916,089
Inventory (note 4)	**1,336,494**	1,416,442
Note receivable (note 6)	**300,000**	300,000
Prepaid expenses	**109,367**	109,476
Total Current Assets	**27,377,826**	22,900,467
Non-Current Assets:		
Investment in and due from affiliated company (note 7a)	**3,274,157**	3,274,157
Property and equipment (note 8)	**4,386,759**	4,720,199
Intangible assets	**36,862**	41,234
Goodwill	**867,524**	867,524
Deferred tax assets	**3,094,857**	3,094,858
Total Assets	**$39,037,985**	$34,898,439
Liabilities and Shareholders' Equity		
Current Liabilities:		
Bank and term loans	**$4,224,274**	$3,844,805
Accounts payable and accrued liabilities	**1,745,150**	1,350,156
Margin loans on equity securities	**9,577,916**	6,034,951
Legal liability	**206,847**	206,847
Total Current Liabilities	**15,754,187**	11,436,759
Non-Current Liabilities:		
Deferred tax liabilities	**1,977,320**	1,981,127
Long-term debt	**2,065**	6,551
Total Liabilities	**17,733,572**	13,424,437
Contingencies (note 13)		
Commitment		
Shareholders' Equity:		
Share capital (note 10)	**7,649,454**	7,649,454
Non-controlling interest (note 11)	**486,795**	472,720
Contributed surplus	**88,039**	88,039
Retained earnings	**13,080,125**	13,263,789
Total Equity	**$21,304,413**	$21,474,002
Total Liabilities and Equity	**$39,037,985**	$34,898,439

Approved on behalf of the Board

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

BEAUMONT SELECT CORPORATIONS INC.

Consolidated Statements of Comprehensive Income and Loss

For the three and six months ended December 31, 2012 and 2011
(Unaudited - Expressed in Canadian Dollars)

		Three months		Six Months
	2012	2011	**2012**	2011
Revenues	**$ 4,536,147**	5,086,742	**$ 7,107,875**	9,428,060
Cost of sales:				
Direct expenses	**4,448,806**	4,786,444	**7,661,609**	8,991,767
Depreciation and amortization	**183,476**	181,597	**366,953**	363,194
Total cost of sales	**4,632,282**	4,968,041	**8,028,562**	9,354,961
Operating margin	**(96,135)**	118,701	**(920,687)**	73,099
Corporate and administrative (note 14)	**317,125**	378,353	**695,033**	671,111
Investment income (note 16)	**(338,174)**	(172,409)	**(1,054,917)**	(403,126)
Loss/(gain) on sale of equity securities	**929,065**	(443,364)	**754,302**	(935)
Unrealized loss (gain) on securities held for trading	**454,645**	(1,518,035)	**(927,054)**	983,753
Foreign exchange (gain)/loss	**(15,915)**	25,521	**25,053**	(40,936)
Insurance Income (note 9)	**(222,106)**	-	**(551,238)**	-
Rental income	**(7,350)**	(7,350)	**(14,700)**	(7,350)
Interest and bank charges (note 16)	**36,570**	32,932	**75,838**	64,395
Interest on margin loans (note 16)	**105,719**	67,454	**187,241**	170,960
(Loss)/Income before taxes	**(1,355,714)**	1,755,599	**(110,245)**	(1,364,773)
Income tax expense/(recovery):				
Current	**48,938**	16,801	**63,152**	75,083
Deferred	**(102,791)**	213,232	**(3,808)**	(243,511)
Total Income tax expense	**(53,853)**	230,033	**59,344**	(168,428)
(Loss)/Income from continuing operations attributable to				
Shareholders of the Corporation	**(1,304,172)**	1,511,987	**(183,664)**	(1,180,387)
Non-controlling interest	**2,311**	13,579	**14,075**	(15,958)
Total Comprehensive (Loss)/Income	**(1,301,861)**	1,525,566	**(169,589)**	(1,196,345)
Net (loss)/income per share:				
Continuing operations: basic /diluted	**$ (0.08)**	$ 0.09	**$ (0.01)**	$ (0.07)
Net: basic / diluted	**(0.08)**	0.09	**(0.01)**	(0.07)
Weighted average number of shares outstanding - basic	**16,171,597**	16,204,248	**16,171,597**	16,207,819
Weighted average number of shares outstanding - diluted	**16,340,347**	16,372,998	**16,340,347**	16,376,569

BEAUMONT SELECT CORPORATIONS INC.

Consolidated Statements of Changes in Shareholders' Equity

For the six months ended December 31, 2012 and 2011
(Uaudited - Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Non-controlling Interest	Retained Earnings	Total Equity
Balance, July 1, 2011	7,670,234	88,039	504,698	13,432,627	21,695,598
Shares Repurchased	(7,557)			(2,194)	(9,751)
Net income to shareholders				(1,180,387)	(1,180,387)
Net income to Non controlling interest			(15,958)		(15,958)
Balance, December 30, 2011	7,662,677	88,039	488,740	12,250,046	20,489,502
Balance July 1, 2012	7,649,454	88,039	472,720	13,263,789	21,474,002
Net income to shareholders				(183,664)	(183,664)
Net income to Non controlling interest			14,075		14,075
Balance, December 30, 2012	7,649,454	88,039	486,795	13,080,125	21,304,413

BEAUMONT SELECT CORPORATIONS INC.
Consolidated Statements of Cash Flows
For the three and six months ended December 31, 2012 and 2011
(Unaudited - Expressed in Canadian Dollars)

		Three months		Six months	
		2012	2011	**2012**	2011
Cash provided by (used in):					
Operations:					
(Loss)/income from continuing operations attributable to Shareholders of the Corporation	$	**(1,304,172)**	1,511,987	**(183,664)**	(1,180,387)
Add (deduct) non-cash items:					
Depreciation and amortization		**183,476**	181,597	**366,953**	363,194
Deferred tax (recovery)/expense		**(102,791)**	213,233	**(3,808)**	(243,511)
Loss/(gain) on sale of equity securities		**929,065**	(443,364)	**754,302**	(935)
Unrealized loss (gain) on securities held for trading		**454,645**	(1,518,035)	**(927,054)**	983,753
Non-controlling interest		**2,311**	13,579	**14,075**	(15,958)
Funds from Operations	$	**162,534**	(41,003)	**20,804**	(93,844)
Net change in non-cash working capital related to operations					
Accounts receivable		**(244,044)**	(120,048)	**(962,774)**	(153,837)
Accounts payable and accrued liabilities		**(43,956)**	298,522	**394,996**	577,046
Inventory		**(73,385)**	(159,744)	**79,948**	(107,745)
Prepaid expenses		**(13,416)**	457	**110**	1,825
Due from affiliate		**--**	--	**--**	71,260
Cash from operating activities		**(212,267)**	(21,816)	**(466,916)**	294,705
Financing					
Increase in bank and term loans		**93,928**	(247,824)	**379,468**	(8,572)
Increase (decrease) in margin loans on equity securities		**448,284**	(1,263,412)	**3,542,965**	(6,419,037)
Payments on leases		**(2,269)**	(2,084)	**(4,486)**	(4,180)
Shares purchased and cancelled (note 10)		**--**	(5,750)	**--**	(9,750)
Cash from financing activities		**539,943**	(1,519,070)	**3,917,947**	(6,441,539)
Investing					
Additions to property, equipment and intangible assets (note 8)		**(9,876)**	(92,447)	**(29,141)**	(171,778)
Sale/(Purchase) of equity securities		**(272,931)**	1,178,652	**(3,483,379)**	6,049,159
Cash from investing activities		**(282,807)**	1,086,205	**(3,512,520)**	5,877,381
Change in cash and cash equivalents		**44,869**	(454,681)	**(61,489)**	(269,453)
Cash and cash equivalents, beginning of period		**1,741,728**	2,268,832	**1,848,086**	2,083,604
Cash and cash equivalents, end of period		**1,786,597**	1,814,151	**1,786,597**	1,814,151

1. Nature of Business

Beaumont Select Corporations Inc. ("Beaumont" or the "Corporation") is incorporated and based in Alberta, and is a public corporation with its shares trading on the TSX Venture Exchange under the symbol BMN.A. The Corporation is a management firm; managing both private investments as well as maintaining a portfolio of equity securities. Its key private investment is in Naleway Foods Ltd., a manufacturer of frozen foods operating out of Winnipeg, Manitoba. The corporate office is at 915 42nd Avenue SE, Calgary, Alberta, T2G 1Z1.

The consolidated financial statements of the Corporation as at and for the three and six months ended December 31, 2012 comprises the Corporation and its subsidiaries. These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

These unaudited interim condensed consolidated financial statements were approved by the Board of Directors on February 26, 2013.

2. Basis of Preparation

Statement of Compliance - These interim consolidated financial statements prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting) issued by the International Accounting Standards Board using accounting policies consistent with International Financial Reporting Standards which the Corporation adopted in its annual consolidated financial statement as at and for the year ended June 30, 2012.

The same accounting policies and methods of computation were followed in the preparation of these interim consolidated statements as were followed in the preparation of the annual consolidated financial statements as at and for the year ended June 30, 2012. Accordingly, these interim consolidated statements for the three and six months ended December 31, 2012 and 2011 should be read together with the annual consolidated financial statements as at and for the year ended June 30, 2012.

Basis of consolidation – The consolidated financial statements incorporate the financial statements of the Corporation and subsidiaries controlled by the Corporation. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany balances, transactions, income, expenses, profits and losses are eliminated in full on consolidation.

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 Fine Foods Inc., Beaumont Enterprises Inc., Beaumont Realty Corporations Inc., The Food Source Ltd., Angiogene Inc., and Beaumont Select Corporations Inc.

All of the subsidiaries, with the exception of Angiogene Inc., are wholly owned. 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 consolidated financial statements. The functional currency of the Corporation and all subsidiaries is Canadian dollars.

3. Accounting Policies

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: fair value through profit and loss, held to maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Fair value through profit and loss financial assets are measured at their fair value and changes in fair value are recognized in the consolidated statement of comprehensive income and loss. Changes in fair value that are recognized in the consolidated statement of comprehensive income and loss 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 consolidated statement of comprehensive income and loss 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 carried at 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.

The Corporation has made the following classifications:

- Cash and cash equivalents and the portfolio of equity securities are classified as fair value through profit and loss and are recorded at fair value under level 1.
- Accounts receivable, notes receivable and due from affiliated companies are classified as loans and receivables.
- Bank loans, term loans, accounts payable and accrued liabilities, margin loans on equity securities, related party liabilities and long-term debt are classified as liabilities.
- The investment in an affiliated company is classified as an available for sale financial asset and is recorded under level 3.

Non-controlling interest - Non-controlling interest is presented in the consolidated statement of financial position as a component of shareholder’s equity.

3. Accounting Policies (Continued)

Future Accounting Pronouncements

IFRS 7, Financial Instruments: Disclosures
The IASB amended IFRS 7, Financial Instruments: Disclosures ("IFRS 7") in October 2010. IFRS 7 was amended to provide guidance relating to disclosures with respect to the transfer of financial assets that results in derecognition, and continuing involvement in financial assets. The amendments to this standard are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. Management does not believe the changes resulting from these amendments will have a significant impact on its consolidated financial statements.

IFRS 9, Financial Instruments
IFRS 9 *Financial Instruments* was issued by the IASB on November 12, 2009 and will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also required a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted. The Corporation is currently evaluating the impact on its consolidated financial statements.

IFRS 10, Consolidated Financial Statements ("IFRS 10")
IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation—Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements ("IAS 27"). This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, provided that IFRS 11, IFRS 12, and related amendments to IAS 27 and IAS 28 are adopted at the same time. The Corporation is currently evaluating the impact on its consolidated financial statements.

IFRS 11, Joint Arrangements ("IFRS 11")
IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted provided that IFRS 10, IFRS 12, and the related amendments to IAS 27 and IAS 28 are adopted at the same time. The Corporation is currently evaluating the impact on its consolidated financial statements.

(Unaudited - Expressed in Canadian Dollars)

3. Accounting Policies (Continued)

IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Corporation is currently evaluating the impact on its consolidated financial statements.

IFRS 13, Fair Value Measurement ("IFRS 13")
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Corporation is currently evaluating the impact on its consolidated financial statements.

Amendments to Other Standards
In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. The amended IAS 27 addresses accounting for subsidiaries, jointly controlled entities, and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 through 11. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted provided that IFRS 10, IFRS 11, and IFRS 12 are adopted at the same time.

4. Inventory

	Dec 31, 2012	**June 30, 2012**
Raw materials	**946,095**	**1,015,716**
Finished goods	**390,399**	**400,726**
Total inventory	**1,336,494**	**1,416,442**

A total of $3,664,860 (December 31, 2011 - $4,817,907) of inventory raw materials were expensed during the six months. Material costs expensed are net of insurance receivable.

(Unaudited - Expressed in Canadian Dollars)

5. Portfolio of Equity Securities

Marketable securities are held as collateral to satisfy the requirements of the margin loans.

Equity Position as at December 31, 2012

Equity Name	**Shares Held**	**Sector**	**Cost**	**Value**
AutoCanada Inc	578,100	Retail	$3,998,309	$8,873,835
Student Transportation Inc.	684,000	Transport	$3,834,435	$4,192,920
Altus Group	265,700	Services	$2,041,018	$2,194,682
Eagle Energy Trust	205,000	Energy Trusts	$1,996,726	$1,576,450
BRI-Chem Corp.	478,900	Energy Service	$1,603,704	$1,048,791
CanElson Drilling Inc.	136,000	Energy Service	$667,899	$663,680
Canexus Corporation	50,000	Manufacturing	$388,492	$424,000
Element Financial Corp	36,300	Financial	$245,124	$257,730
Avenex Energy Corp	90,000	Oil Exploration	$466,641	$238,500
HNZ Group Inc Cl A	7,000	Transportation	$185,065	$151,200
Northwest HealthCare Properties	12,000	Consumer	$110,790	$149,760
Whitecap Resources Inc	15,000	Mining	$124,398	$129,750
Athabasca Oil Corp	10,000	Oil Exploration	$112,348	$104,500
Great Western Minerals 8% April 2017 debenture	100,000	Mining	$100,000	$99,490
Tricon Capital Group Inc	15,000	Financial	$92,798	$95,850
KP Tissue Inc	5,000	Consumer	$87,500	$87,400
Logan International Inc.	26,000	Energy Service	$115,082	$78,260
Poseidon Concepts Corp	47,500	Oil Exploration	$205,995	$66,500
Equal Energy Ltd	15,400	Oil Exploration	$99,830	$47,432
Algae Biosciences Corp.	422,000	Other	$104,530	$23,210
20 other investments		Various	$621,653	$462,565
Total			**$17,202,337**	**$20,966,505**

The majority of the Corporation's investments were classified as Level 1 as they are traded on active stock exchanges (Toronto and TSX Venture) with strong liquidity and quoted prices. The Corporation uses the last trade price for its valuation. The Corporation holds five private placement investments classified as Level 2. These consist of one debenture, three equities and three warrants for a cost base of $162,500 (2011 - $149,410), and a market value of $174,115 (2011 - $166,050).

Investments, Fair Value	Level 1 Quoted market price	Level 2 Observable inputs	Level 3 Non-observable inputs	Total
December 31, 2012	$20,792,390	$174,115	--	$20,966,505
September 30, 2012	$21,843,783	$233,500	--	$22,077,283
June 30, 2012	$17,076,874	$233,500	--	$17,310,374

During the second quarter of 2012-13, one position moved from Level 2 to Level 1 (TORC Oil and Gas had a level 2 market value of $63,000 at September 30, 2012). As at December 31, 2012 it had a level 1 value of $40,368. There were no other changes to our level 2 positions.

(Unaudited - Expressed in Canadian Dollars)

5. Portfolio of Equity Securities (continued)

The Corporation holds some large positions, relative to their daily trading, that represent a liquidity risk should a fast liquidation be required. The AutoCanada, Altus Group and Bri-Chem positions represent twenty, nine days and twenty-seven days average trading respectively. A fast liquidation of these positions could have an adverse affect on price. No other position represents more than five 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.

6. 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 $300,000. 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. As the due date is now within 365 days, the note receivable is now classified as a current asset.

7. Related party transactions

(a) Investment in and due from affiliated company

The Corporation holds an equity investment in Somerset Properties Ltd. ("Somerset"). Somerset and the Corporation have a common shareholder and Director. Details of the amount due from and invested in Somerset are as follows:

		Dec 2012		June 2012
Investment in Somerset	**$**	**2,924,157**	$	2,995,417
Return of capital				(71,260)
Due from Somerset, unsecured, bearing interest at 6% per annum, with no specific terms of repayment		**350,000**		350,000
Total Investment in and due from Somerset	**$**	**3,274,157**	$	3,274,157

During the first quarter a dividend was declared and paid from Somerset Properties Ltd. to the Corporation in the amount of $408,328.

(b) Director's loan:

A loan in the amount of $10,000 was made to a Director of the Corporation and included in accounts receivable. Interest at 8% is charged and included in accounts receivable.

(c) Statement of comprehensive income and loss for the six months:

- Management fees charged by shareholders and officers of the Corporation included in corporate and administrative expenses: $141,029 (2011-12 - $141,029)
- Consulting fees paid to current and former directors of the Corporation included in corporate and administrative expenses: $74,800 (2011-12 - $43,944)
- Rent paid to a company controlled by an officer of the Corporation: $41,100 (2011-12 - $40,368)

(Unaudited - Expressed in Canadian Dollars)

8. Property and equipment

	Production Equipment $	Buildings $	Leasehold Improvements $	Vehicles $	Land $	Total $
Balance July 1, 2011	4,447,176	215,101	293,741	72,976	135,000	5,163,994
Additions	181,550	-	115,607	1,765	-	298,922
Depreciation	(613,861)	(61,871)	(44,966)	(22,019)	-	(742,717)
Balance June 30, 2012	4,014,865	153,230	364,382	52,722	135,000	4,720,199
Additions	28,039		75			28,114
Depreciation	(301,432)	(30,935)	(23,107)	(6,080)		(361,554)
Balance Dec 31, 2012	**3,741,472**	**122,295**	**341,350**	**46,642**	**135,000**	**4,386,759**

Included in depreciation and amortization expense at December 31, 2012 was $5,399 related to the amortization of intangible assets. Included in additions to property and equipment at December 31, 2012 was $1,027 of additions made to intangible assets.

9. Insurance Income

During the first quarter of 2013, a leak of ammonia from a freezer at Naleway Foods Ltd. required the Corporation to destroy all raw materials. The Corporation had sufficient insurance in place, and an advance payment has been received and recorded as income. The total amount of the claim has not yet been finalized.

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:

	Shares	Amount
Balance, June 30, 2011	**16,215,597**	**7,670,234**
Redemption of shares	(44,000)	(20,780)
Balance, June 30, 2012	**16,171,597**	**7,649,454**
Redemption of shares	0	0
Balance, December 31, 2012	**16,171,597**	**7,649,454**

(Unaudited - Expressed in Canadian Dollars)

10. Share capital (continued):

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.

	December 31, 2012			June 30, 2012		
	Number		**Weighted average exercise price**	Number		Weighted average exercise price
Outstanding options, beginning	**168,750**	**$**	**1.00**	168,750	$	1.00
Options forfeited	-		-	-		-
Options exercised	-		-	-		-
Outstanding options, ending	**168,750**	**$**	**1.00**	168,750	$	1.00
Options exercisable, ending	**168,750**	**$**	**1.00**	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			
Expected volatility		79	%
Expected dividend yield		n/a	
Estimated forfeiture		50	%
Risk-free interest rate		3.14	%
Expected option life in years		5	
Fair value per stock option granted September 29, 2008	$	0.62	

The exercisable options have an expiry date of September 30, 2013 and a weighted average remaining life of nine months.

Normal Course Issuer Bid

In June 2012 the Corporation filed with the TSX Venture Exchange a notice of intention to make a Normal Course Issuer Bid (NCIB) which commenced on July 2, 2012 to acquire up to 808,680 of its Class A shares. Purchases subject to this normal course issue bid are carried out pursuant to open market transactions through the facilities of the TSX Venture Exchange. Once purchased, the Class A shares are returned to treasury for cancellation.

For the three months ending December 31, 2012 the Corporation purchased and cancelled no shares at a total cost of nil.

Subsequent to the end of the quarter, the Corporation has not repurchased any additional shares under its Normal Course Issuer bid. The number of shares outstanding as of February 26, 2013 is 16,171,597.

(Unaudited - Expressed in Canadian Dollars)

10. Share capital (continued):

Per share amounts

The weighted average number of Class A common shares outstanding during the three and six months ending December 31, 2012 was 16,171,597. (December, 2011 – Six month average – 16,207,819, three months - 16,204,248)

11. Non controlling interest

The Corporation holds a 94.5% interest in Angiogene Inc., with the remaining 5.5% held by six other investors.

12. Capital disclosures:

The Corporation's breakdown of capital is as follows:

	December 31, 2012	June 30, 2012
Bank debt	**$4,224,274**	**$3,844,805**
Long-term debt	**2,065**	**6,551**
Margin loans on equity securities	**9,577,916**	**6,034,951**
Share capital	**7,649,454**	**7,649,454**
Total capital	**$ 21,453,709**	**$ 17,535,761**

The Corporation's objective when managing its capital structure is to use an appropriate amount of leverage that can be supported with its shareholders' equity having regard to the risks, rewards and nature of the activity being financed so as to improve the financial return to the Corporation's shareholders. The Corporation maintains strong working capital balances to ensure liquidity and measures its total long-term debt to shareholder equity (including share capital and retained earnings) striving not to exceed a ratio of 2:1. The Corporation applies a small percentage of capital to purchasing its own shares in a normal course issuer bid under applicable securities laws when the market value of its shares does not reflect the perceived underlying value of the Corporation.

The manner in which the Corporation uses its capital base varies differently depending on the division with most financing usually done at the division level. The food processing and distribution segment utilizes the bank lines to fund inventory and manage payables and receivables with the size of available bank line typically set as a function of a percentage of these amounts from time to time. The bank line contains current ratio covenants and total debt to shareholder investment covenants, which have not constrained the Corporation in achieving its overall objective on capital management. The Frozen Food Division also periodically uses long-term debt for large equipment purchases and similar capital expenditures, by accessing specialized lenders. Those loans are secured against the equipment and occasionally supported by a parent guarantee with suitable long amortization periods corresponding to the equipment's expected life and the related operation cash flows.

The Investment Division uses its equity interest in the market portfolio to support margin loans on eligible investments to increase the total capital invested. This allows for an overall larger portfolio to generate distribution income and capital gains. Margin loans are dependent on marginability of the underlying stocks, as well as brokerage firm policies and equity on deposit. The Corporation has on occasion been requested to sell down positions in order to meet margin requirements, but has largely managed the portfolio to avoid margin calls.

(Unaudited - Expressed in Canadian Dollars)

13. Contingencies

The Corporation or its subsidiaries are involved in other litigation or claims in the ordinary course of business (currently mostly as plaintiffs). 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 in the consolidated statement of comprehensive income and loss in the year as incurred.

14. Expenses by nature for the six months:

	Dec 31, 2012	**Dec 31, 2011**
Wages and salaries	$437,869	$429,055
Directors fees	23,800	23,200
Rent	41,100	40,368
Professional fees	48,550	33,792
Insurance	44,528	78,058
Office	99,186	66,638
Total	$ 695,033	$671,111

15. Financial instruments

The carrying values of the Company’s financial instruments from continuing operations are classified into the following categories:

As at **December 31, 2012**

	Fair value through P&L	Loans and receivables	Other liabilities	Available for sale	Total
Cash		1,786,597			1,786,597
Accounts Receivable		2,878,863			2,878,863
Notes Receivable		300,000			300,000
Equity Securities	20,966,505				20,966,505
Investment in Affiliate				3,274,157	3,274,157
Bank and term loans			4,224,274		4,224,274
Accounts Payable			1,745,150		1,745,150
Margin Loan			9,577,916		9,577,916
Deferred Liability			206,847		206,847
Long term debt			2,065		2,065

15. Financial instruments (continued)

The Investment Division of the Corporation manages an active portfolio of equity securities and as a result, a significant portion of the Corporation's assets are comprised of financial instruments. The use of financial instruments can expose the Corporation to several risks, including market, liquidity and credit risks.

Market Risk – Market risk is the risk that the fair value of, or future cash flows from the Corporation's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in foreign exchange rates, interest rates, equity and commodity prices. The Corporation is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. The value of the Corporation's real estate investments are also subject to market fluctuations.

There were no changes to the way the Corporation manages market risk since June 30, 2012. The Corporation manages market risk by having a portfolio which is not singularly exposed to any one issuer or sector.

Margin Risk – The Corporation utilizes margin, by borrowing against its investments to allow it to have a larger investment than would be possible without borrowing. While this does increase the gain when investments appreciate, it also increases the loss during a down market. In the event of a sharp downturn, the Corporation may be forced to sell securities it had not planned to in order to meet a margin call, where the value of the securities is not sufficient to meet the margin loan. The Corporation manages margin risk by maintaining an available margin excess that should minimize the need to sell its holdings. At December 31, 2012, the Corporation had available margin of $2,975,636 (June 30, 2012 - $4,573,761) and a margin balance of $9,577,916 (June 30, 2012- $6,034,951).

Liquidity Risk – Liquidity risk is the risk that the Corporation will have sufficient cash resources to finance obligations as they come due. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation, or if the value of the Corporation's investments declines, resulting in losses upon disposition. The Corporation generates cash flow primarily from its food division and from proceeds upon the disposition of its investments, in addition to dividends and distributions earned on its investments. The Corporation has sufficient investments which primarily consist of tradable and relatively liquid equity securities to fund its obligations as they become due under normal operating conditions. There have been no changes to the way the Corporation manages liquidity risk since June 30, 2012. The Corporation manages liquidity risk by reviewing the amount of margin available on a daily basis, and managing its cash flow. The Corporation holds investments which can be converted into cash when required. The Corporation uses the last close price in the valuation of its securities. If the bid price were used instead, the value of the portfolio would be $ $20,798,933, a decrease of $167,572 (June 30, 2012 - $17,109,911, a decrease of $200,463).

15. Financial instruments (continued)

Interest Risk - Interest risk is the impact that changes in interest rates could have on the Corporation's earnings and liabilities. As at December 31, 2012 the Corporation had floating interest debt on its margin loans of $9,577,916, and averaged $9,153,329 for the six months at an effective interest rate of $4.1% (2011-12 six month average of $7,499,830 at 4.5%).

Currency Risk - Currency risk is the risk that the fair value of or future cash flows from the Corporation's financial instruments will fluctuate because of changes in foreign exchange rates. The Corporation's operations are exposed to foreign exchange fluctuations, which could have a significant adverse effect on its consolidated results of operations from time to time. The Corporation presently derives sales for the past six months of $503,785 in US dollars, and has $1,007,948 on deposit in US Dollar accounts, and $100,000 in US dollar securities. The Corporation does not engage in any hedging activities to mitigate its foreign exchange risk. A change in the foreign exchange rate of the Canadian dollar versus the US dollar may increase or decrease the value of the Corporation's financial instruments. A one cent change in the exchange rate would change the value of our US dollar holdings by $10,079.

16. Investment income and finance costs

Recognized in comprehensive income and loss

	Three months ended December 31		Six months ended December 31	
	2012	2011	**2012**	2011
Investment income				
Interest from debentures and bank deposits	**10,975**	11,481	**$ 21,714**	$30,636
Dividends from Portfolio of Equity Securities	**327,199**	160,928	**624,875**	372,490
Dividend from Somerset Properties Ltd.	**--**	--	**408,328**	--
Total Investment Income	**338,174**	172,409	**1,054,917**	403,126
Finance Expense				
Margin interest	**105,719**	67,454	**187,241**	170,960
Loan interest	**36,570**	32,932	**75,838**	64,395
Total Finance Expense	**142,289**	100,386	**263,079**	235,355
Net Finance Income	**195,885**	72,023	**$ 791,838**	$ 167,771

(Unaudited - Expressed in Canadian Dollars)

17. Segmented information

The Corporation has two cash generating units, as well as a corporate segment that holds inactive assets consisting of its debenture from Premium Brands Ltd, its investment in Somerset Properties, as well as deferred tax assets and liabilities.

	Six months ended December 31	
	2012	2011
Revenues:		
Food processing and distribution	**7,107,875**	9,428,060
Income (loss) before income taxes:		
Food processing and distribution	**$(604,565)**	(78,666)
Investment division	**296,748**	(1,132,994)
Corporate	**197,572**	(153,113)
Total Income (loss) before taxes	**$(110,245)**	$(1,364,773)

Assets By Segment	Dec 2012	June 2012
Corporate	$7,312,420	$7,107,982
Food processing and distribution	10,759,060	10,480,083
Investment division	20,966,505	17,310,374
Total Assets	$39,037,985	$34,898,439

Liabilities By Segment	Dec 2012	June 2012
Corporate	1,882,948	1,758,055
Food processing and distribution	6,272,708	5,631,431
Investment division	9,577,916	6,034,951
Total Liabilities	$17,733,572	$13,424,437

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