Second Quarter Report

FRESHWATER FISH MARKETING CORPORATION

October 31, 2012

The Freshwater Fish Marketing Corporation ("the Corporation") has prepared this report as required by section 131.1 of the *Financial Administration Act* using the standard issued by the Treasury Board of Canada. This narrative should be read in conjunction with the unaudited financial statements, the Corporation's 2012/13 – 2016/17 Corporate Plan Summary and the Corporation's 2011/12 Annual Report which includes the audited annual financial statements for the year ended April 30, 2012.

The Freshwater Fish Marketing Corporation has prepared these financial statements for the 26 weeks ended October 31, 2012 and October 31, 2011 in compliance with International Financial Reporting Standards (IFRS).

Information about the Corporation, including the Annual Report and the Corporate Plan Summary once approved by the Federal government can be found at www.freshwaterfish.com.

The unaudited financial statements and the accompanying notes have been prepared in accordance with International Financial Reporting Standards and are reported in Canadian dollars.

Quarterly Results

(in thousands)	13 weeks ended October 31, 2012			26 weeks ended October 31, 2012		
	Actual	**Budget**	**Variance**	**Actual**	**Budget**	**Variance**
Net Sales Revenue	$ 17,268	$ 16,810	$ 458	$ 32,487	$ 31,293	$ 1,194
Expenses	$ 15,397	$ 15,432	$ (35)	$ 29,049	$ 28,828	$ 221
Net Income	$ 1,871	$ 1,378	$ 493	$ 3,438	$ 2,465	$ 973

Revenues
The Corporation's revenue for the 13 weeks ending October 31, 2012 was 2.7% above plan primarily due to higher than budgeted selling prices partially offset by volume slightly below budget.

Expenses
For the 13 weeks ending October 31, 2012, cost of sales was slightly under budget by less than 1% and below the 13 weeks ending October 31, 2011 expense by 12.1% due to less depreciation than plan and lower utility costs compared to budget.

Period expenses of $1.6 million were below the budget of $1.7 million as a result of reduced expenses for computer information systems and training and development activities.

Delivery Statistics
(in thousands of round equivalent kilograms)

	13 weeks ended October 31, 2012			26 weeks ended October 31, 2012		
	Actual	**Budget**	**Variance**	**Actual**	**Budget**	**Variance**
Whitefish	1,372	1,623	(251)	2,312	2,613	(301)
Walleye	2,195	2,092	102	4,785	4,951	(166)
Northern Pike	634	450	184	819	637	182
Sauger	98	30	67	125	61	64
Mullet	294	405	(111)	498	587	(89)
Other	269	207	61	558	393	165
Total Deliveries	**4,860**	**4,808**	**53**	**9,096**	**9,242**	**(145)**

Forecast

In the 26 weeks ended October 31, 2012 sales volume was below plan due to a shortage of key species and size grades but strong prices offset this shortage bringing sales revenues in above the previous year. This revenue situation may not hold over the balance of the year as prices can be expected to come under threat in Europe as the economy continues to struggle and local supplies re-enter the European and Russian markets. In North America the economy will be less of a factor but average prices will suffer if the shortage of the most popular size grades continues. First half deliveries are very close to plan, a good result given that one community did not fish and several lakes had short seasons due to warmer than usual water temperatures. Over the balance of the year the Corporation expects deliveries to track closely to plan but final outcomes will depend on whether or not the Lake Winnipeg Zone #6 (Dauphin River) quota is fished and weather conditions during the winter fishery.

Risk analysis

Strategic Risks
Strategic Risks have previously been disclosed in the Corporation's 2011/12 Corporate plan, the most significant of which are:

Markets
Key markets in Europe continue in or close to recession which will put planned and recently executed price increases at risk. In the United States prices are at historical highs in $USD terms resulting in some downside risk in those markets.

$CAD/$US Exchange Rates
The Corporation hedges 80% of its foreign currency receivables leaving 20% at risk to a weakening in $USD and Euro or strengthening $CAD.

Plant Infrastructure
The age of the plant and much of its key equipment makes the chance of at least a partial closure due to equipment failure a possibility. This situation is managed through careful maintenance planning and contingency plans. As equipment is replaced according to our capital plan this risk is becoming more manageable.

Supply
With prices to fishers at their current levels, there are a number of Fisheries within the Corporation's mandate area that are only marginally viable economically. In these areas the industry is losing fishers to the resource sector with a subsequent decline in volume delivered.

Operational Risks

Deliveries/Supply
First half deliveries are very close to plan, a good result given that one community did not fish and several lakes had short seasons due to warmer than usual water temperatures. Over the balance of the year we expect deliveries to track closely to plan but final outcomes will depend on whether or not the Lake Winnipeg Zone #6 (Dauphin River) quota is fished and weather conditions during the winter fishery.

Special Examination

In 2010 the Office of the Auditor General conducted a Special Examination of Freshwater's operations. The Corporation is using this opportunity to identify ways to improve strategic, governance and operational processes. Of the twelve recommendations made in the Special Examination Report, 10 have been addressed and 2 are in the process of being addressed.

Statement of Management Responsibility by Senior Officials

Management is responsible for the preparation and fair presentation of these consolidated quarterly financial statements in accordance with IAS 34 Interim Financial Reporting and requirements in the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate with the quarterly financial statements.

To the best of our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date and for the periods presented in the quarterly financial statements.

John K. Wood
President and Chief Executive Officer
Freshwater Fish Marketing Corporation

Stanley A. Lazar, CMA
Chief Financial Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
December 18, 2012

FRESHWATER FISH MARKETING CORPORATION
Statement of Financial Position (CAD$ thousands)
(unaudited)

	As at	
	October 31, 2012	April 30, 2012
ASSETS		
Current		
Cash	$ 951	$ 420
Trade receivables (Note 5)	8,087	6,392
Prepaid expenses	240	694
Income taxes receivable (Note 13)	115	115
Inventories (Note 6)	20,778	10,491
Derivative-related assets (Note 5)	29	139
	30,200	18,251
Non-current		
Property, plant and equipment (Note 7)	19,935	17,692
Intangible assets (Note 8)	48	45
	19,983	17,737
Total Assets	**$ 50,183**	**$ 35,988**
LIABILITIES		
Current		
Trade and other payables and accrued liabilities (Note 9)	5,761	5,313
Accrued obligation for employee benefits (Note 11)	407	1,008
Provision for final payment to fishers	2,950	2,950
Loans payable (Notes 5 and 10)	29,728	21,152
Derivative-related liabilities (Note 5)	626	394
	39,472	30,817
Non-current		
Deferred tax liabilities (Note 13)	515	313
Accrued obligation for employee benefits (Note 11)	1,073	568
Asset retirement obligation	50	50
	1,638	931
Equity		
Retained earnings	9,073	4,240
	$ 50,183	**$ 35,988**

Commitments and Contingencies (Note 15)

The accompanying notes are an integral part of these financial statements.

FRESHWATER FISH MARKETING CORPORATION
Statement of Comprehensive Income
(CAD$ thousands)
(unaudited)

	13 weeks ended		**26 weeks ended**	
	October 31, 2012	October 31, 2011	**October 31, 2012**	October 31, 2011
Sales				
Export	$ 14,453	$ 14,638	$ 27,191	$ 26,944
Domestic	2,815	3,297	5,296	5,408
	17,268	17,935	32,487	32,352
Cost of Sales				
Opening Inventory of finished fish products	14,638	12,308	9,618	9,195
Add fish purchases and processing expenses:				
Fish purchases	9,965	9,198	19,337	17,929
Plant salaries, wages and benefits (Note 11)	3,475	3,298	6,439	5,895
Packing allowances and agency operating costs	1,146	1,108	2,084	2,118
Packaging and storage	1,109	1,040	1,967	1,852
Freight	742	868	1,158	1,526
Repair and maintenance	515	340	1,216	987
Depreciation and amortization of production assets	387	208	758	686
Utilities and property taxes	538	727	1,034	1,239
Other	185	181	387	368
	32,700	29,276	43,998	41,795
Less ending inventory of processed fish products	(19,778)	(14,578)	(19,778)	(14,578)
	12,922	14,698	24,220	27,217
Gross profit on operations	**4,346**	**3,237**	**8,267**	**5,135**
Marketing and administrative expenses				
Salaries and benefits (Note 11)	771	856	1,553	1,648
Commissions (Note 12)	312	324	608	639
Data processing, office and professional services	223	177	517	443
Finance income	(2)	(1)	(2)	(2)
Finance costs	174	138	323	267
Advertising and promotion	81	87	180	258
Meeting fees and expenses	20	26	38	60
Other	38	48	94	88
Depreciation and amortization of administration assets	11	51	19	62
	1,628	1,706	3,330	3,463
Other income and expenses				
Net foreign exchange loss (gain) (Note 5)	5	30	149	40
Net financial derivative loss (Note 5)	(73)	-	232	-
Other revenue	-	-	-	-
	(68)	30	381	40
Profit before income tax	**2,786**	**1,501**	**4,556**	**1,632**
Income tax expense (recovery) (Note 13)	(479)	-	(277)	-
Total comprehensive income	**$ 3,265**	**$ 1,501**	**$ 4,833**	**$ 1,632**

The accompanying notes are an integral part of these financial statements

FRESHWATER FISH MARKETING CORPORATION
Statement of Changes in Equity
26 weeks ended October 31 (CAD$ thousands)
(unaudited)

	2012	2011
Balance as at May 1	$ 4,240	$ 1,649
Total comprehensive income	4,833	1,633
Balance as at October 31	**$ 9,073**	**$ 3,282**

The accompanying notes are an integral part of these financial statements

FRESHWATER FISH MARKETING CORPORATION
Statement of Cash Flows
(CAD$ thousands)
(unaudited)

	13 weeks ended		26 weeks ended	
	October 31, 2012	October 31, 2011	**October 31, 2012**	October 31, 2011
Operating activities				
Comprehensive income for the period	$ 3,265	$ 1,501	$ 4,833	$ 1,632
Add (deduct) items not affecting cash:				
Depreciation and amortization	398	236	777	726
Deferred tax recovery	202	-	202	-
Net changes in non-cash working capital:				
Decrease (increase) in trade receivables	492	292	(1,695)	(1,144)
(Increase) in inventory	(5,174)	(2,305)	(10,287)	(5,473)
Decrease in prepaid expenses	159	204	454	309
(Decrease) increase in derivative-related assets	(25)	344	110	478
(Decrease) increase in accrued obligation for employee benefit	(667)	-	(96)	-
Increase in provision for final payment to fishers	-	-	-	-
Increase in trade and other payables and accrued liabilities	339	2,385	448	3,286
(Decrease) increase in derivative-related liabilities	(152)	107	232	108
Cash generated by operating activities	**(1,163)**	**2,764**	**(5,022)**	**(78)**
Investing activities				
Additions to property, plant and equipment	(1,162)	(769)	(3,023)	(2,912)
Cash used in investing activities	**(1,162)**	**(769)**	**(3,023)**	**(2,912)**
Financing activities				
Increase (decrease) in loans payable and cash used in financin	**2,458**	**(2,442)**	**8,576**	**2,888**
Increase in cash during the period	**133**	**(447)**	**531**	**(102)**
Cash at the beginning of the period	818	352	420	7
Cash at the end of the period	**$ 951**	**$ (95)**	**$ 951**	**$ (95)**

The accompanying notes are an integral part of these financial statements.

1. NATURE AND DESCRIPTION OF THE CORPORATION

The Corporation was established in 1969 pursuant to the *Freshwater Fish Marketing Act* for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The address of the Corporation's registered office and principal place of business is 1199 Plessis Road in Winnipeg, Manitoba. The Corporation is required to purchase all fish legally caught in the freshwater region, which encompasses the provinces of Alberta, Manitoba, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament. In accordance with the *Freshwater Fish Marketing Act*, the legislative borrowing limit of the Corporation is $50 million. As at October 31, 2012, the total borrowings of the Corporation may not exceed $39.5 million as authorized by the Minister of Finance.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income tax under the *Income Tax Act.*

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

These interim financial statements have been prepared in accordance with International Accounting Standard ("IFRS") 34, Interim Financial Reporting and the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board of Canada.

The financial statements were prepared on the historical cost basis, except for derivative instruments which were measured at fair value and the workers' compensation, pension deficiency, and sick leave benefits which were measured at the actuarial valuation amount.

The policies set out below were consistently applied to all the periods presented.

These interim financial statements have not been audited or reviewed by an external auditor and must be read in conjunction with the most recent annual audited financial statements and with the narrative discussion included in the quarterly financial report.

These interim financial statements have been approved for public release by the Audit Committee of the Board of Directors of the Corporation on December 21, 2012.

2.2 Cash and bank indebtedness

Cash represents money in the bank and bank indebtedness is money owing to the bank.

2.3 Trade receivables

Trade receivables are recognized at their anticipated realizable value, which is the original invoice amount less an estimated allowance for impairment loss on these receivables. An estimated impairment

loss on receivables is made when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables.

2.4 Inventories

Processed fish products are recorded at the actual cost of fish purchases throughout the year plus direct labour and overhead directly related to processing. The Corporation uses a weighted-average cost formula to assign fixed and variable overhead costs to processed fish product inventory. At the reporting date inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Inventory write-downs and reversals of write-downs are included in cost of sales in the statement of comprehensive income.

2.5 Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

2.5.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the net carrying amount on initial recognition.

2.6 Financial assets

The Corporation's financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

2.6.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment write downs. Assets in this category include trade receivables and are classified as current assets in the statement of financial position.

Interest income is recognized by applying the effective interest rate, except for short-term receivables, when the recognition of interest would be insignificant.

2.6.2 Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated or effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition. The Corporation has not designated any financial asset as FVTPL at the end of the reporting period.

Financial assets at FVTPL are presented at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 5.

2.6.3 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the debtor; or
- breach of contract, such as a default or delinquency in payments; or
- it becoming probable that the debtor will enter bankruptcy or financial re-organization; or
- significant decrease in creditworthiness of the debtor.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2.6.4 Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

2.7 Financial liabilities

Financial liabilities are classified as either financial liabilities at “FVTPL” or “other financial liabilities”.

2.7.1 Financial liabilities at fair value through profit or loss
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading using the same criteria described in Note 2.6.2 for a financial asset classified as held for trading.

The Corporation has not designated any financial liabilities as FVTPL at the end of the reporting period.

Financial liabilities at FVTPL are presented at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 5.

2.7.2 Other financial liabilities
Other financial liabilities are initially measured at fair value plus transaction costs.

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

2.7.3 Derecognition of financial liabilities
The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire.

2.8 Derivative financial instruments

The Corporation selectively utilizes derivative financial instruments primarily to manage financial risks and to manage exposure to fluctuations in foreign exchange rates and interest rates. The Corporation's policy is not to enter into derivative instruments for trading or speculative purposes.

Derivatives are initially recognized at fair value when the corporation becomes a party to the contractual provisions of the instrument and are subsequently remeasured to their fair value at the end of each reporting period. The hedges entered into represent economic hedges. Attributable transaction costs are recognized in profit or loss as incurred. The resulting gain or loss is recognized in profit or loss immediately.

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability on the statement of financial position if the remaining contractual maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2.9 Property, plant and equipment

2.9.1 Asset recognition
Property, plant and equipment are recorded at cost less accumulated amortization and/or any accumulated impairment losses. Costs include directly attributable costs. Repair and maintenance costs are recognized in the statement of comprehensive income as incurred. The cost of self-constructed assets includes the cost of materials and direct labour, and other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after May 1, 2010.

2.9.2 Depreciation

Amortization is based on the estimated useful lives of the assets using the straight-line methodology and annual rates:

Buildings:	Lake stations and other buildings	10-65 years
	Plant	40 years
Equipment:	Machinery and office equipment	3 to 65 years
	Automotive	5 years
Fresh fish delivery tubs/totes		3 to 10 years
Vessels		3 to 35 years

The cost for systems under development and plant assets being upgraded or purchased that are not yet operational are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate property, plant and equipment classification and depreciated accordingly.

Freehold land is not depreciated.

Useful lives, residual values and depreciation methods are reviewed at each reporting period and necessary adjustments are recognized on a prospective basis as changes in estimates.

2.9.3 Subsequent costs

Day-to-day repairs and maintenance costs are expensed when incurred.

Costs incurred on a replacement part for property, plant and equipment are recognized in the carrying amount of the part that was replaced is derecognized.

Cost of major inspections or overhauls are recognized in the carrying amount of the item or as a replacement. Any remaining carrying amount of the cost of the previous inspection is derecognized.

2.9.4 Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an item is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss when the item is derecognized.

2.9.5 Intangible assets

Intangible assets include costs associated with information systems software, initial set-up and configuration costs. These costs are amortized, after technological feasibility is established, on a straight-line basis over the estimated useful life of five years. The Corporation has no indefinite intangible assets. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting period. If the expected useful life of the asset is different from previous estimates, the amortization period shall be changed accordingly.

2.9.6 Impairment of tangible and intangible assets

The Corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, or when annual testing for an asset is required, the Corporation estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's ("CGUs") fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that

reflects the current market assessment of the time value of money and the specific risks of the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. The recoverable amount of assets that do not generate independent cash flows is determined based on the cash-generating unit to which the asset belongs.

The Corporation bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Corporation's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An impairment loss is recognized in the statement of comprehensive income if an asset's carrying amount or that of the cash-generating unit to which it is allocated is higher than its recoverable amount. Impairment losses are recognized in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of comprehensive income.

2.9.7 Borrowing costs

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other finance costs are expensed in the period they occur.

2.10 Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from cost of sales. The final payments are charged to operations of the current year.

2.11 Foreign currency translation

Revenues and expenses are translated into Canadian dollars at the monthly average exchange rate in effect during the year. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the reporting date. All foreign exchange gains and losses incurred are included in net foreign exchange gain or loss in the statement of comprehensive income.

2.12 Employee benefits

2.12.1 Short-term employee benefits

Short-term employee benefits are the employee benefits that are due to be settled within twelve months after the end of the period in which the employees render their related service. The Corporation's short-term benefits include wages and salaries, annual leave and other types of short-term benefits.

The Corporation recognizes the undiscounted amount of short-term employee benefits earned by an employee in exchange for services rendered during the period as a liability in the statement of financial position, after deducting any amounts already paid as an expense in profit and loss.

2.12.2 Pension benefits

Substantially all of the employees of the Corporation are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

The accrued obligation for pension benefits represents the actuarially determined net present value of liabilities for pension benefits related to an agreement with the Corporation's union that established the employment status of its fish plant employees on a go forward basis and retroactively to April 1, 1973. The Corporation is required to fund the employer's portion of any employee contributions that arise from this agreement.

Changes in the net present value of the unfunded liability are based on updated actuarial estimates of future costs as a result of actual experience and changes in actuarial assumptions. Adjustments arising from actuarial gains and losses are recognized in the year in which they occur.

2.12.3 Accrued obligation for workers' compensation

The Corporation is subject to the *Government Employees Compensation Act* and, therefore, is self-insured for benefits for work-related injuries of the employees of the Freshwater Fish Marketing Corporation. As a self-insured employer, the Corporation is accountable for all such liabilities incurred since incorporation. Liabilities for workers' compensation benefits are recorded based on known awarded disability and survivor pensions in respect of injuries or illnesses that have occurred.

The accrued obligation for workers' compensation represents the actuarially determined net present value of liabilities for benefits for work-related injuries of the employees of the Freshwater Fish Marketing Corporation when awards are approved by the Workers Compensation Board of Manitoba, or when legislative amendments are made and the anticipated future costs can be reasonably calculated.

Changes in the net present value of this unfunded liability are based on updated actuarial estimates of future costs as a result of actual experience and changes in actuarial assumptions. Adjustments arising from actuarial gains and losses are recognized in the year in which they occur.

2.12.4 Accrued obligation for sick leave benefits

The Corporation's sick leave benefit plan provides accumulating sick leave benefits to eligible employees. The plan is an unfunded defined benefit plan paid on a cash basis by contributions from the Freshwater Fish Marketing Corporation.

The accrued obligation for sick leave benefits represents the actuarially determined net present value of liabilities for sick leave benefits for eligible employees of the Freshwater Fish Marketing Corporation.

Changes in the net present value of this unfunded liability are based on updated actuarial estimates of future costs as a result of actual experience and changes in actuarial assumptions. Adjustments arising from actuarial gains and losses are recognized in the year in which they occur.

2.13 Revenue recognition

Sales, net of promotional allowances and sales returns, are recorded on an accrual basis and are recognized when the risk and rewards are transferred to the customer.

2.14 Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Corporation expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2.15 Investment tax credits

Investment tax credits relating to manufacturing property are recorded as a reduction of the applicable capital assets. Investment tax credits are recorded in the period that the credits are approved by the Canada Revenue Agency provided there is reasonable assurance that the credits will be realized.

2.16 Services received without charge

Services received without charge are recorded as administrative expenses at their estimated cost, which approximates fair value. A corresponding amount is recognized as other income.

2.17 Asset retirement obligation

Asset retirement obligations are legal obligations associated with the retirement of property, plant and equipment when the obligation arises from the acquisition, construction, development or normal operation of the assets. When it is considered probable that a liability exists, the Corporation will recognize such a liability in the period in which it is incurred if a reasonable estimate of fair value can be determined. The liability will be initially measured at fair value, and will be subsequently adjusted each period to reflect the passage of time through accretion expense and any changes in the estimated future cash flows underlying the initial fair value measurement. The associated costs will be capitalized as part of the carrying value of the related asset and amortized over the remaining life of the underlying asset to which it relates.

The Corporation will monitor new statutory or regulatory requirements which may impose new asset retirement obligations. In such circumstances, the liability will be recognized when the obligation is first imposed.

2.18 Retained earnings policy

Final payments to fishers are paid based on retained earnings and free cash flow. Free cash flow is the cash that the Corporation is able to generate after investing in assets such as inventories and capital expenditures. Final payments will be provided to fishers only in years when the Corporation has positive retained earnings and free cash. The Board of Directors reserves final decision as to when and how much of available retained earnings and cash flow will be distributed to fishers in the form of a final payment. In periods when negative cash flows occur, it demonstrates that the Corporation is making capital investments. As these investments improve the operation of the Corporation, they will contribute to future free cash flow and provide greater returns to fishers in the long-run. Overall payouts based on free cash flow are contingent upon accounting earnings and the availability of adequate cash flow.

2.19 Income tax

Income tax expense comprises the sum of the tax currently payable and deferred tax.

2.19.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.19.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.19.3 Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS

3.1 Key sources of estimation uncertainty

The preparation of the financial statements requires the use of estimates and assumptions to be made in applying the accounting policies that affect the reported amounts of assets, liabilities, income, expenses

and the disclosure of contingent liabilities. The estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis of making the assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRSs that have significant effect on the financial statements relate to the following:

3.1.1 Impairment of non-financial assets

The Corporation's impairment test is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and are sensitive to the discount rate used as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Refer to Notes 7 and 8 for further detail.

3.1.2 Capital assets

Capital assets, comprising property, plant and equipment and intangible assets with finite useful lives are depreciated or amortized over their useful lives. Useful lives are based on management's estimates of the periods of service provided by the assets. The useful lives of these assets are periodically reviewed for continued appropriateness. Changes to the useful life estimates would affect future depreciation or amortization expense and the future carrying value of assets. The carrying amounts of the capital assets as at the end of the reporting periods are included in Notes 7 and 8.

3.1.3 Trade receivables

The Corporation reviews its individually significant receivables at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Corporation makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Refer to Note 5 for further details.

3.1.4 Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to Note 5 for further details about the assumptions as well as sensitivity analysis.

3.1.5 Long-term employee benefits

The Corporation's long-term benefits include benefits for employees in receipt of long-term pension and workers' compensation benefits. The present value of these obligations is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying

assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for Canada. Future salary increases and pension increases are based on expected future inflation rates for Canada. Further details about the assumptions used are given in Note 11.

3.1.6 Inventory valuation allowance
Inventory valuation allowance is estimated for slow moving or obsolete inventories. Management reviews the estimation regularly. Any change in the estimation will impact the inventory valuation allowance. The carrying amount of the inventory at the end of the reporting period is included in Note 6.

3.2 Critical judgments

The critical judgments that the Corporation's management has made in the process of applying the Corporation's accounting policies, apart from those involving estimations, that have the most significant effects on the amounts recognized in the Corporation's financial statements are as follows:

3.2.1 Capital assets
Capital assets with finite useful lives are required to be tested for impairment only when indication of impairment exists. Management is required to make a judgment with respect to the existence of impairment indicators at the end of each reporting period.

3.2.2 Provisions and contingent liabilities
In determining whether a liability should be recorded in the form of a provision, management is required to exercise judgment in assessing whether the Corporation has a present legal or constructive obligation as a result of a past event, whether it is probable that an outflow of resources will be required to settle the obligation, and whether a reasonable estimate can be made of the amount of the obligation. In making this determination, management may use past experience, prior external precedents and the opinions and views of legal counsel. If management determines that the above three conditions are met, a provision is recorded for the obligation. Alternatively, a contingent liability is disclosed in the notes to the financial statements if management determines that any one of the above three conditions is not met, unless the possibility of outflow in settlement is considered to be remote.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation's financial statements in future years:

IAS 1 Presentation of Financial Statements ("IAS 1")
IAS 1 was amended in June 2011 to revise the way other comprehensive income is presented. The amendment to IAS 1 is effective for reporting periods beginning on or after July 1, 2012. Earlier application is permitted. The adoption of this amendment is not expected to have a material impact on the Corporation's financial statements.

IAS 19 Employee Benefits ("IAS 19")
IAS 19 was amended in June 2011 for the accounting and presentation of post-employment benefits including the elimination of the use of the 'corridor' approach, the change of the treatment for termination

benefits and various other amendments. The amendment to IAS 19 is effective for reporting periods beginning on or after January 1, 2013. This amendment is to be applied retrospectively. Earlier application is permitted. The Corporation is currently evaluating the impact of this amendment to IAS 19 on its financial statements.

IFRS 7 Financial Instruments: Disclosures ("IFRS 7")
There were two amendments released in December 2011 to IFRS 7. One was on enhancing disclosures about offsetting of financial assets and financial liabilities with an effective date on or after January 1, 2013 and the other one was on requiring disclosures about the initial application of IFRS 9 with an effective date on or after January 1, 2015 (or otherwise when IFRS 9 is first applied). The amendments are to be applied retrospectively. The adoption of these amendments is not expected to have a material impact on the Corporation's financial statements.

IFRS 9 Financial Instruments ("IFRS 9")
The mandatory application date of IFRS 9 was amended in December 2011. The Corporation will be required to retrospectively adopt IFRS 9 on January 1, 2015, which is the result of the IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The new standard defines the classification, recognition, derecognition and measurement guidance for financial assets and financial liabilities. The adoption of this standard is not expected to have a material impact of the Corporation's financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13")
IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRS standards that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). Except in specified circumstances IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. This standard is to be applied prospectively. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's financial statements.

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

5.1 Capital Risk Management

The Corporation is subject to the *Freshwater Fish Marketing Act* and the *Financial Administration Act* (the "Acts") and any directives issued pursuant to the Acts. These Acts affect how the Corporation manages its capital by, among other things, setting broad objectives for the Corporation. Specifically, the Corporation must have regard for the need to conduct its operations on a self-sustaining financial basis while generating a return to fishers.

The Corporation defines and computes its capital as follows:

(unaudited)	**As at October 31, 2012**	As at April 30, 2012
Retained earnings	$ 9,073	$ 4,240
Loans payable	$ 29,728	$ 21,152
	$ 38,801	$ 25,392

The Corporation's objectives in managing capital are to:

- Provide sufficient liquidity to support its financial obligations and its operating and strategic plans;
- Generate increasing returns to the fishers; and

- Maintain financial capacity and access to credit facilities to support future development of the business, including for capital expenditures.

During the period, the Corporation primarily relied on cash flows provided by operating activities to support its objectives.

The Corporation's ability to obtain additional capital is subject to market conditions and pursuant to the provisions of the Acts. The limitations on the borrowings of the Corporation and its access to credit facilities are outlined in Note 1. Pursuant to Part X of the *Financial Administration Act,* the Corporation must indicate its intention to borrow money in the annual corporate plan, or in an amendment thereto, which are subject to the approval of the Board of Directors and the Governor in Council. The timing of future borrowings is not determinable.

These objectives and strategies are reviewed in the annual corporate plan submission, approved by the Board of Directors. The Corporation's overall strategy with respect to capital risk management remains has not changed from the year ended April 30, 2012.

The Corporation is not subject to any externally imposed capital requirements.

5.2 Classification of financial instruments

5.2.1 The classification, as well as the carrying amount and fair value, of the Corporation's financial assets and financial liabilities are as follows:

(CAD$ thousands) (unaudited)	**As at October 31,**		As at April 30, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial asset at fair value through profit and loss				
Foreign exchange forward contracts	$ 29	$ 29	$ 139	$ 139
Loans and receivables				
Cash	951	951	420	420
Trade receivables	8,087	8,087	6,392	6,392
	$ 9,067	$ 9,067	$ 6,951	$ 6,951
Financial liabilities				
Financial liability at fair value through profit or loss				
Foreign exchange forward contracts	$ -	$ -	$ -	$ -
Interest rate swaps	626	626	394	394
Other financial liabilities				
Loans payable	29,728	29,728	21,152	21,152
Trade and other payables	5,761	5,761	5,313	5,313
Final payment to fishers	2,950	2,950	2,950	2,950
	$ 39,065	$ 39,065	$ 29,809	$ 29,809

The Corporation did not have any held-to-maturity or available-for-sale financial assets at the end of the reporting periods presented.

The Corporation has estimated the fair values of its financial instruments as follows:

i) The carrying amounts of cash, trade receivables and trade and other payables approximate their fair values as a result of the relatively short-term nature of these financial instruments.
ii) The fair values of loans payables have been estimated based on a discounted cash flow approach using current market rates appropriate as at the respective date presented.
iii) The fair values of the Corporation's foreign currency and interest forward contracts are based on estimated credit-adjusted forward market prices. The Corporation takes counterparty risk and its own risk into consideration for the fair value of financial instruments.

5.3 Financial risk management objectives and framework

The Corporation has exposure to the following risks from its use of financial instruments:

i) credit risk
ii) liquidity risk
iii) market risk (which includes currency risk and interest rate risk)

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Audit Committee assists the Board of Directors and is responsible for review, approval and monitoring the Corporation's risk management policies including the development of a risk management program which involves establishing corporate risk tolerance, identifying and measuring the impact of various risks, and developing risk management action plans to mitigate risks that exceed corporate risk tolerance. The Audit Committee reports regularly to the Board of Directors on its activities.

5.3.1 Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash, trade receivables and derivative financial instruments. The Corporation has adopted a policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored.

The carrying amount of financial assets recorded in the financial statements represents the maximum risk exposure.

5.3.2 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk by continuously monitoring actual and forecasted cash flows to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

5.3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Corporation's future cash flows or the fair values of its financial instruments. The objective of

market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign exchange risk
The Corporation is exposed to currency risk on a significant portion of its sales transactions which are denominated in U.S. dollars. The Corporation hedges up to 80 percent of all trade receivables denominated in U.S. dollars and a portion of its forecasted sales, based on its hedging policy. In addition, a portion of loans payable are U.S. dollar denominated (Note 10). The Corporation manages its exposure to exchange rate fluctuations between the U.S. dollar and the Canadian dollar by entering into the following types of financial instruments, with a maturity of less than one year from the reporting date and only within limits approved by the Board of Directors:

Fade-in forwards - Forward contracts that provide the Corporation with the ability to exchange currencies on a monthly basis given that the spot rate is at or above the fade-in level at each monthly valuation date.

At maturity variable rate forwards - Forward contracts that provide the Corporation with the ability to exchange currencies at a pre-agreed strike rate. In the event that the spot rate trades above the contractual strike rate and below the predetermined conditional trigger rate, no currency exchange occurs.

Conditional variable rate forwards – Right to exchange currencies at a pre-agreed strike rate. In the event that the spot rate trades at or above a predetermined conditional trigger rate and at or below a predetermined cancellation trigger rate, the right to exchange currencies becomes an obligation to exchange currencies at the same strike rate.

Monthly settling accumulating forwards – Forward contracts that provide the Corporation with the ability to exchange currencies on a monthly position at an improved rate to an outright forward contract. The accumulation of the position is dependent upon the spot rate staying above an accumulating level on each monthly setting. The Corporation also uses such contracts in the process of managing its overall cash requirements.

5.3.4 Interest rate risk
The Corporation’s loans payable of $29,728 (2011 - $23,586) are variable rate instruments and expose the Corporation to cash flow interest rate risk. Of the loans payable, $9,740 (2011 - $0) have their interest rate fixed by way of interest rate swaps.

Other price risk
The Corporation does not believe it is exposed to any other significant price risk in relation to its financial instruments.

5.4 Fair value measurements recognized in the statement of financial position

The fair values of cash, bank indebtedness, trade receivables, trade and other payables and accrued liabilities, provision for final payments to fishers, and loans payable approximate their respective carrying values due to the relatively short period to maturity of these financial instruments. Derivative financial instruments are measured at their fair value on the statement of financial position.

The fair value of loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities

Derivative related amounts are valued at their fair value on the statement of financial position.

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability in a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets of liabilities

The table below analyzes financial instruments carried at fair value, by valuation method. All the derivatives the Corporation has are presented as Level 1 financial instruments.

The fair value measurements as recorded in the statement of financial position are classified as follows:
(CAD$ thousands) (unaudited)

	As at October 31, 2012	As at April 30, 2012
Derivative-related assets	$ 29	$ 139
Derivative-related liabilities	$ 626	$ 394

6. INVENTORIES

Inventories included:

(CAD$ thousands) (unaudited)	**October 31, 2012**	April 30, 2012
Raw materials and supplies	$ 1,586	$ 873
Processed fish products	19,778	10,077
Write-down of processed fish products	(586)	(459)
	$ 20,778	$ 10,491

The amount of write-downs of inventories recognized as expense for the period ended October 31, 2012 is $127 (period ended October 31, 2011 - $501). Inventory write-downs are included in inventory values in the cost of sales. There is no pledged collateral in respect of inventory. There were no prior write-downs reversed in the current year.

7. PROPERTY, PLANT AND EQUIPMENT

The composition of the net book value of the Corporation's property, plant and equipment is presented in the following tables:

(CAD$ thousands) (unaudited)

	October 31, 2012	April 30, 2012
Cost	$ 39,095	$ 36,689
Accumulated depreciation	19,160	18,997
Carrying value	19,935	17,692
Carrying value by asset class		
Land and land improvements	336	336
Buildings	4,666	4,810
Plant and equipment	10,116	5,741
Fresh fish delivery tubs/totes	313	384
Vessels	2,475	2,506
Construction in progress	2,029	3,915
Carrying value	**$ 19,935**	**$ 17,692**

(CAD$ thousands) (unaudited)

	Land	**Buildings**	**Equipment**	**Fresh fish delivery tubs/totes**	**Vessels**	**Construction in progress**	**Total**
Cost							
Balance at May 1, 2011	$ 336	$ 13,185	$ 20,887	$ 1,467	$ 3,332	$ 189	$ 39,396
Additions	-	733	953	32	21	3,726	5,465
Disposals	-	(735)	(7,175)	(236)	(26)	-	(8,172)
Balance at April 30, 2012	336	13,183	14,665	1,263	3,327	3,915	36,689
Additions	-	41	4,821	-	17	1,687	6,566
Disposals	-	-	(587)	-	-	(3,573)	(4,160)
Balance at October 31, 2012	336	13,224	18,899	1,263	3,344	2,029	39,095
Accumulated depreciation							
Balance at May 1, 2011	-	8,624	15,330	1,005	682	-	25,641
Additions	-	482	706	110	165	-	1,463
Disposals	-	(733)	(7,112)	(236)	(26)	-	(8,107)
Balance at April 30, 2012	-	8,373	8,924	879	821	-	18,997
Depreciation	-	185	445	71	48	-	749
Disposals	-	-	(586)	-	-	-	(586)
Balance at October 31, 2012	-	8,558	8,783	950	869	-	19,160
Carrying amount at October 31, 2012	**$ 336**	**$ 4,666**	**$ 10,116**	**$ 313**	**$2,475**	**$ 2,029**	**$ 19,935**

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses

No indicators of impairment were found for property, plant and equipment as at October 31, 2012 or October 31, 2011.

No assets are pledged as security for borrowing as at October 31, 2012 or October 31, 2011.

8. INTANGIBLE ASSETS

(CAD$ thousands) (unaudited)	**Information Systems Software**
Cost	
Balance at May 1, 2011	$ 1,823
Additions	32
Disposals	(1,491)
Balance at April 30, 2012	364
Additions	11
Disposals	-
Balance at October 31, 2012	375
Accumulated depreciation	
Balance at May 1, 2011	1,762
Additions	48
Disposals	(1,491)
Balance at April 30, 2012	319
Depreciation	8
Disposals	-
Balance at October 31, 2012	327
Carrying amount at October 31, 2012	**$ 48**

No indicators of impairment were found for intangible assets as at October 31, 2012 or October 31, 2011.

No assets are pledged as security for borrowing as at October 31, 2012 or October 31, 2011.

9. TRADE AND OTHER PAYABLES AND ACCRUED LIABILITIES

(CAD$ thousands) (unaudited)

	As at October 31, 2012	As at April 30, 2012
Canadian dollars	$ 5,750	$ 5,262
U.S. dollars	11	51
Total trade and other payables and accrued liabilities	$ 5,761	$ 5,313

10. LOANS PAYABLE

(CAD$ thousands) (unaudited)	**October 31, 2012**	April 30, 2012
Promissory note	$ 3,998	$ 3,952
Bankers' acceptances	25,730	17,200
Total loans payable	$ 29,728	$ 21,152

The $15,990 bankers' acceptances bear interest at an annual rate of 1.80% (2011 – 1.80 %) and mature on November 8, 2012. The weighted-average interest rate during the period was 1.80% (2011 – 1.81%). Subsequent to November 8, 2012, new bankers' acceptances were entered into at a rate of 1.80%.

The 20 year $9,740 bankers' acceptance/interest rate swap loan bears an interest rate at 3.47% if the floating rate option on any reset date is less than or equal to 3.65%. If the floating rate option on any reset date is greater than 3.65%, the fixed rate for the calculation period is 4.22%.The loan matures in 2032. The Corporation hedges the loan for interest rate risk via an interest rate swap exchanging variable rate interest for fixed rate interest. The structure of the loan involves the use of a revolving banker's acceptance and an interest rate swap to lock in the bankers' acceptance refinancing. The loan will be paid down $500 per year for 20 years. The balance of the principal as at October 31, 2012 is $9,740 (2011 – nil) and the fair value of the loan is $9,740 (2011 – nil).

The $4,000 U.S. dollar denominated promissory note ($3,998 Canadian dollars) is repayable in U.S. dollars, bears interest at an annual rate of 0.91% (2011 – 1.18%) and matured on October 31, 2012. The weighted-average interest rate during the period was 0.95% (2011 – 1.18%). The balance of the principal as at October 31, 2012 is $3,998(2011 – $3,974) and the fair value of the loan is $3,998 (2011 – $3,974).

The bankers' acceptances and promissory note are secured by the authorization of the Minister of Finance of the Corporation's bank borrowing limit (Note 1).

11. EMPLOYEE BENEFITS

11.1 Pension benefits

Substantially all of the employees of the Corporation are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at October 31, 2012 was 1.74 (2011 - 1.86). Total contributions of $926 (2011 - $853) were recognized as expense in the current period.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with the Canada Pension Plan benefits and they are indexed to inflation.

Contributions to the Public Service Pension Plan consisted of

(CAD$ thousands) (unaudited)	**2012**	**2011**
Contributions by the Corporation	$ 926	$ 853
Contributions by employees	$ 532	$ 459

Effective June 1, 2007, the Corporation concluded an agreement with its union that established the employment status of its fish plant employees on a go forward basis and retroactively to April 1, 1973. During 2011, the Corporation agreed to terms with the Public Service Pension Centre (PSPC) that established the manner in which the Corporation will document cases for employees who should become members under the *Public Service Superannuation Act* (PSSA) retroactively and on a going forward basis. It also established how the PSPC will deal with those cases in establishing the pension status of the Corporation's fish plant employees. PSPC establishes the employee's eligibility to contribute, the periods of service countable for pension purposes and the periods of service that an employee can buy back. As employee contributions are made to the pension plan, the Corporation is required to fund the employer's portion of these contributions.

(CAD$ thousands) (unaudited)	**October 31, 2012**	April 30, 2012
Pension benefit obligation	$ 762	$ 1,123

The Corporation estimates that it has a discounted pension benefit obligation of $762 (2011 - $1,308) for future matching contributions required.

The actuary used assumptions, as agreed with management, in the calculation of the liability. The actuarial present value of the employer cost of buyback service is based on economic and demographic assumptions as described below:

Economic assumptions:

- *Investment return* – an assumed rate of return of 3.62% per annum
- *Expenses – as per th*e PSSA report, the assumed investment return reflects an implicit provision for the expenses inherent in the ongoing operation of the plan;
- *Employer contribution rate* – for some members eligible for service buybacks, only the employee contribution requirements at the preferred and regular rates were available and where not available the required employer required contributions were assumed to be 1.74 times the employee's contributions for both the preferred and regular rates, in accordance with the policy set out by the Treasury Board Secretariat;

Demographic assumptions:

- *Retirement age* – it has been assumed that all members will retire at their normal retirement age (age 65);
- *Mortality* – mortality has been assumed in accordance with the 1994 Uninsured Pensioner Mortality Table, fully generational with mortality improvements using scale AA;
- *Buyback service take-up assumption* – the buyback assumption used in estimating the liability is based on PSSA plan experience and the normal PSSA rates derived from the actuary's analysis of PSSA service buybacks cost dated February 28, 2008.

The actuarial liability could be materially different if assumptions on which the valuation is based vary significantly in future years. Changes in the liability are recognized based on an extrapolation of actuarial results and adjustments arising from actuarial gains and losses in the year in which they occur. The actuarial valuation of the liability was performed at April 30, 2012 to establish a measurement of the liability.

11.2 Accrued obligation for workers' compensation

The Corporation's accrued obligation for workers' compensation represents the unfunded liability for the costs of benefits specified and administered by the Workers Compensation Board of Manitoba for work-related injuries of Freshwater Fish Marketing Corporation employees. The actuarially determined liability consists of long-term pension awards and temporary compensation costs related to future claims payment administration by the Workers Compensation Board of Manitoba.

The statement of comprehensive income includes a charge of $86 (2011 - $122) which relates to workers' compensation payments.

The actuary used assumptions, as agreed with management, in the calculation of the liability including inflation rates, interest rates, mortality rates and aggregate claim projections for incidents which have occurred. The actuarial liability could be materially different if assumptions on which the valuation is based vary significantly in future years. Changes in the liability are recognized based on an extrapolation of actuarial results and adjustments arising from actuarial gains and losses in the year in which they occur. An actuarial valuation of the liability was performed at April 30, 2012 to establish a measurement of the liability.

The Corporation's workers' compensation costs and obligations consist of:

(CAD$ thousands) (unaudited)	**April 30, 2012**	**April 30, 2011**
Workers' compensation obligation (actuarial value)	$ 259	$ 305
Less: current portion	223	242
Non-current portion	$ 36	$ 63
Benefits paid	$ 242	$ 236
Workers' compensation costs	$ 196	$ 257

Determination of workers' compensation costs for the year is calculated as:

	April 30, 2012	April 30, 2011
Current service costs	$ 242	$ 235
Interest costs	18	19
Actuarial (gain) loss	(64)	3
Worker's compensation costs	$ 196	$ 257
Weighted-average assumptions:		
Discount rate for obligation	3.6%	4.3%
Health care trend	5.0%	5.0%
All other cost indexation	2.25%	2.25%

11.3 Accrued obligation for sick leave benefit

The Corporation's accrued obligation for sick leave benefits provides accumulating sick leave benefits to eligible employees. The actuarially determined liability was determined as the present value of all future payouts, multiplied by the employee's service at the valuation date to the employee's service at the date when the employee is eligible for the benefit and considered the current balances in any sick leave banks, the annual accumulation of net sick leave credits and the future entitlement to, or utilization of, sick leave benefits.

The statement of comprehensive income includes a charge of $38 (2011 - $38), which relates to current service costs, interest cost and an actuarial loss.

The actuary used assumptions, as agreed with management, in the calculation of the liability. The actuarial liability could be materially different if assumptions on which the valuation is based vary significantly in future years. Changes in the liability are recognized based on an extrapolation of actuarial results and adjustments arising from actuarial gains and losses in the year in which they occur. An actuarial valuation of the liability was performed at April 30, 2012 to establish a measurement of the liability.

The Corporation's obligation for sick leave consists of:

(CAD$ thousands) (unaudited)	**April 30, 2012**	**April 30, 2011**
Sick leave benefit obligation (actuarial value)	$ 194	$ 171
Benefits paid	$ 13	$ 10
Sick leave costs	$ 38	$ 38
Determination of sick leave costs for the year is calculated as:		
Current service costs	$ 17	$ 16
Interest costs	9	8
Actuarial loss	13	14
Sick leave costs	$ 38	$ 38
Weighted-average assumptions:		
Discount rate for obligation	4.8%	5.2%
Rate of compensation increase	2.5%	2.5%

12. SALES COMMISSIONS

During the 26 weeks ended October 31, 2012, the Corporation paid commissions of $608 (2011 - $639) to sales agents, all of which were paid to foreign sales agents. Commissions are included in marketing and administrative expenses on the statement of comprehensive income.

13. INCOME TAXES

Deferred income tax recovery *(CAD$ thousands) (unaudited)*	**13 weeks ended** **October 31, 2012**	13 weeks ended October 31, 2011	**26 weeks ended** **October 31, 2012**	26 weeks ended October 31, 2011
Income tax expense	$ (479)	$ -	$ (277)	$ -
Adjustments for prior years	-	-	-	-
Total tax expense	$ (479)	$ -	$ (277)	$ -

Tax assets and liabilities
(CAD$ thousands) (unaudited)

	2012	**2011**
Tax assets		
Income taxes receivable	$ 115	$ -
Tax liabilites		
Income taxes payable	$ 515	$ -

14. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada owned entities.

The Corporation enters into transactions with these entities in the normal course of business, at fair value, under the same terms and conditions that apply to unrelated parties. In accordance with disclosure exemption regarding “government-related entities”, the Corporation is exempt from certain disclosure requirements of IAS 24 relating to its transactions and outstanding balances with:

- a government that has control, joint control or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Based on this exemption, as the Corporation has not entered into any transactions with these related parties which are considered to be individually or collectively significant, the Corporation has not disclosed any details of its transactions with:

- the Government of Canada, and departments thereof; or
- all federal Crown corporations

Certain members of the Board of Directors are fishers who sell their catch to the Corporation. During the 26 weeks ended October 31, 2012 , delivered fish volume by Board members was 34,600 kilograms (26 weeks ended October 31, 2011 – 35,800 kilograms) valued at $109 (2011 – $81). These transactions are measured at fair value and were incurred during the normal course of business on similar terms and conditions to those entered into with unrelated parties.

15. COMMITMENTS AND CONTINGENCIES

15.1 Commitments

As of October 31, 2012 the Corporation had capital commitments of $1,350 (July 31, 2011 – nil) related to the purchase of a new frozen grader that will become operational in the third quarter of the 2012-13 year.

15.2 Contingencies

The Corporation is involved in various legal claims arising from the normal course of business. The outcome of these claims is currently not determinable, and accordingly, no amounts have been recorded in the financial statements. It is the opinion of management that any amounts payable arising from these claims will not have a material adverse effect on the financial position of the Corporation. Amounts payable, if any, will be recorded when any liability is considered likely and the associated costs can be reasonably estimated. There have been no changes in the existence, likelihood or amount of contingencies since the end of the most recently completed fiscal period.