# BEAUMONT SELECT CORPORATIONS INC.

## Notice to Reader

September 30, 2013

(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 months ended September 30, 2013 and 2012 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 months ended September 30, 2013 and 2012 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
As at September 30, 2013 and June 30, 2013

| As At | | Sept 30, 2013 | June 30, 2013 |
|---|---|---|---|
| unaudited | | | |
| **Assets** | | | |
| Current Assets: | | | |
| Cash and cash equivalents | | **$1,604,095** | $1,516,982 |
| Portfolio of equity securities | 5 | **43,838,884** | 34,590,083 |
| Accounts receivable | | **1,766,359** | 2,107,405 |
| Inventory | 4 | **1,009,918** | 1,213,171 |
| Prepaid expenses | | **73,854** | 83,679 |
| Total Current Assets | | **48,293,110** | 39,511,320 |
| Non-Current Assets: | | | |
| Investment in and due from affiliated company | 6 | **3,274,157** | 3,274,157 |
| Property and equipment | 7 | **1,519,372** | 1,685,309 |
| Intangible assets | 8 | **25,598** | 27,444 |
| Deferred tax assets | | **4,077,446** | 4,077,447 |
| Total Assets | | **$57,189,683** | $48,575,677 |
| **Liabilities and Shareholders' Equity** | | | |
| Current Liabilities: | | | |
| Bank and term loans | | **$2,577,052** | $3,271,341 |
| Accounts payable and accrued liabilities | | **1,385,645** | 1,152,987 |
| Margin loans on equity securities | | **20,087,833** | 16,411,933 |
| Total Current Liabilities | | **24,050,530** | 20,836,261 |
| Non-Current Liabilities: | | | |
| Deferred tax liabilities | | **3,583,692** | 3,162,605 |
| Total Liabilities | | **27,634,222** | 23,998,866 |
| Contingencies (note 13) | | | |
| Commitment | | | |
| Shareholders' Equity: | | | |
| Share capital (note 10) | | **7,646,854** | 7,646,854 |
| Non-controlling interest (note 11) | | **500,162** | 483,376 |
| Contributed surplus | | **88,039** | 88,039 |
| Retained earnings | | **21,320,406** | 16,358,542 |
| Total Equity | | **$29,555,461** | $24,576,811 |
| Total Liabilities and Equity | | **$57,189,683** | $48,575,677 |

**Approved on behalf of the Board**

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

*The accompanying notes are an integral part of these interim condensed consolidated financial statements*

# BEAUMONT SELECT CORPORATIONS INC.
## Consolidated Statements of Comprehensive Income and Loss
For the three months ended September 30, 2013 and 2012

| For the three months ending September 30 (unaudited) | | 2013 | 2012 |
|---|---|---|---|
| Revenues | | **$3,641,670** | $2,571,728 |
| Cost of sales: | | | |
| Direct expenses | | **3,576,959** | 3,212,804 |
| Depreciation and amortization | | **182,679** | 183,476 |
| | | **3,759,638** | 3,396,280 |
| Operating margin | | **(117,968)** | (824,552) |
| Corporate and administrative | 13 | **413,531** | 377,908 |
| Investment income | 15 | **(462,282)** | (716,744) |
| Gain on sale of equity securities | | **(2,800,164)** | (174,762) |
| Unrealized gain on securities held for trading | | **(2,868,642)** | (1,381,699) |
| Foreign exchange (gain)/loss | | **(28,104)** | 40,967 |
| Insurance Income | | **--** | (329,132) |
| Rental income | | **(7,350)** | (7,350) |
| Interest and bank charges | 15 | **29,669** | 39,269 |
| Interest on margin loans | 15 | **183,875** | 81,522 |
| Income before taxes | | **5,421,499** | 1,245,469 |
| Income tax expense: | | | |
| Current | | **21,760** | 14,212 |
| Deferred | | **421,089** | 98,984 |
| | | **442,849** | 113,196 |
| Income from continuing operations attributable to | | | |
| Shareholders of the Corporation | | **4,961,864** | 1,120,509 |
| Non-controlling interest | | **16,786** | 11,764 |
| Total Comprehensive (Loss)/Income | | **$4,978,650** | $1,132,273 |
| Net income per share: | | | |
| Continuing operations: basic /diluted | **$** | **0.31** | $ 0.07 |
| Net: basic / diluted | | **0.31** | 0.07 |
| Weighted average number of shares outstanding | | **16,166,097** | 16,171,597 |

*The accompanying notes are an integral part of these interim condensed consolidated financial statements*

# BEAUMONT SELECT CORPORATIONS INC.
## Consolidated Statements of Changes in Shareholders' Equity
For the three months ended September 30, 2013 and year ended June 30, 2013

| | Share Capital | Contributed Surplus | Non-controlling Interest | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| **Balance July 1, 2012** | $7,649,454 | $88,039 | $472,720 | $13,263,789 | $21,474,002 |
| Shares repurchased (note 11) | (2,600) | | | (276) | (2,876) |
| Net income to shareholders | | | | 3,095,029 | 3,095,029 |
| Net income to non controlling interest | | | 10,656 | | 10,656 |
| **Balance, June 30, 2013** | **$7,646,854** | **$88,039** | **$483,376** | **$16,358,542** | **$24,576,811** |
| | | | | | |
| **Balance July 1, 2013** | **$7,646,854** | **$88,039** | **$483,376** | **$16,358,542** | **$24,576,811** |
| Shares repurchased | | | | | |
| Net income to shareholders | | | | 4,961,864 | 4,961,864 |
| Net income to non controlling interest | | | 16,786 | | 16,786 |
| **Balance, September 30, 2013** | **$7,646,854** | **$88,039** | **$500,162** | **$21,320,406** | **$29,555,461** |

*The accompanying notes are an integral part of these interim condensed consolidated financial statements*

# BEAUMONT SELECT CORPORATIONS INC.
## Consolidated Statements of Cash Flows
For the three months ended September 30, 2013 and 2012

| For the three months ending September 30 (unaudited) | | **2013** | 2012 |
|---|---|---|---|
| Cash provided by (used in): | | | |
| Operations: | | | |
| (Loss)/income from continuing operations attributable to Shareholders of the Corporation | | **$4,978,650** | $1,132,273 |
| Add (deduct) non-cash items: | | | |
| Depreciation and amortization | | **182,679** | 183,476 |
| Deferred tax (recovery)/expense | | **421,089** | 98,984 |
| Gain on sale of equity securities | | **(2,800,164)** | (174,762) |
| Gain on securities held for trading | | **(2,868,642)** | (1,381,699) |
| | | **(86,388)** | (141,728) |
| Net change in non-cash working capital related to operations | | | |
| Accounts receivable | | **341,047** | (718,730) |
| Accounts payable and accrued liabilities | | **232,657** | 438,953 |
| Inventory | | **203,253** | 153,332 |
| Prepaid expenses | | **9,825** | 13,525 |
| Cash from operating activities | | **$700,394** | $(254,648) |
| Financing | | | |
| Increase (decrease) in bank and term loans | | **(694,289)** | 285,539 |
| Increase (decrease) in margin loans on equity securities | | **3,675,900** | 3,094,681 |
| Payments on leases | | **--** | (2,216) |
| Cash from financing activities | | **$2,981,611** | $3,378,004 |
| Investing | | | |
| Additions to property, equipment and intangible assets | 7 | **(14,896)** | (19,265) |
| Sale/(Purchase) of equity securities | | **(3,579,996)** | (3,210,449) |
| Cash from investing activities | | **$(3,594,892)** | $(3,229,714) |
| Change in cash and cash equivalents | | **87,113** | (106,358) |
| Cash and cash equivalents, beginning of year | | **1,516,982** | 1,848,086 |
| Cash and cash equivalents, end of period | | **$1,604,095** | **$1,741,728** |

*The accompanying notes are an integral part of these interim condensed consolidated financial statements*

### 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 months ended September 30, 2013 comprise 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 November 28, 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.

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, 2013. Accordingly, these interim consolidated statements for the three months ended September 30, 2013 and 2012 should be read together with the annual consolidated financial statements as at and for the year ended June 30, 2013.

**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., 6434991 Canada Corp (formerly T.H.E. 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 instruments 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 held for trading and are recorded at fair value under level 1.
- Accounts 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 other 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)

#### Changes in Accounting Policies

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 July 1, 2013 with earlier application permitted. Management does not believe the changes resulting from these amendments had a significant 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. Management does not believe the changes resulting from these amendments had a significant 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. Management does not believe the changes resulting from these amendments had a significant impact on its consolidated financial statements.

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. Management does not believe the changes resulting from these amendments had a significant impact on its consolidated financial statements.

### 3. Accounting Policies (Continued)

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. Management does not believe the changes resulting from these amendments had a significant 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.

**Future accounting pronouncements**

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.

**4. Inventory**

| | Sept 30, 2013 | June 30, 2013 |
|---|---|---|
| Raw materials | $708,935 | $876,725 |
| Finished goods | 300,983 | 336,446 |
| Total inventory | $1,009,918 | $1,213,171 |

A total of $1,849,439 (September 30, 2012 - $1,444,577) of inventory raw materials were expensed during the three months.

**5. Portfolio of Equity Securities**

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

| Equity Position as at September 30, 2013<br>Equity Name | Shares Held | Sector | Cost | Value |
|---|---|---|---|---|
| AutoCanada Inc | 400,000 | Retail | $3,804,347 | $14,780,000 |
| Student Transportation Inc. | 848,400 | Transportation | $4,968,385 | $5,497,632 |
| Altus Group | 352,600 | Services | $3,173,472 | $4,478,020 |
| Element Financial Corp | 287,500 | Financial | $3,175,886 | $3,737,500 |
| Eagle Energy Trust | 408,800 | Energy Trust | $3,164,007 | $3,503,416 |
| CanElson Drilling Inc. | 399,100 | Energy Service | $2,184,305 | $2,546,258 |
| BGC Partners Cl A | 261,000 | Services | $1,394,244 | $1,472,301 |
| Argent Energy Trust | 100,000 | Energy Trust | $1,011,162 | $1,013,000 |
| Carfinco Financial Group | 75,000 | Consumer | $757,419 | $758,250 |
| Legacy Oil and Gas Inc | 80,000 | Oil Exploration | $511,068 | $529,600 |
| 47 other investments | | Various | 5,904,496 | 5,522,907 |
| **Total** | | | **$30,048,791** | **$43,838,884** |

The majority 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. The Corporation holds four private placement investments classified as Level 2. These consist of one debenture, two equities and one warrant for a cost base of $162,500 (June 30, 2013 - $264,000), and a market value of $183,100 (June 30, 2013 - $292,620).

| Equity Investments, Fair Value | Level 1 Quoted market price | Level 2 Observable inputs | Level 3 Non-observable inputs | Total |
|---|---|---|---|---|
| September 30, 2013 | $43,655,784 | $183,100 | -- | $43,838,884 |
| June 30, 2013 | $34,297,463 | $292,620 | -- | $34,590,083 |

### 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 and Eagle Energy Trust positions both represent five days average trading. 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. Related party transactions during the year

**(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:

| | | **Sept 2013** | | **June 2013** |
|---|---|---|---|---|
| Investment in Somerset | **$** | **2,924,157** | $ | **2,924,157** |
| Due from Somerset, unsecured, bearing interest at 6% per annum, with no specific terms of repayment | | **350,000** | | **350,000** |
| | **$** | **3,274,157** | $ | **3,274,157** |

**(b) Statement of comprehensive income and loss:**

- Management fees charged by shareholders and officers of the Corporation included in corporate and administrative expenses: $70,514 (Q1 2012-13 - $70,514)
- Consulting fees paid to current and former directors of the Corporation included in corporate and administrative expenses: $39,000 (Q1 2012-13 - $36,000)
- Rent paid to a company controlled by an officer of the Corporation: $20,550 (Q1 2012-13 - $20,550)

## 7. Property and equipment

| | Production Equipment | Buildings | Leasehold Improvements | Vehicles | Land | **Total** |
|---|---|---|---|---|---|---|
| Year ended June 30, 2013 | | | | | | |
| Opening net book value | $4,014,865 | $153,230 | $364,382 | $52,722 | $135,000 | $4,720,199 |
| Additions | 63,545 | -- | 4,990 | -- | -- | 68,535 |
| Depreciation | (606,913) | (61,870) | (48,674) | (15,678) | -- | (733,135) |
| Writedown | (2,370,290) | -- | -- | -- | -- | (2,370,290) |
| Net book value | $1,101,207 | $91,360 | $320,698 | $37,044 | $135,000 | $1,685,309 |
| | | | | | | |
| Quarter ended September 30, 2013 | | | | | | |
| Opening net book value | $1,101,207 | $91,360 | $320,698 | $37,044 | $135,000 | $1,685,309 |
| Additions | 14,043 | -- | -- | -- | -- | 14,043 |
| Depreciation | (150,496) | (15,468) | (11,010) | (3,006) | -- | (179,980) |
| Net book value | $964,754 | $75,892 | $309,688 | $34,038 | $135,000 | $1,519,372 |

## 8. Intangible assets

| | Software | Recipes | **Total** |
|---|---|---|---|
| Year ended June 30, 2013 | | | |
| Opening net book value | $2,908 | $38,326 | $41,234 |
| Additions | 1,845 | -- | 1,845 |
| Depreciation | (2,677) | (3,185) | (5,862) |
| Writedown (Note 10) | -- | (9,773) | (9,773) |
| **Net book value** | $**2,076** | $**25,368** | $**27,444** |
| | | | |
| Quarter ended September 30, 2013 | | | |
| Opening net book value | $2,076 | $25,368 | $27,444 |
| Additions | 853 | -- | 853 |
| Depreciation | (996) | (1,703) | (2,699) |
| **Net book value** | $**1,933** | $**23,665** | $**25,598** |

## 9. 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, 2012** | **16,171,597** | **$7,649,454** |
| Redemption of shares | (5,500) | (2,600) |
| **Balance, June 30, 2013** | **16,166,097** | **$7,646,854** |
| Redemption of shares | 0 | 0 |
| **Balance, September 30, 2013** | **16,166,097** | **$7,646,854** |

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.

| | | | **September 30, 2013** | | | June 30, 2013 |
|---|---|---|---|---|---|---|
| | **Number** | | **Weighted average exercise price** | Number | | Weighted average exercise price |
| Outstanding options, beginning | **168,750** | **$** | **1.00** | 168,750 | $ | 1.00 |
| Options expired | (168,750) | | - | - | | - |
| Outstanding options, ending | **--** | **$** | **--** | 168,750 | $ | 1.00 |
| Options exercisable, ending | **--** | **$** | **--** | 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 | |

### 9. Share capital: (continued)

**Normal Course Issuer Bid**

In June 2013 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, 2013 to acquire up to 808,304 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 September 30, 2013 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 November 26, 2013 is 16,166,097.

**Per share amounts**

The weighted average number of Class A common shares outstanding during the three months ending September 30, 2013 was 16,166,097. (September 30, 2012 – 16,171,597)

### 10. Non controlling interest

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

### 11. Capital disclosures:

The Corporation's breakdown of capital is as follows:

| | September 30, 2013 | June 30, 2013 |
|---|---|---|
| Bank debt | $2,577,052 | $3,271,341 |
| Margin loans on equity securities | 20,087,833 | 16,411,933 |
| Share capital | 7,646,854 | 7,646,854 |
| Total capital | $ 30,311,739 | $ 27,330,128 |

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 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

### 11. Capital disclosures: (continued)

inventory and manage payables and receivables with the size of available bank line typically set as a function of a percentage of these amounts.. 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 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 a larger portfolio to generate 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.

### 12. Contingencies

The Corporation or its subsidiaries are involved in 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.

### 13. Expenses by nature:

| | Sept 30, 2013 | Sept 30, 2012 |
|---|---|---|
| Wages and salaries | $229,247 | $197,570 |
| Directors fees | 10,500 | 10,500 |
| Rent | 20,550 | 20,550 |
| Professional fees | 31,606 | 47,516 |
| Insurance | 30,824 | 31,394 |
| Donations | 10,000 | -- |
| Office | 80,804 | 70,378 |
| Total | $ 413,531 | $377,908 |

### 14. Financial instruments

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

As at **September 30, 2013**

| | Fair value through profit or loss | Loans and receivables | Other liabilities | Available for sale | Total |
|---|---|---|---|---|---|
| Cash | $1,604,095 | | | | $1,604,095 |
| Accounts receivable | | $1,766,359 | | | 1,766,359 |
| Equity securities | 43,838,884 | | | | 43,838,884 |
| Investment in affiliate | | 350,000 | | $2,924,157 | 3,274,157 |
| Total financial assets | $45,442,979 | $2,116,359 | | $2,924,157 | $50,483,495 |
| | | | | | |
| Bank and term loans | | | $2,577,052 | | $2,577,052 |
| Accounts payable | | | 1,385,645 | | 1,385,645 |
| Margin loan | | | 20,087,833 | | 20,087,833 |
| Total financial liabilities | | | $24,050,530 | | $24,050,530 |

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, 2013. 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 September 30 2013, the Corporation had available margin of $8,902,324 (June 30, 2013 - $4,187,554) and a margin balance of $20,087,833 (June 30, 2013- $16,411,933).

## 14. Financial instruments (continued)

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, 2013. 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 $43,713,002, a decrease of $125,882 (June 30, 2013 - $34,319,165, a decrease of $270,918).

Interest Risk - Interest risk is the impact that changes in interest rates could have on the Corporation's earnings and liabilities. As at September 30, 2013 the Corporation had floating interest debt on its margin loans of $20,087,833, and averaged $17,749,552 for the three months at an effective interest rate of 4.0% (Q1 2012-13 average $8,168,980 at 4.0%).

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 three months of $238,553 in US dollars (Q1 2012-13 - $238,411), and has $845,286 in US Currency on deposit in US Dollar accounts (Q1 2012-13 - $1,043,678), $1,311,885 in US Dollar margin loans, and $2,774,751 in US dollar securities (Q1 2012-13 - $100,000). 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 $23,082.

### 15. Investment income and finance costs

Recognized in comprehensive income and loss

| | Three months ended September 30 | |
|---|---|---|
| | **2013** | 2012 |
| Investment income | | |
| Interest from debentures and bank deposits | **$ 6,378** | $ 10,739 |
| Dividends from Portfolio of Equity Securities | **455,904** | 297,677 |
| Dividend from Somerset Properties Ltd. | **--** | 408,328 |
| Total Investment Income | **$462,282** | $716,744 |
| Finance Expense | | |
| Margin interest | **$183,875** | $81,522 |
| Loan interest | **29,669** | 39,269 |
| Total Finance Expense | **213,544** | 120,791 |
| Net Finance Income | **$ 248,738** | $ 595,953 |

### 16. Segmented information

| | Three months ended September 30 | |
|---|---|---|
| | **2013** | 2012 |
| Revenues: | | |
| Food processing and distribution | **$3,641,670** | $2,571,728 |
| Income (loss) before income taxes: | | |
| Food processing and distribution | **$(188,521)** | $(649,949) |
| Investment division | **5,783,990** | 1,609,087 |
| Corporate | **(173,970)** | 286,331 |
| | **$5,421,499** | $1,245,469 |

### 16. Segmented Information (continued)

| Assets By Segment | Sept 2013 | June 2013 |
|---|---|---|
| Corporate | $8,177,511 | $8,046,848 |
| Food processing and distribution | 5,173,288 | 5,938,746 |
| Investment division | 43,838,884 | 34,590,083 |
| Total | $57,189,683 | $48,575,677 |

| Liabilities By Segment | Sept 2013 | June 2013 |
|---|---|---|
| Corporate | 3,650,889 | 3,176,986 |
| Food processing and distribution | 3,895,500 | 4,409,947 |
| Investment division | 20,087,833 | 16,411,933 |
| Total | $27,634,222 | $23,998,866 |

### 17. Contingencies

The Corporation has no material contingent assets or liabilities as at the reporting date.

## Beaumont Select Corporations Inc.
## Corporate Directory

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Andrew Hyslop
Terry Kent
Martin Pelletier

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Chief Financial Officer
Andrew Hyslop
Corporate Secretary
Philip Gaiser
Controller

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**Stock Exchange Listing**
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Calgary, Alberta

**Stock Symbol**
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**Shares Outstanding**
16,166,097