Quarterly Financial Report

FRESHWATER FISH MARKETING CORPORATION

October 31, 2011

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The following Quarterly Financial Report of the financial results of The Freshwater Fish Marketing Corporation ("the Corporation") is for the second quarter ended October 31, 2011. This report should be read in conjunction with the Corporation's 2011/12 – 2015/16 Corporate Plan Summary and the Corporation's 2010/2011 Annual Report which includes the audited annual financial statements for the year ended April 30, 2011. Information about the Corporation, including the Annual Report and the Corporate Plan Summary can be found at www.freshwaterfish.com once approved by the Federal government.

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

OVERVIEW OF THE CORPORATION

Freshwater Fish Marketing Corporation (FFMC) is a self-sustaining federal Crown corporation that is the buyer, processor and marketer of commercially-caught freshwater fish from Manitoba, Saskatchewan, Alberta, and the Northwest Territories. The Corporation's mandate is to purchase all fish lawfully harvested and offered for sale to create an orderly market, promote international markets, increase fish trade and increase returns to fishers. Any surpluses are distributed to fishers annually as final payments.

The Board of Directors, including the President and Chief Executive Officer, governs Freshwater Fish. All 11 Board positions are federal Order-in-Council appointments, with five appointed on the recommendation of the participating provincial governments. The President is assisted by a four-member executive committee and 51 full-time management and administrative support staff.

Freshwater's Audit Committee is comprised of the Board Chairperson, and two other Board members, one of which is the Chairperson of the audit committee. Meetings are typically held the day before each Board meeting. The Committee oversees the Corporation's financial reporting process on behalf of the Board and reports to each Board meeting.

Freshwater Fish employs more than 150 full-time production staff and adds to its workforce during peak periods. Fish are caught by approximately 2,000 fishers across the region, then purchased and graded by contracted agents and corporate agencies at more than 50 delivery points. In over four decades of business in Canada and abroad, Freshwater Fish has established and sustained a solid reputation based on product reliability, quality and safety and is a recognized price leader, exercising its mandate to market fish interprovincially and internationally.

The Freshwater Fish brand remains at the top of the US walleye market. FFMC is the largest supplier of lake whitefish to Finland, lake whitefish caviar to Sweden and Finland and northern pike to France. It is the largest individual supplier of freshwater fish to the US gefilte fish market and maintains a kosher-certified plant.

Quarterly Results

(in thousands)	Three months ending October 31, 2011			Six months ending October 31, 2011		
	Actual	**Budget**	**Variance**	**Actual**	**Budget**	**Variance**
Net Sales Revenue	$ 17,935	$ 17,129	$ 806	$ 32,352	$ 32,127	$ 225
Expenses	$ 16,434	$ 15,771	$ 663	$ 30,720	$ 29,758	$ 962
Net Income	$ 1,501	$ 1,358	$ 143	$ 1,632	$ 2,369	$ (737)

Revenues
The Corporation's revenue for the quarter was 4.7% above plan primarily due to some catch-up in deliveries after a poor spring fishery and higher than budgeted selling prices. At the close of the fall fishery, deliveries had partially recovered but remained below budget.

Expenses
Cost of sales was slightly over budget at 85% of sales revenue against a plan of 81%. This increase is primarily due to less delivered fish being processed and absorption of fixed overhead costs.

Period expenses of $1.7 million were below the budget of $1.9 million due to the effect of lower volumes on certain selling expenses, the delayed timing of some projects and the postponement of planned training activities.

Delivery Statistics
(in thousands of round equivalent kgs)

	Three months ending October 31, 2011			Six months ending October 31, 2011		
	Actual	**Budget**	**Variance**	**Actual**	**Budget**	**Variance**
Whitefish	3,355	4,777	(1,422)	5,131	7,400	(2,269)
Walleye	4,949	4,771	178	10,467	10,917	(450)
Northern Pike	989	1,187	(198)	1,360	1,825	(465)
Sauger	71	66	5	220	132	88
Mullet	788	813	(25)	1,075	1,270	(195)
Other	436	428	8	1,067	832	235
Total Deliveries	**10,588**	**12,042**	**(1,454)**	**19,320**	**22,376**	**(3,056)**

Forecast

In the second quarter the Corporation recovered some of the supply not delivered during the first quarter, however, risk remains that total planned volumes for the year will not be met. Although Lake Winnipeg walleye deliveries were only 3% behind previous year levels at the close of the fall season, whitefish deliveries remain 13% below the previous year. The shortfall is a result of flooding and fires in the spring and a long warm fall that kept lake temperatures above normal.

Risk analysis

Strategic Risks
Strategic Risks have previously been disclosed in the Corporation's 2010/11 Corporate plan, the most significant of which are:

Markets
Key markets in the United States and Europe are emerging from or possibly returning to recession which will put planned and recently executed price increases at risk.

$CAD/$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 an emergency closure due to equipment failure a possibility. This situation is managed through careful maintenance planning and contingency plans.

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
Floods and forest fires reduced spring season deliveries. Not all of this short fall was made-up over the fall fishing season. The winter Fishery is not expected to fill the remaining gap in inventories. With start-of-year inventories already low, the 2011/12 sales budget is at risk to a level of approximately 5%.

Significant Events

Spring flooding in Manitoba
A number of fishing communities in southern Manitoba were evacuated due to flooding leaving quota unfilled. Most notable was the community of Dauphin River, Manitoba.

Forest fires in Saskatchewan and Alberta
Wildfires in Slave Lake, Alberta caused the spring fishery on Lesser Slave Lake to be cancelled and a fire at Wollaston Lake, Saskatchewan caused delay to that fishery.

Collective Bargaining
The previous three year contracts with the Canadian Auto Workers (CAW) and the Public Service Alliance of Canada (PSAC) came to an end April 30, 2011. An agreement has been reached with the CAW and the production workers it represents. Negotiations with PSAC are scheduled to begin in the third quarter.

Strategic Review

In 2010 Freshwater Fish was selected to conduct a Strategic Review of its operations. The Corporation is using this opportunity to identify ways to improve strategic, governance and operational processes. Strategic review initiatives will be implemented during the plan period.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with 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.

Based on 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 of 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 20, 2011

FRESHWATER FISH MARKETING CORPORATION
Unaudited Statement of Financial Position
As at October 31, 2011
(in thousands)

	October 31, 2011	April 30, 2011 (Note 17)	May 1, 2010 (Note 17)
ASSETS			
Current			
Cash	$ -	$ 6	$ -
Accounts receivable (Note 5)	7,878	6,734	8,091
Other receivable	-	263	-
Inventories (Note 6)	15,513	10,040	15,901
Prepaid expenses	87	274	98
Derivative- related assets (Note 5)	-	478	7
	23,478	17,795	24,097
Property, plant and equipment (Note 7)	15,958	13,743	14,164
Intangible assets (Note 8)	34	61	152
	$ 39,470	**$ 31,599**	**$ 38,413**
LIABILITIES			
Current			
Bank indebtedness	$ 95	$ -	$ 199
Accounts payable and accrued liabilities	6,556	3,409	4,076
Current portion of accrued obligation for workers' compensation (Note 13)	63	63	-
Provision for final payment to fishers	1,195	1,195	1,333
Loans payable (Notes 5 and 9)	26,474	23,586	29,363
Derivative-related liabilities (Note 5)	154	45	516
	34,537	28,298	35,487
Accrued obligation for workers' compensation (Note 13)	242	242	-
Accrued obligation for non-pension post-employment benefits (Note 14)	170	170	142
	412	412	142
Retained Earnings	4,521	2,889	2,784
	$ 39,470	**$ 31,599**	**$ 38,413**

Contingencies (Note 16)

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

FRESHWATER FISH MARKETING CORPORATION
Unaudited Statement of Operations, Comprehensive Income and Retained Earnings
Three months ended October 31, 2011
(in thousands)

	October 31, 2011 (3 months)	October 31, 2011 (6 months)	April 30, 2011 (12 months) (Note 17)
OPERATIONS			
Sales			
Export	$ 14,638	$ 26,944	$ 55,925
Domestic	3,297	5,408	10,900
	17,935	32,352	66,825
Cost of Sales			
Opening Inventory of finished fish products	12,308	9,195	15,015
Add fish purchases and processing expenses:			
Fish purchases	9,198	17,929	26,545
Plant salaries, wages and benefits (Note 11)	3,298	5,895	10,717
Packing allowances and agency operating costs	1,108	2,118	3,794
Packaging and storage	1,040	1,852	3,080
Freight	868	1,526	3,911
Utilities and property taxes	727	1,239	1,276
Amortization of production assets	208	686	1,558
Repair and maintenance	340	987	1,895
Net foreign exchange (gain) loss (Note 5)	30	40	(465)
Other	181	368	596
	29,306	41,835	67,922
Less ending inventory of processed fish products	(14,578)	(14,578)	(9,195)
	14,728	27,257	58,727
Gross profit on operations	**3,207**	**5,095**	**8,098**
Marketing and administrative expenses			
Salaries and benefits (Note 11)	856	1,648	2,974
Interest expense	137	265	1,188
Commissions (Note 12)	324	639	1,355
Data processing, office and professional services	177	443	574
Advertising and promotion	87	258	317
Meeting fees and expenses	26	60	130
Amortization of administration assets	51	62	732
Other	48	88	151
	1,706	3,463	7,421
Other income and expenses			
Other revenue	-	-	(623)
Income before provision for final payment to fishers	**1,501**	**1,632**	**1,300**
Provision for final payments to fishers	-	-	-
Net Income and comprehensive income for the period	**1,501**	**1,632**	**1,300**
Retained earnings at beginning of the period	3,020	2,889	2,784
Retained earnings at end of the period	**$ 4,521**	**$ 4,521**	**$ 4,084**

The accompanying notes are an integral part of these financial statements

FRESHWATER FISH MARKETING CORPORATION
Unaudited Statement of Cash Flows
Three months ending October 31, 2011
(in thousands)

	October 31, 2011 (3 months)	October 31, 2011 (6 months)
Operating Activities		
Net income (loss) and comprehensive income (loss) for the quarter	$ 1,501	$ 1,632
Add (deduct) items not affecting cash:		
Amortization	231	721
Loss on disposal of property, plant and equipment	5	5
Net changes in non-cash working capital:		
Increase in accounts receivable	292	(1,144)
Decrease(increase) in inventory	(2,305)	(5,473)
Decrease (increase) in prepaid expenses	204	309
Decrease (increase) in derivative-related assets	344	478
Increase (decrease) in accounts payable and accrued liabilities	2,385	3,286
Increase (decrease) in accrued obligation for workers' compensation	-	-
Increase (decrease) in derivative-related liabilities	107	108
Increase (decrease) in provision for final payment to fishers	-	-
Increase in accrued obligation for workers' compensation	-	-
Cash provided by (used in) operating activities	**2,764**	**(78)**
Investing activities		
Additions to property, plant and equipment	(786)	(2,929)
Investment tax credits received for property, plant and equipment	18	18
Proceeds on disposal of property, plant and equipment	(1)	(1)
Cash used in investing activities	**(769)**	**(2,912)**
Financing activities		
(Decrease) increase in loans payable and cash used in financing activities	**(2,442)**	**2,888**
(Decrease) increase in cash during the period	**(447)**	**(102)**
Cash at the beginning of the period	352	7
(Bank Indebtedness) cash at end of the period	**$ (95)**	**$ (95)**
Supplementary Information :		
Interest paid	$ 137	$ 265

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

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by 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 Corporation is required to purchase all fish legally caught in the freshwater region, which currently encompasses the provinces of Alberta, Saskatchewan, 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. An amendment to the *Freshwater Fish Marketing Act* was approved on June 22, 2006 increasing the legislative borrowing limit of the Corporation to $50 million. As at July 31, 2011, the total borrowings of the Corporation may not exceed $39.5 million as authorized by the Minister of Finance.

These unaudited interim financial statements have been prepared by management in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations. The basis of accounting used is in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). The disclosures presented below are incremental to those included with the annual financial statements. The interim financial statements should be read in conjunction with the financial statements and the notes thereto for the year ended April 30, 2011.

The accounting policies and methods of application followed in the preparation of these interim financial statements differ from those followed in the Corporation's 2011 annual audited financial statements, and are disclosed in note 2 below. See note 17 to these interim financial statements for an explanation of the changes in accounting policies from those followed in the 2011 annual audited financial statements and the effect of these changes.

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

For all periods up to and including the year ended April 30, 2011, the Corporation presented its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). These financial statements for the quarter ended July 31, 2011, are the first the Corporation has prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

Accordingly, the Corporation has prepared financial statements which comply with IFRS applicable for periods beginning on or after May 1, 2011 as described in the accounting policies below. In preparing these financial statements, the Corporation's opening statement of financial position was prepared as at May 1, 2010, the Corporation's date of transition to IFRS. Note 17 explains the principal adjustments made by the Corporation in restating its Canadian GAAP statement of financial position as at May 1, 2010, and its previously published Canadian GAAP financial statements for the year ended April 30, 2011, to be in compliance with IFRS.

As permitted under IAS 34, these unaudited interim financial statements do not include all of the disclosures required for annual financial statements, and should be read in conjunction with the Corporation's audited financial statements for the year ended April 30, 2011.

The interim unaudited financial statements were authorized for issue by the audit committee on December 20, 2011 and have been prepared based on IFRS issued and effective as at the time these statements were prepared, using policies the Corporation intends to apply to its first annual IFRS financial statements for the year ending April 30, 2012. Subsequent amendments to IFRS applied to policies effective in the annual financial statements may result in changes to the reported amounts in these unaudited interim financial statements, including adjustments on transition to IFRS. Comparative reporting periods have not been reviewed by the Corporation's external auditors. The Corporation's auditors will audit the May 1, 2010 IFRS opening statement of financial position and the comparative April 31, 2011 financial information as part of the audit of the Corporation's annual IFRS financial statements for the year ending April 30, 2012.

Significant accounting policies

A summary of the significant accounting policies used in these interim financial statements are set out below. The accounting policies have been applied consistently to all periods presented, including the opening IFRS statement of financial position as at May 1, 2010, unless otherwise indicated.

Cash and bank indebtedness

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

Accounts receivable

Accounts receivable 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 accounts 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.

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 year-end 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 operations, comprehensive income and retained earnings.

Financial Instruments

All financial instruments are classified into one of the following categories: financial assets as held for trading, held-to-maturity, available-for-sale, or as loans and receivables, and financial liabilities as held for trading or as other financial liabilities.

Upon initial recognition, financial assets and financial liabilities are measured at their fair value. Subsequent measurement and changes in fair value will depend on their initial classification or designation which depends on the purpose for which the financial instruments were acquired and their characteristics. Held for trading financial instruments are subsequently measured at fair value and all gains and losses are recognized in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired at which time the amounts would be recognized in net income. Financial assets held-to-maturity, loans and receivables and other liabilities are measured at amortized cost.

The Corporation has designated its cash and cash equivalents (if any) and its bank indebtedness as held for trading since they can be reliably measured at fair value due to their short-term to maturity. Accounts receivable are classified as loans and receivables, and accounts payable and accrued liabilities, the provision for final payments to fishers and loans payable are classified as other financial liabilities. Foreign exchange call options and foreign exchange put barrier options are classified as held for trading. The Corporation has no held-to-maturity or available-for-sale financial assets.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For a financial asset or financial liability classified as held for trading, including derivative financial instruments, all transaction costs are recognized immediately in net income.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is based on the estimated useful lives of the assets using the straight-line method as follows:

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 costs 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 amortized accordingly.

Property, plant and equipment are measured at fair value less accumulated depreciation recognized after the date of revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Borrowing Costs

Borrowing 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 borrowing costs are expensed in the period they occur.

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 approximately 5 years. The Corporation has no indefinite intangible assets.

Impairment of financial and non-financial 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 has to be 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 consolidated income statement if an asset's carrying amount or that of the cash-generating unit to which it is allocated is higher than its recoverable amount. In the income statement the 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 income.

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. After the final payments are established, any remaining income for the year is recorded as net income and included in retained earnings.

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 balance sheet date. All foreign exchange gains and losses incurred are included in net foreign exchange (gain) loss in the Statement of operations, comprehensive income and retained earnings.

Pension and other 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 cost of contributions arising from plan initiations or amendments is recognized in a rational and systematic manner over the period during which the Corporation expects to realize the economic benefits, being the average remaining service period of active employees expected to receive benefits.

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.

Accrued obligation for non-pension post-employment benefits

The Corporation's non-pension post-employment benefit plan provides accumulating sick leave benefits to eligible employees. The plan is a defined benefit plan funded on a cash basis by contributions from the Freshwater Fish Marketing Corporation.

The accrued obligation for non-pension post-employment expense 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.

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.

Derivative financial instruments

Derivative financial instruments are utilized by the Corporation in the management of its foreign currency exposure and not for trading or speculative purposes. The Corporation does not apply hedge accounting to its derivatives. Derivatives are recognized on the balance sheet upon issuance, and removed from the balance sheet when they expire or are terminated. On initial recognition and subsequently, each derivative is recognized as either an asset or a liability on the balance sheet at its fair value. Derivatives with a positive fair value are reported as derivative related assets. Derivatives with a negative fair value are reported as derivative related liabilities. All changes in the fair value of derivatives are recognized in income in the year in which they occur as a component of net foreign exchange (gain) loss.

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 comprehensive statement of operations 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.

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.

Services received without charge

Services received without charge are recorded as administrative expenses at their estimated carrying amount. A corresponding amount is recognized as other income.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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:

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.

Useful life of key property, plant and equipment and intangible assets

The depreciation method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by the Corporation.

Trade receivables

The Corporation reviews its individually significant receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated income statement. 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 and the net realizable value of collateral. 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.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet 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 considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to note 5 for further details about the assumptions as well as sensitivity analysis.

Long term employee benefits

The cost of post-employment medical benefits and the present value of these obligation are 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 14.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Corporation's financial statements are listed below. This listing is of standards and interpretations issued, which the Corporation reasonably expects to be applicable at a future date. The Corporation intends to adopt those standards when they become effective.

Standard or amendment	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments	January 1, 2013
IFRS 10 Consolidated Financial Statements	January 1, 2013
IFRS 11 Joint Arrangements	January 1, 2013
IFRS 12 Disclosure of Interests in Others	January 1, 2013
IFRS 13 Fair Value Measurement	January 1, 2013
IAS 27 Separate Financial Statements	January 1, 2013
IAS 28 Investments in Associates and Joint Ventures	January 1, 2013
Amendments to IAS 19 Employee Benefits	January 1, 2013
Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income	July 1, 2012

5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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, interest rate risk and other price risk)

This note presents information about the Corporation's exposure to each of the above risks and the Corporation's objectives, policies and procedures for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

Credit risk

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, accounts receivable and derivative financial instruments. The carrying amount of financial assets represents the maximum credit exposure.

Cash

The Corporation manages its exposure to credit risk for its cash by depositing only with creditworthy counterparties, such as major Canadian financial institutions.

Accounts receivable

The Corporation's exposure to credit risk associated with accounts receivable is influenced mainly by the demographics of the Corporation's customer base, including the risk associated with the type of customer and country in which customers operate.

The Corporation manages this risk by monitoring the creditworthiness of customers. The Corporation has established processes when dealing with foreign customers in order to manage the risk relating to foreign customers.

As at October 31, the maximum exposure to credit risk for accounts receivable by geographic region was as follows:

(in thousands)	**October 31, 2011**		**October 31, 2010**	
	Original currency	$CAD	Original currency	$CAD
Canada	$ 1,935	$ 1,935	$ 1,225	$ 1,225
United States	4,097	3,952	5,356	5,456
Europe	1,984	1,991	1,993	1,814
Other	-	-	-	-
		$ 7,878		$ 8,495

At October 31, 2011, four customers represented 34% of the total accounts receivable balance. At October 31, 2010 three customers represented 34% of the total accounts receivable balance. Customers primarily represent distributors.

The Corporation establishes an allowance for doubtful accounts that reflects the estimated uncollectability of accounts receivable. The allowance is based on specific accounts and is determined by considering the Corporation's knowledge of the financial condition of its customers, the aging of accounts receivable, the current business and geopolitical climate, customer and industry concentrations and historical experience.

The aging of trade accounts receivable at October 31 was as follows:

(in thousands)	**October 31, 2011**	**October 31, 2010**
	Accounts receivable	Accounts receivable
Current 0-30 days	$ 5,448	$ 6,052
Past due 31-60 days	1,473	1,443
Past due over 61 days	308	319
Non-trade accounts receivable	734	762
Total	7,963	8,576
Less: allowance for doubtful accounts	(85)	(81)
Accounts receivable, net	$ 7,878	$ 8,495

Derivative financial instruments

The Corporation manages its exposure to credit risk on its derivative financial instruments by contracting only with creditworthy counterparties, such as major Canadian financial institutions. The maximum exposure to credit risk for derivatives at the reporting date was $0 thousand (2010 $219 thousand)

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.

The tables below present the contractual maturities of financial liabilities as at October 31:

(in thousands)	October 31, 2011				
	Total	Less than 1year	1 – 2 years	3 – 4 years	5 years and more
Accounts payable and accrued liabilities	$ 4,341	$ 4,341	$ -	$ -	$ -
Derivative related liabilities	47	47	-	-	-
Provision for final payments to fishers	1,195	1,195	-	-	-
Loans payable	26,474	26,474	-	-	-
Total	$ 32,057	$ 32,057	$ -	$ -	$ -

(in thousands)	October 31, 2010				
	Total	Less than 1year	1 – 2 years	3 – 4 years	5 years and more
Accounts payable and accrued liabilities	$ 5,641	$ 5,641	$ -	$ -	$ -
Derivative related liabilities	220	220	-	-	-
Provision for final payments to fishers	1,407	1,407	-	-	-
Loans payable	31,975	31,975	-	-	-
Total	$ 39,243	$ 39,243	$ -	$ -	$ -

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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.

Currency 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 9). 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 forward - Forward contracts that provide the Corporation 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 forward - Forward contracts that provide the Corporation the ability to exchange currencies at a pre-agreed strike rate. In the event that the spot rate trades above the contractual strike rate or at or below the predetermined conditional trigger rate, no currencies 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. Included on the balance sheet are derivative related assets of $ 0 thousand (2010 - $951 thousand) and derivative related liabilities of $154 thousand (2010 – $465 thousand) representing the fair value of derivative financial instruments held as at October 31:

(in thousands)	October 31, 2011	October 31, 2010
Fade-in forward	$ 98	$ -
At maturity variable rate forwards	56	-
Conditional variable rate forwards	-	219
Monthly settling accumulating forwards	-	27
Assets, net of liabilities	$ 154	$ 246

Notional principal amounts outstanding as at October 31, 2011 are listed below for foreign exchange derivative contracts entered into by the Corporation:

(in U.S. $ thousands)	October 31, 2011	October 31, 2010
Fade-in forward	$ 9,000	$ -
At maturity variable rate forwards	9,450	-
Conditional variable rate forwards	-	11,300
Monthly settling accumulating forwards	-	6,000

The net foreign exchange loss of $30 thousand (2010 – loss of $111 thousand) includes a loss of $585 thousand representing the change in fair value of derivative financial instruments classified as held for trading (2010 – gain of $263 thousand).

As at October 31, the Corporation is exposed to currency risk through its cash, accounts receivable, accounts payable and accrued liabilities and loans payable as follows:

(in U.S. $ thousands)	October 31, 2011	October 31, 2010
Cash	$ 173	$ 90
Accounts receivable	4,716	5,119
Accounts payable and accrued liabilities	(91)	(30)
Loans payable	(4,000)	(4,000)
Assets, net of liabilities	$ 798	$ 1,179

Based on the net exposure as at October 31, 2011, including the derivative financial instruments described above and assuming that all other variables remain constant, a 10 percent appreciation in the Canadian dollar against the U.S. dollar would result in an increase in net income and comprehensive income of $3,005 thousand (2010 - $2,847 thousand). A 10 percent depreciation in the Canadian dollar against the U.S. dollar would result in a decrease in net income and comprehensive income of $1,495thousand (2010 - $1,653 thousand).

Interest rate risk

At October 31, 2011, the Corporation's loans payable of $26,474 thousand (2010 - $31,975 thousand) are variable rate instruments.

An increase of 100 basis points in interest rates at the reporting date would have decreased net income and comprehensive income by $267 thousand, assuming that all other variables, in particular foreign exchange rates, remained constant (2010 - $109 thousand).

Other price risk

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

Fair value

The fair values of cash, bank indebtedness, accounts receivable, accounts payable 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 balance sheet. The estimate of the fair value of the foreign exchange call options and foreign exchange put barrier options is calculated using a valuation technique commonly used for these instruments.

The fair value measurements as recorded in the balance sheet are classified as follows:

(in thousands)	October 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative related assets	$ -	$ -	$ -	$ -
Liabilities				
Derivative related liabilities	$ -	$ 154	$ -	$ 154

(in thousands)	October 31, 2010			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative-related assets	$ -	$ 466	$ -	$ 466
Liabilities				
Derivative-related liabilities	$ -	$ 220	$ -	$ 220

6. INVENTORIES

As at October 31, inventory included:

(in thousands)	October 31, 2011	April 30, 2011	May 1, 2010
Raw materials and supplies	$ 934	$ 845	$ 886
Processed fish products	15,080	10,151	16,841
Write-down of processed fish products	(501)	(956)	(1,826)
	$ 15,513	$ 10,040	$ 15,901

The amount of write-downs of inventories recognized as expense in the period ended October 31, 2011 is $101 thousand (2010 - $450 thousand). Inventory write-downs are included in inventory values in the cost of sales.

7. PROPERTY, PLANT AND EQUIPMENT

(in thousands)

	Land	Buildings	Equipment	Fresh fish delivery tubs/totes	Vessels	Construction in progress	Total
Cost							
Opening balance at May 1, 2010	$ 336	$ 12,837	$ 20,436	$ 1,442	$ 3,113	$ 77	$ 38,241
Additions	-	347	456	25	219	112	1,159
Disposals	-	-	5	-	-	-	5
Balance at April 30, 2011	336	13,184	20,887	1,467	3,332	189	39,395
Amortization							
Opening balance at May 1, 2010	-	8,004	14,679	845	549	-	24,077
Depreciation charge for the year		617	667	161	134	-	1,579
Disposals	-	-	4	-	-	-	-
Balance at April 30, 2011	-	8,621	15,342	1,006	683	-	25,652
Net book value at May 1, 2010	**$336**	**$ 4,833**	**$ 5,757**	**$ 597**	**$2,564**	**$ 77**	**$ 14,164**
Net book value at April 30, 2011	**$336**	**$ 4,563**	**$ 5,545**	**$ 461**	**$2,649**	**$ 189**	**$ 13,743**
Cost							
Opening balance at May 1, 2011	$ 336	$ 13,184	$ 20,887	$ 1,467	$ 3,332	$ 189	$ 39,395
Additions	-	497	593	32	21	1,753	2,896
Disposals	-	-	-	-	-	-	
Balance at October 31, 2011	336	13,681	21,480	1,499	3,353	1,942	42,291
Amortization							
Opening balance at May 1, 2011	-	8,621	15,342	1,006	683	-	25,652
Depreciation charge for the period	-	242	312	55	72		681
Disposals	-	-	-	-	-		-
Balance at October 31, 2011	-	8,863	15,654	1,061	755	-	26,333
Net book value at May 1, 2011	**$336**	**$ 4,563**	**$ 5,545**	**$ 461**	**$2,649**	**$ 189**	**$ 13,743**
Net book value at October 31, 2011	**$336**	**$ 4,818**	**$ 5,826**	**$ 438**	**$2,598**	**$ 1,942**	**$ 15,958**

Amortization expense is recorded on the statement of operations, comprehensive income and retained earnings in cost of sales (2011 - $686 thousand; 2010 - $959 thousand) and in marketing and administrative expenses (2011 -24 thousand; 2010 - $16 thousand).

8. INTANGIBLE ASSETS

(in thousands)

		Information Systems Software
Cost		
Opening balance at May 1, 2010	$	1,804
Additions		19
Disposals		-
Balance at April 30, 2011		1,823
Amortization		
Opening balance at May 1, 2010		1,652
Depreciation charge for the year		
Disposals		
Balance at April 30, 2011		1,762
Net book value at May 1, 2010	**$**	**152**
Net book value at April 30, 2011	**$**	**61**
Cost		
Opening balance at May 1, 2011	$	1,823
Additions		11
Disposals		
Balance at October 31, 2011		1,834
Amortization		
Opening balance at May 1, 2011		1,762
Depreciation charge for the period		38
Disposals		
Balance at October 31, 2011		1,800
Net book value at May 1, 2011	**$**	**61**
Net book value at October 31, 2011	**$**	**34**

Included in the amortization of administrative assets expense is $38 thousand (2010 – $38 thousand) related to the amortization of intangible assets.

9. LOANS PAYABLE

(in thousands)	October 31, 2011	April 30, 2011	May 1, 2010
Promissory note	$3,974	$3,786	$4,063
Bankers' acceptances	22,500	19,800	25,300
	$26,474	$23,586	$29,363

The bankers' acceptances bear interest at an annual rate of 1.15% (2010 – 0.90%) and mature on November 3, 2011. The weighted-average interest rate during the period was 1.16% (2010 – 0.42%). Subsequent to November 2, 2011, new bankers' acceptances were entered into at a rate of 1.15%.

The $4,000 thousand U.S. dollar denominated promissory note ($3,974 thousand Canadian dollars) is repayable in U.S. dollars, bears interest at an annual rate of 1.18% (2010 – 1.20%) and matures on November 21, 2011.

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).

10. CAPITAL 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 the Government of Canada and to fishers.

The Corporation defines and computes its capital as follows:

(in thousands)	October 31, 2011	April 30, 2011	May 1, 2010
Retained earnings	$4,521	$2,889	$2,784
Loans payable	26,474	23,586	29,363
	$30,995	$26,475	$32,147

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.

In the quarter, 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 unchanged from the quarter ended October 31, 2010.

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

11. 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, 2011 was 1.86 (2010 - 1.94). Total contributions of $853 thousand (2010 - $702 thousand) were recognized as expense in the current quarter.

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.

Effective June 1, 2007, the Corporation concluded an agreement with its union that established the employment status of its fish plant employees on a going 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, including amounts owing for past service.

(in thousands)	**October 31, 2011**	**October 31, 2010**
Accrued benefit liability	$1,308	$ -
Unamortized past service costs	1,107	-
Accrued benefit liability – October 31	$ 201	$ -

The Corporation estimates that it has a discounted obligation of $1,308 thousand for future matching contributions required for current and retired employees. Accordingly, a liability of $140 thousand, representing the actuarial obligation for retired employees has been recorded.

12. SALES COMMISSIONS

During the period, the Corporation paid commissions of $324 thousand (2010 - $326 thousand) to sales agents, all of which were paid to foreign sales agents. Commissions are included in marketing and administrative expenses on the statement of operations, comprehensive income and retained earnings.

13. 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 operations, comprehensive income and retained earnings includes a charge of $35 thousand, which relates to workers' compensation payments, interest charges on the workers' compensation obligation and an actuarial loss.

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, 2011 to establish a measurement of the liability.

14. ACCRUED OBLIGATION FOR NON-PENSION POST-EMPLOYMENT BENEFITS

The Corporation's accrued obligation for non-pension post-employment benefits plan (Plan) 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 operations, comprehensive income and retained earnings includes a charge of $28 thousand, which relates to current service costs, benefits paid 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, 2011 to establish a measurement of the liability.

15. RELATED PARTY DISCLOSURES

The Corporation enters into transactions, agreements and business activities with related parties in the normal course of business under the same terms and conditions that apply to unrelated parties

Certain members of the Board of Directors are fishers for the Corporation. During the period, delivered fish volume by Board members was 40 thousand kilograms (2010 47 thousand) valued at $99 thousand (2010 $117 thousand. These transactions are measured at the exchange amount and were incurred during the normal course of business on similar terms and conditions to those entered into with unrelated parties.

Compensation during the quarter of key management personnel of the Corporation is as follows:

(in thousands)	October 31, 2011	October 31, 2010
Short-term employee benefits	$ 327	$ 320
Post-employment pension and medical benefits	46	45
Termination benefits	-	-
Total compensation paid to key management personnel	$ 373	$ 365

The disclosed compensation for key management personnel of the Corporation is recorded on the statement of operations, comprehensive income and retained earnings as salaries and benefits in marketing and administrative expenses.

16. COMMITMENTS AND CONTINGENCIES

Property, plant and equipment

As of October 31, 2011 the Corporation had capital commitments of $1,655 thousand related to the purchase of a new tunnel freezer that will become operational in the fourth quarter of the fiscal year.

Other legal actions

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 in when any liability is considered likely and the associated costs can be reasonably estimated.

Contingencies

There have been no changes in the existence, likelihood or amount of contingencies since the end of the most recently completed fiscal year.

17. FIRST TIME ADOPTION OF IFRS

For all periods up to and including the year ended April 30, 2011, the Corporation prepared its financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The Corporation has prepared financial statements which comply with IFRS applicable for periods beginning on or after May 1, 2010 as described in the significant accounting policies described in note 2. In preparing these financial statements, the Corporation’s opening balance sheet was prepared as at May 1, 2010, the Corporation’s date of transition to IFRS. This note explains the principal adjustments made by the Corporation in restating its Canadian GAAP statement of financial position as at May 1, 2010 and its previously reported Canadian GAAP financial statements for the year ended April 30, 2011.

IFRS 1 “First Time Adoption of International Financial Reporting Standards”, allows first-time adopters certain exemptions from the retrospective application of certain standards. The Corporation has applied the following exemptions in preparing these statements:

IFRS has been applied retrospectively, except for certain optional and mandatory exemptions from full retrospective application, as provided for by IFRS 1 as detailed below. Other options available under IFRS 1 are not presented, as they are not material to the Corporation’s business.

Optional Exemptions

i. Fair value or revaluation as deemed cost

The Corporation has not elected to use the fair value of property, plant and equipment as of May 1, 2010 as deemed cost at the transition date.

ii. Borrowing Costs

The Corporation has elected only to capitalize borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after the date of transition.

Mandatory Exemptions

At the date of transition, the Corporation’s estimates under IFRS are consistent with estimates previously made under Canadian GAAP. Hindsight has not been used to create or revise these estimates.

The Corporation reported under Canadian GAAP in previously published financial statements for the year ended April 30, 2011. The analysis below shows a reconciliation of net assets and profit as reported under Canadian GAAP as at April 30, 2011 to the revised net assets and profit under IFRS as required in these financial statements as required by IFRS 1. There is also a reconciliation of net assets under Canadian GAAP to IFRS at the transition date for the Corporation, being May 1, 2010.

FRESHWATER FISH MARKETING CORPORATION
Notes to the Unaudited Interim Financial Statements
October 31, 2011

Reconciliation of net assets at April 30, 2011

	Footnotes	Canadian GAAP	Adjustments	IFRS Standards
ASSETS				
Current				
Cash		$ 6		$ 6
Accounts receivable		6,734		6,734
Other Receivable		263		263
Inventories		10,040		10,040
Prepaid expenses		274		274
Derivative- related assets		478		478
		17,795		17,795
Property, plant and equipment	A	13,725	18	13,743
Intangible assets		61		61
		$ 31,581		**$ 31,599**
LIABILITIES				
Current				
Bank indebtedness		$ -		$ -
Accounts payable and accrued liabilites		3,409		3,409
Current portion of accrued obligation for workers' compensation		63		63
Provision for final payment to fishers		1,195		1,195
Loans payable		23,586		23,586
Derivative-related liabilities		45		45
		28,298		28,298
Accrued obligation for workers' compensation		242		242
Accrued obligation for non-pension post-employment benefits	B	-	170	170
EQUITY				
Retained earnings		3,041	(152)	2,889
		$ 31,581	**$ (152)**	**$ 31,599**

FRESHWATER FISH MARKETING CORPORATION
Notes to the Unaudited Interim Financial Statements
October 31, 2011

Reconciliation of net assets at May 1, 2010:

	Footnotes	Canadian GAAP	Adjustments	IFRS Standards
ASSETS				
Current				
Cash		$ -		$ -
Accounts receivable		8,091		8,091
Other Receivable		-		-
Inventories		15,901		15,901
Prepaid expenses		98		98
Derivative- related assets		7		7
		24,097		24,097
Property, plant and equipment	A	14,146	18	14,164
Intangible assets		152		152
		$ 38,395		**$ 38,413**
LIABILITIES				
Current				
Bank indebtedness		$ 199		$ 199
Accounts payable and accrued liabilites		4,076		4,076
Current portion of accrued obligation for workers' compensation		-		-
Provision for final payment to fishers		1,333		1,333
Loans payable		29,363		29,363
Derivative-related liabilities		516		516
		35,487		35,487
Accrued obligation for workers' compensation		-		-
Accrued obligation for non-pension post-employment benefits	B	-	$ 142	142
EQUITY				
Retained Earnings		2,908	(124)	2,784
		$ 38,395	**$ (124)**	**$ 38,413**

Listed below are the key differences between Canadian GAAP and IFRS that required a retrospective adjustment to the financial statements:

A. **Property, Plant and Equipment**

For all items of property, plant and equipment, the provisions of IAS 16 were retrospectively applied. Differences relating to the level of componentization and depreciation rates caused the carrying value of these assets at the transition date to exceed the recorded amount under Canadian GAAP by $18 thousand.

B. **Amendments to employee benefit plans – sick leave**

Under the Corporation's previous accounting framework, the cost of amendments to employee benefit plans – sick leave was recognized on a deferred basis. Under IFRS, the cost of plan amendments is to be recognized immediately in the statement of operations as an accrued obligation for non-pension post-employment expense.

The unamortized balances related to plan amendments for each benefit plan were as follows:

(in thousands)

	April 30, 2010
Defined benefit obligation at May 1, 2010	$ 142
Less: current portion	16
Non-currrent portion	$ 126
Benefits paid	$ 10

Determination of sick leave costs for the period is calculated as:

Current service costs	$ 15
Interest costs	8
Actuarial loss	15
	$ 38

Weighted average asssumptions:

Discount rate for obligation	5.20%
Rate of compensation increase	2.50%
Rate of return on plan assets	N/A

Reconciliation of net profit income and comprehensive income for the year ended April 30, 2011:

	Footnotes	Canadian GAAP	Adjustments	IFRS Standards
OPERATIONS				
Sales				
Export		$ 55,925		$ 55,925
Domestic		10,900		10,900
		66,825		66,825
Cost of Sales				
Opening Inventory of finished fish products		15,015		15,015
Add fish purchases and processing expenses:				
Fish purchases		26,545		26,545
Plant salaries, wages and benefits	B	10,689	28	10,717
Packing allowances and agency operating costs		3,794		3,794
Packaging and storage		3,080		3,080
Freight		3,911		3,911
Utilities and property taxes		1,276		1,276
Amortization of production assets		1,558		1,558
Repair and maintenance		1,895		1,895
Other		596		596
		68,359		68,387
Less ending inventory of processed fish products		(9,195)		(9,195)
		59,164		59,192
Gross profit on operations		**7,661**		**7,633**
Marketing and administrative expenses				
Salaries and benefits		2,974		2,974
Interest expense		1,188		1,188
Commission		1,355		1,355
Data processing, office and professional services		574		574
Advertising and promotion		317		317
Meeting fees and expenses		130		130
Amortization of administration assets		732		732
Other		151		151
		7,421		7,421
Other income and expenses				
Other revenue		(623)		(623)
Net foreign exchange (gain) loss		(465)		(465)
Income (loss) before provision for final payment to fishers		**1,328**		**1,300**
Provision for final payments to fishers		1,195		1,195
Net Income (loss) and comprehensive income(loss) for the quarter		**133**		**105**
Retained earnings at beginning of year		2,908		2,784
Retained earnings at end of the year		**$ 3,041**		**$ 2,889**

B. **Amendments to employee benefit plans – sick leave**

Under the Corporation's previous accounting framework, the cost of amendments to employee benefit plans – sick leave was recognized on a deferred basis. Under IFRS, the cost of plan amendments is to be recognized immediately in the statement of operations as an accrued obligation for non-pension post-employment expense.

The unamortized balances related to plan amendments for each benefit plan were as follows:

(in thousands)

	April 30, 2010
Defined benefit obligation at May 1, 2010	$ 142
Less: current portion	16
Non-currrent portion	$ 126
Benefits paid	$ 10

Determination of sick leave costs for the period is calculated as:

Current service costs	$ 15
Interest costs	8
Actuarial loss	15
	$ 38

Weighted average asssumptions:

Discount rate for obligation	5.20%
Rate of compensation increase	2.50%
Rate of return on plan assets	N/A