

Pound-Maker Investments Ltd.

2008 Annual Report

CORPORATE PROFILE

Pound-Maker Investments Ltd. and its wholly owned subsidiaries, Pound-Maker Agventures Ltd. and Pound-Maker Capital Corp., own and operate an integrated cattle feedlot and ethanol production facility near Lanigan, Saskatchewan. The business operations of the companies encompass the value-added processing of renewable agricultural products. The company has developed production excellence for its two primary products, finished cattle and fuel grade ethanol. The operations of the company represent Canada's first and only integrated feedlot and fuel ethanol facility, which commenced operations in 1991. At that time the feedlot division of the company had a one time feeding capacity of 18,500 head of cattle and the ethanol division had an annual production capacity of 10 million litres. Today, the company's feedlot division has a one time feeding capacity of 29,000 head of cattle and the ethanol division has an annual production capacity of 13 million litres.

Feeder cattle are finished for wholesale processors utilizing feed rations, comprised primarily of prairie grown feed barley and other prairie grown cereal grains, and forages, including feed co-products produced from the company's fuel ethanol manufacturing operations, to produce top quality grades of beef. Ethanol, produced from prairie grown cereal grains, is a renewable gasoline additive produced in Canada. Ethanol adds octane and oxygen to gasoline. These beneficial properties improve vehicle performance and significantly reduce harmful exhaust emissions. Co-products of the ethanol production process, wet distiller's grains and thin stillage, which are high in protein and nutrients, are utilized as feed supplements in the feedlot operations. Pound-Maker is presently Saskatchewan's largest beef producer and Canada's only integrated feedlot and fuel ethanol manufacturer.

Pound-Maker Investments Ltd. is a Canadian controlled private corporation with over 200 shareholders, predominantly farmers and other local business people from in and around the Lanigan district of Saskatchewan. As a significant provider of jobs and spin-off benefits to local businesses, the company is a major contributor to the local economy of Lanigan and surrounding communities. Its operations represent a significant market for the sale of grains, forages and other feedstock by its shareholders and other local producers. Pound-Maker is a leading member of Saskatchewan's value added agricultural and alternative energy sectors. Members of its management are leading contributors to numerous provincial, national and international industry, and governmental and non-governmental organizations.

Our Vision

To be a leader in the profitable value added processing of agricultural products in an ethical and environmentally sustainable manner for the benefit of stakeholders.

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FINANCIAL AND OPERATING HIGHLIGHTS

Years ended July 31

	<u>2008</u>	<u>2007</u>
(All dollar amounts in thousands except per share amounts)		
Sales revenue	\$ 46,999	\$ 42,002
Number of cattle marketed		
Company owned cattle	24,772	19,475
Custom fed cattle	15,399	17,254
Total cattle marketings	40,171	36,729
Ethanol sales (millions of litres)	13.2	12.1
Net earnings	\$ 932	\$ 1,462
Per share ⁽¹⁾	\$ 1.45	\$ 2.27
Shareholders' equity	\$ 14,168	\$ 13,557
Per share ⁽¹⁾	\$ 22.03	\$ 21.08
Return on shareholders' equity ⁽¹⁾	6.7%	11.3%
Capital expenditures	\$ 1,392	\$ 1,051
Total assets	\$ 22,962	\$ 22,322
Long term debt ⁽²⁾	\$ 1,956	\$ 2,356
Dividends on Class "A" common shares	\$ 321	\$ 320

KEY FINANCIAL RATIOS

	<u>2008</u>	<u>2007</u>
Current Ratio ⁽²⁾	2.41	2.56
Long-term Debt to Equity ⁽²⁾	0.14	0.17

⁽¹⁾ The company has no stock option or similar plans, no securities convertible into shares and no obligations to issue any shares in the future such that earnings and equity per share are the same on a non-diluted as a fully diluted basis.

⁽²⁾ Includes current portion of long-term debt.

MESSAGE TO SHAREHOLDERS

On behalf of the Board of Directors I am pleased to present Pound-Maker's Annual Report to shareholders for the year ended July 31, 2008.

For the first time in the company's 38 years of operation, Pound-Maker has been profitable for the fourth year in a row. Net earnings for 2008 of \$932,000 were significantly lower than earnings in each of the previous 3 years due primarily to the enormous increases in feedstock prices and input costs experienced during 2008. While finished beef prices remained relatively flat during this period, ethanol prices soared and the company's previous decision to diversify our feedlot operations through the production and sale of ethanol has continued to yield significant returns.

For the fourth consecutive year I am pleased to announce that the Board of Directors has approved the distribution of a dividend of \$482,250 or 75 cents per share to the shareholders of record as of October 30, 2008. Dividends distributed over these past four years total \$1,768,250 or \$2.75 per share.

The company's financial position continues to be very strong. During the year, the company made the final payment on the term loan owed to the Department of Western Economic Diversification and this debt is now fully repaid. The loan had originally been secured to assist with the financing of the construction of the ethanol facility. Total term debt is currently less than \$2 million.

With improved profitability, capital expenditures over the past two years have increased substantially (\$1 million in 2007 and \$1.4 million in 2008, verses approximately \$350,000 in previous years). Expenditures on rolling stock and normal operational facilities have increased slightly. The company's strategy to secure and control farmland for the purposes of manure disposal has resulted in the purchase of 10 quarters of land in close proximity to the feedlot. As well, in an effort to increase the capacity of the ethanol facility within the confines of the existing plant, a debranning process is currently being added with an expected capital cost of approximately \$1.5 million. Financing for each of these expenditures is being provided through working capital.

While your board and management have continuously pursued new opportunities to grow and diversify the company, we have not found any opportunities synergistic with the company's goals and values to be feasible due to skyrocketing construction costs and lack of labor and materials. Given these conditions and the current uncertainty in the global market place at this point, the prudent option is to maximize returns from our existing operations.

In closing, on behalf of the board of directors I would like to commend our management team and all employees for their continuing efforts and dedication to the success of the company and its stakeholders.



Mylles Wildeman
Board Chair and President
Pound-Maker Investments Ltd.

MESSAGE TO SHAREHOLDERS

It is again my privilege to report to shareholders on the results of the fiscal year ending July 31st, 2008. This marks a year of unprecedented volatility in feed grain prices, Canadian dollar exchange rates, and feeding margins. I am pleased to report that in spite of these uncertainties the company continued to be profitable in 2008. It is a testament to the foresight of the Board of Directors and shareholders who chose to diversify the company's business interests 17 years ago.

Record high grain prices, as well as large price movements were experienced throughout the year. For example, barley prices increased 50% or \$72/tonne, while wheat for ethanol increased 68% or \$129/tonne. Unfortunately, much of the rapid price increase occurred after the fall yearling feeders had been purchased, and steep losses from the feeding of these short-keep animals occurred. However, through the course of the year, feeder prices and feed costs declined resulting in modest profits for sales of finished cattle in the fourth quarter. It is also anticipated that there may be some future financial support pending from government risk management programs. Feeding performance returned to normal levels throughout the year as pen conditions improved due to beneficial weather conditions and a concentrated program of clay replacement and pen reconstruction.

Financial results in the ethanol division were excellent as prices for ethanol, oil and gasoline reached record levels and price increases of 55% were experienced. Production continues to be very stable and is a testament to the quality workmanship of both our operational and maintenance personnel after 17 years of operation without a major refit of equipment. As well, the consistency and quality of the feedstock available were superior to previous years, thereby increasing yields of ethanol per tonne of feedstock consumed. Work continues on the installation of the debranning equipment, which is nearing completion. It is anticipated that we will begin startup of the system in early 2009. The shortage of construction contractors has delayed this project much further than originally anticipated.

Results from our expanding farming operations have also been profitable. We have begun to produce a portion of our own silage requirements, and have initiated a much more efficient manure management strategy that will benefit our cattle performance and pen maintenance requirements in the future.

The company has also made strategic investments in the construction of a new equipment maintenance facility, more manure and bulk handling equipment, and strategic upgrades to existing rolling stock. This will allow us to continue to increase the work we can conduct internally, reducing our reliance on third party contractors.

The future continues to be challenging, and as in all segments of the economy, significant uncertainty prevails. In the cattle division, the United States has implemented mandatory Country of Origin Labeling and while the impact is unknown at this time, there is significant potential for price discounts for Canadian cattle. Concerns also abound regarding the impact of a slowing US and world economy on beef prices and consumption. On the positive side, feed costs continue to decrease, resulting in lower breakeven costs for finished cattle. Additionally, overall cattle supplies are forecast to be significantly less than previous years, improving the supply/demand situation.

In the ethanol division, the change from the federal incentive for ethanol production from a tax exemption on the sale of ethanol blended gasoline to one of a production based variable incentive has resulted in a great deal of confusion about the value of the program. The overall benefit to Pound-Maker is still unknown. The rapid decrease in oil prices will almost certainly negatively impact the selling price of ethanol. Ethanol feedstocks and natural gas, the two largest production expenditures, continue to decrease in cost. These factors will lower costs in this division. Additionally, based on our initial research into the benefits of debranning, we feel confident that we should experience both increased ethanol production and improvements in operational and maintenance efficiencies once debranning is fully operational. This is novel technology, and Pound-Maker will be the first wheat based ethanol facility to incorporate this process within the ethanol industry.

Given all that has occurred during the past 5 years, since the discovery of BSE in Canada, and the tumultuous economic times we are presently experiencing, the strategy currently employed by the Company to focus on debt-reduction, make measured prudent investments, and focus those investments towards improving our future sustainability has proven to be sound. It has allowed us to manage through critical events while continuing to provide a return to our shareholders and maintaining our solid financial foundation. New business opportunities will undoubtedly occur in the future. In the interim, we will continue to focus on growing our financial strength to allow us to fully exploit opportunities as they arise.

Finally, I wish to extend my gratitude to our capable staff and competent Board of Directors for their assistance and guidance over the past year. It has been an honor to lead this organization for another year.



Brad Wildeman
President
Pound-Maker Agventures Ltd.

2008 – The Year in Review

Results of Operations

Sales

Sales for the fiscal 2008 were \$47.0 million, an increase of \$5.0 million (11.9%) over 2007. Approximately \$2.9 million (58%) of the increase was due to the continued trend of the company finishing more of its own cattle for market and feeding fewer custom cattle. The balance of the increase in revenues was from increased sales volumes and prices received in the fuel ethanol division.

Gross Profit Margin

The gross profit for the year was \$5.3 million, a decrease of \$1.2 million (18%) from that of fiscal 2007. The decline in gross profit was primarily due to the continued increase in feedstock costs that occurred throughout most of the 2008 fiscal year. Combined feedstock costs increased from \$13.7 million in fiscal 2007 to \$17.3 million in 2008, an increase of some \$3.6 million (26.3%).

On a percentage basis, the gross profit margin declined to 12.8% from 18.4%. Margins earned from the finishing of cattle for markets have declined primarily due to higher feed costs. Average selling prices for finished cattle declined slightly from that of the previous year. Sales price increases realized in the fuel ethanol division were almost sufficient to negate the increase in feed stock input prices for the ethanol division.

Net Earnings

Consolidated net earnings for the year were \$1.3 million (\$0.9 million after provision for taxes), as compared to earnings of \$2.2 million (\$1.5 million after provision for taxes) in fiscal 2007. Overall consolidated net earnings declined \$0.9 million or 40.9% from the prior year (\$0.6 million or 40% after provision for taxes).

Financial Position

The financial position of the company is strong and there have been no significant changes in its financial position from that of the previous year. The company made the last installment of principal and interest on its term loan with the Department of Western Economic Diversification. No new debt facilities were entered into by the company during the fiscal year.

Despite the reduction in net earnings in fiscal 2008 as compared to those of fiscal 2007, operating cash flows were sufficient to fund scheduled debt repayments, dividends paid during the year and purchases of property, plant and equipment.

Capital asset purchases during the year were \$1.4 million. In addition to ongoing normal capital expenditures for the replacement of rolling stock and other operating equipment, the company acquired four quarters of farm land and commenced the construction and addition of debranning equipment in the ethanol plant. The addition of the debranning equipment and changes in infrastructure to the plant are anticipated to be completed during fiscal 2009.

2008 – The Year In Review (Continued)

Cattle Feeding Division

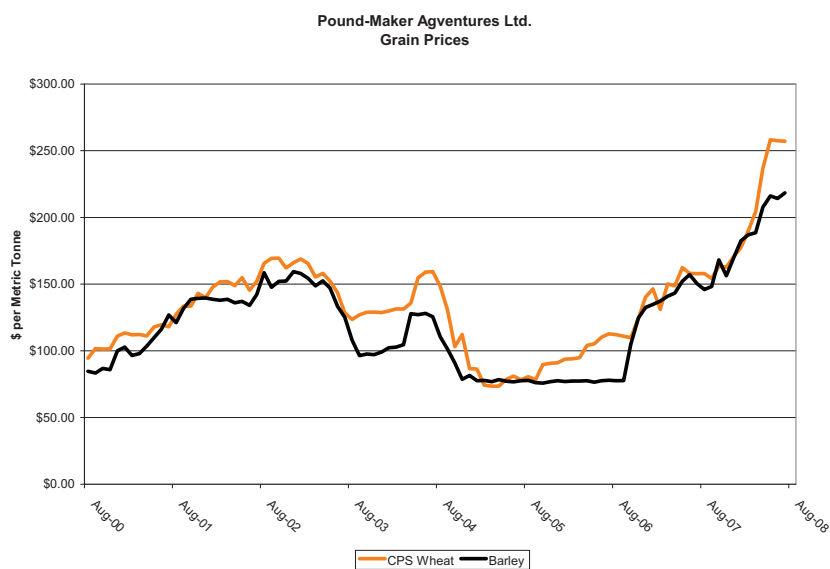
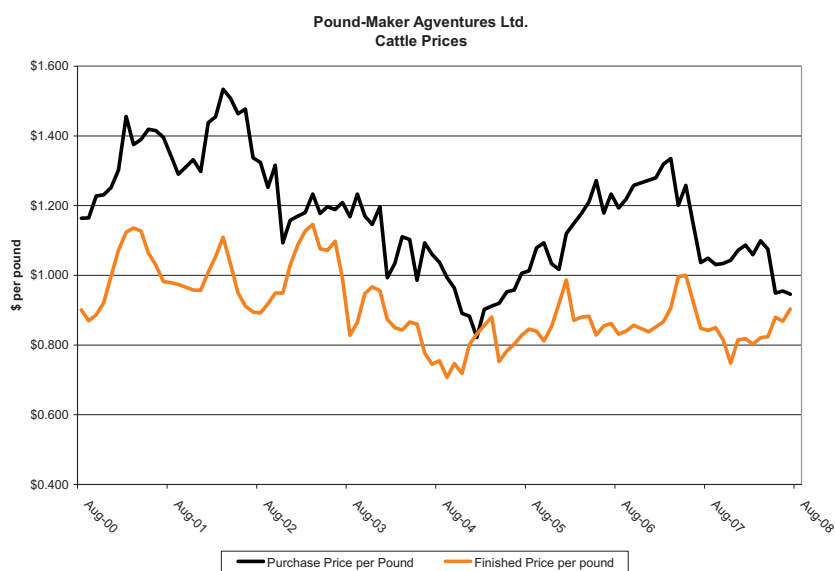
Revenues for the cattle feeding division were \$34.4 million, an increase of \$2.9 million (9.2%) over fiscal 2007. The net increase in revenues is the result of an increase of \$6.2 million in the sales of finished cattle and a decline of \$3.3 million in custom cattle feeding sales. In fiscal 2008, company cattle sales comprised 84.3% of the cattle feeding division's sales as compared to 72.4% in the prior year. The company marketed 40,171 head of cattle (24,772 company cattle and 15,399 custom cattle) in fiscal 2008, compared to marketings of 36,729 head (19,475 company cattle and 17,254 custom cattle) in 2007.

Gross profit margins on company owned cattle declined in fiscal 2008, primarily due to a combination of higher feed grain costs and lower selling prices. Increases in the spread between feeder and finished cattle prices were not large enough to fully offset the cumulative effects of the increase in feed costs and lower selling prices.

Despite the increase in marketings during the year, feedlot utilization for fiscal 2008 dropped from 78% in fiscal 2007 to 65.4%. The increases in the volume of company fed cattle in 2008 as compared to the previous year did not fully offset the reduction in the level of custom cattle feeding activity the company experienced during the year.

Overall cattle performance was better for fiscal 2008 as compared to that of the previous year. Weather conditions for most of the year were conducive to better pen conditions. Poor pen conditions in the preceding year had affected the cattle's performance in that year. The better weather conditions allowed the company to complete a thorough cleaning of the pens this past year and the company was also able to return pens that had become sub standard back to normal conditions.

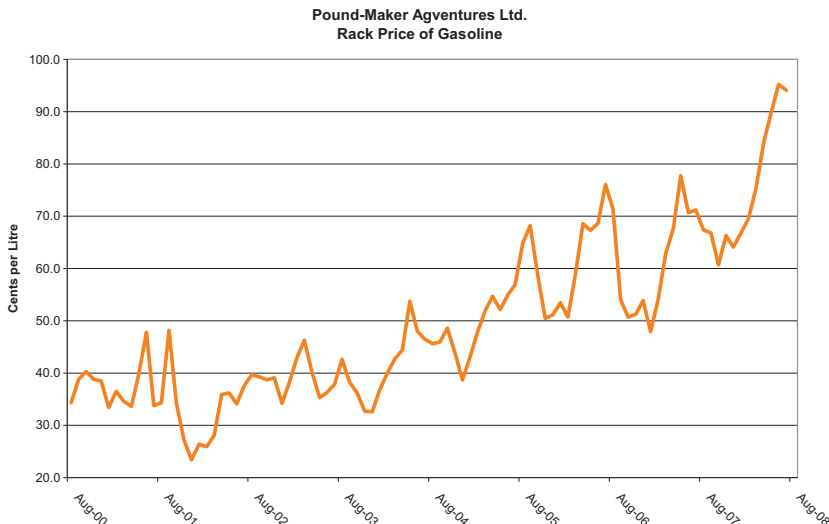
The acquisition of another 4 quarters of farm land this past year has increased the flexibility that the feedlot division has for both manure management and the grazing of cattle. In total, the company has 10 quarters of arable land that can be utilized to accommodate manure disposal, the grassing of cattle and/or the production of feedstocks for the feedlot and ethanol division.



2008 – The Year In Review (Continued)

Fuel Ethanol Division

Fuel ethanol sales revenues for fiscal 2008 were up approximately 25% over the previous year. The increase in sales revenues was attributable to both higher selling prices as well as higher sales volumes. Ethanol selling prices increased directly as a result of higher gasoline prices prevailing throughout most of the year as compared to the previous year. Sales volumes were approximately 1.1 million litres (9%) higher during fiscal 2008.



Despite this increase, relatively significant increases in average sales prices and the increase in sales volumes, operating income from the fuel ethanol division was very similar to that of the previous year due to significant increases in the cost of grain feedstocks to the ethanol plant. Overall feedstock costs increased \$2.3 million (48.8%) in fiscal 2008 as compared to fiscal 2007. This increase was primarily due to price increases in feed grains that occurred throughout the year.

The Future Outlook

With all of the volatility that has and continues to be experienced in the world, it is difficult at best to predict with any large degree of certainty what the future outlook might be.

The global credit crunch, combined with weakening economies and volatility in the financial and commodity markets, makes the short-term outlook for beef demand uncertain. In addition, the full impact of the United States Country of Origin Labeling Legislation (“COOL”) is not known at this time and it will still be a number of months before the full impact on the US demand for Canadian beef and the potential discount in prices that might develop will be known.

While the short-term outlook is somewhat uncertain, the long-term outlook looks good. International demand for beef and Canadian beef is on the rise. New markets have been opening to Canadian beef and more are expected to open in the future. The global supply of red meats has been declining largely due to the negative impact of the rapid increase in feed costs on the cost of production. The prospects of increased demand and reduced supply of red meats should bode well for the future price of finished beef.

The recent decline in crude oil prices has resulted in declines in the rack price of gasoline, which in turn has resulted in lower prices being paid for fuel ethanol. However, with feed grain prices declining from their record highs this past summer, the economics of fuel ethanol production still appear to be quite sound. The Federal Government of Canada replaced its excise tax exemptions for ethanol blended fuels effective March 31, 2008, and introduced its eco-Energy for Biofuels Program on April 1, 2008. At the time of writing this report, some of the parameters of the Program are still unknown and accordingly ethanol producers are uncertain as to what financial incentives if any might be received under the program.

Despite the uncertainties that exist today, the company is of the opinion that as a result of its very strong financial position and low debt financing that it is well positioned to respond to changes in the marketplace and to take advantage of any other opportunities that may arise for the benefit of its stakeholders.

To the Shareholders:
Pound-Maker Investments Ltd.

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

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

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Audit Committee is appointed by the Board to review the consolidated financial statements in detail with management and to report to the Board prior to their approval of the consolidated financial statements for publication.

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

September 12, 2008



President



Chief Financial Officer

To the Shareholders:

Pound-Maker Investments Ltd.

We have audited the consolidated balance sheet of **Pound-Maker Investments Ltd.** as at July 31, 2008, and the consolidated statements of earnings and retained earnings, comprehensive income and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Saskatoon, Saskatchewan
September 12, 2008

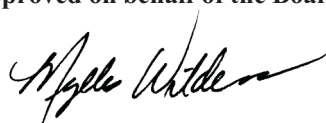


Chartered Accountants

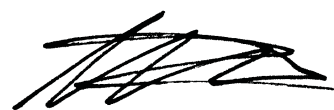
Pound-Maker Investments Ltd.
Consolidated Balance Sheet
As at July 31, 2008

	2008	2007
Assets		
Current		
Cash	-	557,000
Accounts receivable	2,044,000	3,250,000
Income taxes receivable	-	248,000
Prepaid expenses	90,000	83,000
Inventory <i>(Note 4)</i>	14,024,000	11,766,000
	16,158,000	15,904,000
Property, plant and equipment <i>(Note 5)</i>	6,745,000	6,339,000
Start-up costs <i>(Note 6)</i>	59,000	79,000
	22,962,000	22,322,000
Liabilities		
Current		
Bank indebtedness <i>(Note 7)</i>	371,000	-
Accounts payable and accruals	2,429,000	2,531,000
Income taxes payable	172,000	-
Future income taxes payable <i>(Note 12)</i>	3,408,000	3,281,000
Current portion of long-term debt <i>(Note 8)</i>	333,000	399,000
	6,713,000	6,211,000
Long-term debt <i>(Note 8)</i>	1,623,000	1,957,000
Future income taxes payable <i>(Note 12)</i>	458,000	597,000
	8,794,000	8,765,000
Commitments <i>(Note 15)</i>		
Shareholders' Equity		
Share capital <i>(Note 9)</i>	1,443,000	1,443,000
Retained Earnings	11,670,000	11,059,000
Contributed surplus <i>(Note 10)</i>	1,055,000	1,055,000
	14,168,000	13,557,000
	22,962,000	22,322,000

Approved on behalf of the Board



Director



Director

Pound-Maker Investments Ltd.
Consolidated Statement of Earnings and Retained Earnings
For the year ended July 31, 2008

	2008	2007
Revenue	46,999,000	42,002,000
Cost of goods sold (Note 11)	41,684,000	35,481,000
Gross profit	5,315,000	6,521,000
Expenses		
Operating and administrative	2,913,000	3,259,000
Amortization of property, plant and equipment	954,000	942,000
Amortization of start-up costs	19,000	19,000
Interest on long-term debt	104,000	141,000
	3,990,000	4,361,000
Earnings from operations	1,325,000	2,160,000
Other revenue		
Gain on disposal of property, plant and equipment	15,000	25,000
Earnings before income taxes	1,340,000	2,185,000
Provision for (recovery of) income taxes (Note 12)		
Current	420,000	579,000
Future	(12,000)	144,000
	408,000	723,000
Earnings for the year	932,000	1,462,000
Retained earnings, beginning of year	11,059,000	9,917,000
Dividends	(321,000)	(320,000)
Retained earnings, end of year	11,670,000	11,059,000
Earnings per share - basic	1.45	2.27
Weighted average number of common shares - basic	643,000	643,000

The accompanying notes are an integral part of these financial statements

Pound-Maker Investments Ltd.
Consolidated Statement of Comprehensive Income
For the year ended July 31, 2008

	2008	2007
Earnings for the year	932,000	1,462,000
Other comprehensive income	-	-
Comprehensive income	932,000	1,462,000

The accompanying notes are an integral part of these financial statements

Pound-Maker Investments Ltd.
Consolidated Statement of Cash Flows
For the year ended July 31, 2008

	2008	2007
Cash provided by (used for) the following activities		
Operating		
Earnings for the year	932,000	1,462,000
Future income taxes	(12,000)	144,000
Gain on disposal of property, plant and equipment	(15,000)	(25,000)
Amortization of property, plant and equipment	954,000	942,000
Amortization of start-up costs	19,000	19,000
	1,878,000	2,542,000
Changes in working capital accounts		
Accounts receivable	1,206,000	534,000
Income taxes payable	420,000	(715,000)
Prepaid expenses	(7,000)	24,000
Inventory	(2,258,000)	1,535,000
Accounts payable and accruals	(102,000)	388,000
	1,137,000	4,308,000
Financing		
Long-term debt repayments	(400,000)	(3,037,000)
Dividends paid	(321,000)	(320,000)
	(721,000)	(3,357,000)
Investing		
Purchase of property, plant and equipment	(1,392,000)	(1,051,000)
Proceeds on disposal of property, plant and equipment	48,000	47,000
	(1,344,000)	(1,004,000)
Decrease in cash resources	(928,000)	(53,000)
Cash resources, beginning of year	557,000	610,000
Cash resources (deficiency), end of year	(371,000)	557,000
Supplementary Cash Flow Information		
Interest paid	224,000	228,000
Income taxes paid (net of refund received)	12,000	1,290,000

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of business

Pound-Maker Investments Ltd. ("the Company") is a private company incorporated under The Saskatchewan Business Corporations Act. Its principal activity is the holding, monitoring and management of its investment in Pound-Maker Agventures Ltd. Pound-Maker Agventures Ltd. operates an integrated cattle finishing feedlot and fuel ethanol manufacturing facility at Lanigan, Saskatchewan.

2. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

Basis of consolidation

The Company has consolidated the assets, liabilities, revenues and expenses of all subsidiaries after the elimination of inter-entity transactions and balances. The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, Pound-Maker Agventures Ltd. and Pound-Maker Capital Corp. (formerly 101025221 Saskatchewan Ltd.).

Financial instruments

Held for trading:

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 *Financial Instruments – Recognition and Measurement*, even if that instrument would not otherwise satisfy the definition of held for trading. The Company has classified cash as held for trading. These instruments are initially recognized at their fair value as approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell this item is recorded on the settlement date. Transaction costs are immediately recognized in income.

Held for trading financial instruments are subsequently measured at their fair value, without any deduction for transactions costs incurred on sale or other disposal. Net gains and losses arising from changes in fair value are recognized immediately in income.

Loans and receivables:

The Company has classified accounts receivable as loans and receivables. This asset is initially recognized at its fair value as approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Other financial liabilities:

The Company has classified bank indebtedness, accounts payable and accruals and long-term debt as other financial liabilities. These liabilities are initially recognized at their fair value as approximated by the instrument's initial cost in a transaction between unrelated parties.

Fees incurred on an exchange of financial liabilities or a modification of the terms of financial liabilities that are accounted for as an extinguishment are included as part of the gain or loss on extinguishment, while any related other costs incurred are recognized in current year earnings. All fees and costs incurred on the exchange or modification of a financial liability not accounted for as an extinguishment are included in the carrying amount of the modified financial liability and amortized over its remaining expected life.

2. Significant accounting policies (continued)

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to their net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in net income upon derecognition.

Inventory

Cattle inventory is recorded at the lower of cost and net realizable value. The cost of cattle inventory consists of the invoiced cost of cattle purchased, plus the cost of inputs for feed and bedding, veterinary supplies, wages and interest charges. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of finishing and selling costs.

Feedstocks inventory is recorded at the lower of cost and net realizable value. Growing crops, included in feedstocks inventory, are recorded at the lower of production costs incurred to date and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Ethanol inventory is recorded at the lower of cost and net realizable value. The cost of ethanol inventory consists of feedstock cost, plus the cost of inputs for processing supplies, utilities, blending fuel and wages. Cost is determined based on weighted average production costs for the year. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs. Ethanol parts inventory are included in ethanol inventory.

Supplies inventory is recorded at the lower of cost and net realizable value.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Expenditures for maintenance and repairs are charged against operations as incurred.

Amortization is provided using the declining balance and straight line methods at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Feedmill	straight-line	6.67%
Office, feedlot, and feedlot equipment	straight-line	4%-10%
Automotive equipment	declining balance	20%
Ethanol plant and processing equipment	straight-line	5%-10%

Property, plant and equipment acquired but not yet placed into use, referred to as assets under construction, are not amortized until usage commences.

Start-up costs

Costs incurred by the Company relating to the commencement of ethanol manufacturing operations, and net operating costs during the start-up period of operations are being amortized over their estimated period of future benefits of twenty years using the straight-line method.

2. Significant accounting policies (continued)

Future income taxes

The Company follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary difference between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or asset are to be either settled or realized.

Long-lived assets

Long-lived assets consist of property, plant and equipment and start-up costs. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Company performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's value. Any impairment is included in earnings for the year.

Discounted cash flows are used to measure fair value of long-lived assets.

Revenue recognition

The Company's revenues are generally derived as part of a written or presumed contract with the customer. Revenue is recognized when persuasive evidence of an arrangement exists, when delivered in accordance with all terms and conditions of the arrangement, when the fee is fixed or determinable, and when collection is reasonably assured.

Manure revenue is recognized when consideration is received.

Due to the measurement uncertainty related to program eligibility, reimbursement rate and termination date, government assistance under various Canadian Agriculture Policy Framework programs is recognized as revenue when received. During the July 31, 2008 fiscal year \$80,519 (2007 - \$510,620) has been received under these programs.

Earnings per share

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Estimates are used when accounting for items and matters such as inventory, long-term contracts, allowance for uncollectible accounts receivable, amortization, asset valuations, employee benefits, taxes and contingencies. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

2. Significant accounting policies (continued)

Non-monetary transactions

The Company enters into sales agreements with certain customers from whom the Company acquires goods and services. In these instances, the Company recognizes revenue on products sold in accordance with the Canadian Institute of Chartered Accountants' recommendations for Non-Monetary Transactions (CICA 3831). Transactions involving the exchange of monetary consideration representing 10% or greater of the fair value of the arrangement are considered to be monetary transactions. Non-monetary transactions for which Company's future cash flows have been significantly affected ("commercial substance") are recorded at the fair value of the assets given up or received, whichever is more reliably measurable. Non-monetary transactions are measured at carrying value when the transaction:

- lacks commercial substance;
- is an exchange of product or property held for sale in the ordinary course of business to be sold in same line of business to facilitate sales to customers other than the parties of the exchange;
- for which neither the fair value of assets received or given up can be reliably measured, or
- non-monetary non-reciprocal transfers to owners in restructurings or liquidations.

Commodity hedging

The Company enters into various contracts to manage its exposure to changes in commodity prices for known and highly likely purchase commitments. Contract gains and losses are recognized in the financial statements when the related transactions occur.

Employee future benefits

The Company's employee future benefit programs consist of a defined benefit individual pension plan and a defined contribution group pension plan.

The estimated future cost of providing the individual pension plan is actuarially determined using the accumulated benefit method, as future salary levels affect the amount of employee future benefits. The attribution period for such cost begin the date of hire of the employee to the date the employee becomes fully eligible to receive the benefits. The discount rate used to determine accrued benefit obligations is based on the interest rate inherent in the amount at which the accrued benefit obligation could be settled.

For the purposes of calculating the expected return on plan assets, those assets are valued at market value. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the market value of the plan assets is amortized over the average remaining service period of the individual on a straight-line basis over the average remaining life expectancy of the former employees. Past service costs are amortized over the service periods in which the entity expects to realize economic benefit.

Company contributions to the defined contribution plan are expensed as incurred.

Recent accounting pronouncements

Inventories

CICA Handbook Section 3031 *Inventories* replaces corresponding Section 3030 and establishes new standards for the measurement and disclosure of inventories. The new Section prescribes that inventories should be measured at the lower of cost and net realizable value and provides guidance on the determination of cost. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company expects to apply these standards for its consolidated financial statements dated July 31, 2009. The Company has not yet determined the impact of the adoption of this new standard on its consolidated financial statements.

International Financial Reporting Standards (IFRS)

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. The impact of the transition to IFRS on the Company's consolidated financial statements is not yet determinable.

2. Significant accounting policies (continued)

Capital disclosures

The CICA issued a new accounting standard which requires the disclosure of both qualitative and quantitative information that enables financial statement users to evaluate the objectives, policies and processes for managing capital. The new standard is effective for the Company beginning August 1, 2008.

3. Change in accounting policy

Financial instruments

Effective August 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards

CICA 1530 Comprehensive Income establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to cash flow hedges or available-for-sale financial assets, outside of net income, in a statement of comprehensive income (loss). Comprehensive income (loss) is defined as the change in equity of the Company arising from transactions and other events and circumstances, except those resulting from owner investment and distribution. Accumulated comprehensive income (loss) is separately disclosed as a component of equity.

The Company had no items requiring reclassification to accumulated other comprehensive income.

CICA 3251 *Equity* establishes standards for the presentation of equity and changes in equity, including changes arising from those items recorded in comprehensive income.

Transactions entered into prior to the adoption of these recommendations have not been retroactively designated. Prior periods have not been restated.

CICA 3855 *Financial Instruments – Recognition and Measurement* establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. CICA 3862 *Financial Instruments - Disclosures* and CICA 3863 *Financial Instruments - Presentation* discusses the presentation and disclosure of these items. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

As described in Significant Accounting Policies, Note 2, the Company recognizes its held for trading financial assets and liabilities at their fair value. Prior to this classification, required at the time the Company adopted the Financial Instruments standards, these items were recognized at their cost. There were no differences between fair value and carrying value of these items and there were no adjustments to opening retained earnings. The new requirements were applied prospectively and prior periods have not been restated.

As described in Significant Accounting Policies, Note 2, the Company's loan and receivable financial assets and its other financial liabilities, are recognized at their amortized cost, using the effective interest method. Prior to this classification, these items were recognized at their cost. There was no effect of this change in accounting policy in the current year. The new requirements were applied prospectively and prior periods have not been restated.

4. Inventory

	<i>2008</i>	<i>2007</i>
Cattle	11,017,000	9,482,000
Feedstocks	1,668,000	1,238,000
Ethanol	1,305,000	1,016,000
Supplies	34,000	30,000
	14,024,000	11,766,000

Pound-Maker Investments Ltd.
Notes to the Consolidated Financial Statements
For the year ended July 31, 2008

5. Property, plant and equipment

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2008 Net book value</i>	<i>2007 Net book value</i>
Land	1,170,000	-	1,170,000	788,000
Feedmill	1,063,000	961,000	102,000	143,000
Office, feedlot and feedlot equipment	5,015,000	3,214,000	1,801,000	1,908,000
Automotive equipment	2,469,000	1,653,000	816,000	883,000
Ethanol plant and processing equipment	12,837,000	10,925,000	1,912,000	2,489,000
Assets under construction	944,000	-	944,000	128,000
	23,498,000	16,753,000	6,745,000	6,339,000

6. Start-up costs

	<i>2008</i>	<i>2007</i>
Start up costs	381,000	381,000
Accumulated amortization	(322,000)	(302,000)
Net book value	59,000	79,000

7. Operating credit facility

The Company has operating credit facilities with a Canadian chartered bank to a maximum of \$20,000,000 of which \$435,000 was outstanding as of July 31, 2008 (2007 - \$0). The operating loan bears interest at bank prime and is payable monthly. The loan is secured under Section 427 of the Bank Act by the assets of Pound-Maker Agventures Ltd. and by an unlimited guarantee by Pound-Maker Investments Ltd.

The Company has an authorized letter of credit with a Canadian chartered bank to a maximum of \$300,000, which has no amount outstanding as of July 31, 2008 (2007 - \$0).

The terms of the operating loan require that certain measurable covenants be met. At July 31, 2008 the Company was in compliance with its covenants and its management's view that the Company will not violate covenants at future compliance dates within one year of the balance sheet date.

Pound-Maker Investments Ltd.
Notes to the Consolidated Financial Statements
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8. Long-term debt

	<i>2008</i>	<i>2007</i>
Land loan repayable in annual instalments of \$10,000 including interest at 3.5%. The loan matures January 15, 2017.	77,950	85,000
Farm Credit Canada loan repayable in monthly instalments of \$35,632 including interest at 5.9%. The loan matures August 1, 2013.	1,878,050	2,185,000
Department of Western Economic Diversification program loan. The loan matured January 1, 2008.	-	86,000
	1,956,000	2,356,000
<u>Less: current portion</u>	333,000	399,000
	1,623,000	1,957,000

The Farm Credit Canada ("FCC") loan is secured by a \$10,000,000 collateral mortgage on the property, plant and equipment of Pound-Maker Agventures Ltd., a general security agreement granting second charge security interest in all other assets of Pound-Maker Agventures Ltd., and a \$6,500,000 guarantee by Pound-Maker Investments Ltd.

The terms of the FCC loan require that certain measurable covenants be met. At July 31, 2008 the Company was in compliance with its covenants and it is management's view that the Company will not violate covenants at future compliance dates within one year of the balance sheet date.

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2009	333,000
2010	353,000
2011	374,000
2012	396,000
2013	420,000

9. Share capital

	<i>2008</i>	<i>2007</i>
Authorized		
Common shares		
Unlimited number of Class A voting shares		
Preferred shares		
Unlimited number of Class B non-voting, non-cumulative, non-participating, preferred shares; redeemable and retractable at \$1.00 per share		
Issued		
Common shares		
643,000 Class A	1,443,000	1,443,000

Pound-Maker Investments Ltd.
Notes to the Consolidated Financial Statements
For the year ended July 31, 2008

10. Contributed Surplus

Contributed surplus was created on the acquisition of two 22% minority interests in Pound-Maker Agventures Ltd. in December 2000 and January 2002 at amounts that were less than the carrying amounts.

11. Cost of goods sold

	<i>2008</i>	<i>2007</i>
Cattle	19,913,000	17,607,000
Feedstocks	17,286,000	13,668,000
Production costs	4,401,000	4,094,000
Interest	84,000	112,000
	41,684,000	35,481,000

12. Income taxes

The components of future income tax liabilities, valued at the Company's marginal income tax rate of 29.7% (2007 - 29.7%), are as follows:

	<i>2008</i>	<i>2007</i>
Timing differences related to cash reporting for income taxes (current)	3,408,000	3,281,000
Timing of differences related to property, plant and equipment (long-term)	458,000	597,000
	3,866,000	3,878,000

The income tax expense differs from the amount that would be expected by applying the current income tax rates for the following reasons:

	<i>2008</i>	<i>2007</i>
Earnings before income taxes for the year	1,340,000	2,185,000
Expected tax expense at 33.5% (2006 - 35.5%)	449,000	776,000
Increase (decrease) in provision:		
Manufacturing and processing deduction	(25,000)	(33,000)
Other	(16,000)	(20,000)
Income tax expense	408,000	723,000

13. Segments

The Company operates an integrated feedlot and fuel ethanol facility in the Province of Saskatchewan. Although certain information for each operation is available, the two operations are highly integrated, requiring management and resource allocation decisions as well as performance measurements to be done on a consolidated basis.

Consequently management considers the Company's operations to be the value added processing of agricultural products which is one segment for financial reporting purposes.

14. Related party transactions

Pound-Maker Investments Ltd. is the parent company of Pound-Maker Agventures Ltd. Some of the shareholders, members of the Boards of Directors and management of both companies have supplied material amounts of cattle and feedstocks to the Company. Transactions with related parties are in the ordinary course of business, are recorded at the exchange amount and are made on the same terms and conditions as transactions with unrelated parties.

15. Commitments

The sale of fuel grade ethanol is governed by the terms of agreements established between the Company and Husky Oil Marketing Company. The agreements indicate the price formula and annual volumes agreed to and expire in December 2008 and March 2009.

As at the year end date, the Company has assets under construction of \$944,000. The Company has budgeted the remaining costs to complete these projects at \$509,000.

The Company has also entered into commitments for future commodity purchases as described below in Note 18.

16. Non-monetary transactions

In the current year, the Company entered into transactions with agriculture producers to supply manure in exchange for future straw deliveries. During the year sales from these non-monetary transactions totaled \$119,000 (2007 - \$45,000) and are measured at the exchange amount of the asset received.

17. Employee future benefits

Defined Benefit Pension Plan, Individual Pension Plans and Other Post-retirement Benefits:

The Company's individual pension plan provides pension benefits at retirement based on years of service and final average earnings. The obligation is funded by the company. The Company contributions to the funded plan is deposited with independent trustees who act as custodians of the funded individual pension plans' assets, as well as the disbursing agents of the benefits to the recipient. Plan assets are managed by the independent trustees on behalf of the beneficiary.

Funding of the individual pension plan complies with applicable regulations that require actuarial valuations of the pension funds at least once every three years in Canada. The most recent completed valuation for the Canadian plan was performed in 2005, and the next required valuation will be as of January 1, 2008 and is in process as at July 31, 2008.

The expense and obligation are determined in accordance with Canadian GAAP and actuarial principles. Obligations are based on the projected benefits method of valuation that includes employee service to date and present pay levels, as well as a projection of salaries and service to retirement. The market value of the individual pension plan assets equals the accrued benefit liability.

18. Financial instruments

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Risk management policy

The Company, as part of operations, has established hedging of risk exposures related to commodity prices and avoidance of undue concentrations of risk as risk management objectives. In seeking to meet these objectives, the Company follows a risk management policy approved by the Board of Directors. The Company uses commodity price hedging to reduce the exposure to changes in commodity prices. The Company has decided not to apply hedge accounting.

18. Financial instruments (continued)

Credit concentration

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable. Receivables from major packing plants or their agents, represent approximately 17% (2007 - 29%) of outstanding accounts receivable. Receivables from custom cattle feeders represent approximately 14% (2007 - 39%) of outstanding accounts receivable. Receivables related to the oil industry represent approximately 61% (2007 - 28%) of the outstanding accounts receivable. The Company believes that there is minimal risk associated with the collection of these amounts as the major customers identified all operate nationally and/or multi-nationally across a diversity of industries. The Company manages its credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The Company does not generally require collateral or other security from customers on accounts receivable.

Commodity price risk

The Company is exposed to price risk on future feedstock and cattle purchases. In order to manage these commodity price risks, the Company has entered into commitments for future commodity purchases. As at July 31, 2008 the Company has commitments of 803 tonnes of feedstock purchases for a total of \$193,000 (2007 - 13,060 tonnes for total of \$1,864,000) and 188 head of cattle purchases for a total of \$201,000 (2007 - \$0). All of these commitments are due within the next fiscal year ended July 31, 2009.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through holding fixed rate interest loans.

The Company is also exposed to interest rate risk with respect to bank indebtedness as the operating credit facility has a variable interest rate and a maturity date within one year (Note 7). The Company is exposed to interest rate risk with respect to the long-term debt as the debt has fixed rates of interest and terms of five years or more (Note 8). The Company has the option to renegotiate all long term debt at the end of its term.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company enters into transactions to purchase goods and services on credit and to borrow funds from financial institutions, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of a negative net cash flow. The Company manages the liquidity risk resulting from its accounts payable and long-term debt by investing in liquid assets and diversifying its sources of funding. These liquid assets include accounts receivable and inventory which can be readily available to repay accounts payable and long-term debt.

Fair value of financial instruments

The carrying amount accounts receivable, bank indebtedness, accounts payable and accruals and current portion of long-term debt approximates their fair value due to the short-term maturities of these items.

The fair values of long term-term debt are estimated using discounted cash flows based upon the Company's current borrowing rates for similar borrowing arrangements. The carrying amount approximates fair value.

19. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation. Net earnings were not affected.

FIVE YEAR REVIEW – CONSOLIDATED

(For the years ended July 31)

	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>
Financial					
Sales revenue	\$46,999,000	\$42,002,000	\$38,478,000	\$40,498,000	\$47,859,000
Net earnings (loss)	\$932,000	\$1,462,000	\$3,991,000	\$3,072,000	(\$463,000)
Net earnings (loss) per share	\$1.45	\$2.27	\$6.21	\$4.78	(\$0.72)
Long-term debt	\$1,956,000	\$2,356,000	\$5,393,000	\$6,274,000	\$7,096,000
Net working capital (excluding future income taxes)	\$12,853,000	\$12,974,000	\$14,301,000	\$11,275,000	\$7,767,000
Total assets	\$22,962,000	\$22,322,000	\$24,153,000	\$21,278,000	\$20,885,000
Shareholder's equity End of year	\$14,168,000	\$13,557,000	\$12,415,000	\$9,067,000	\$5,995,000
Shareholder's equity per share End of year	\$22.03	\$21.08	\$19.31	\$14.10	\$9.32
Operational					
Number of cattle marketed					
Company	24,772	19,475	17,832	24,261	30,787
Custom	<u>15,399</u>	<u>17,254</u>	<u>21,116</u>	<u>18,841</u>	<u>15,279</u>
Total	<u>40,171</u>	<u>36,729</u>	<u>38,948</u>	<u>43,102</u>	<u>46,066</u>
Litres of fuel ethanol					
Produced	<u>13,053,346</u>	<u>12,359,892</u>	<u>11,930,296</u>	<u>11,572,483</u>	<u>11,634,211</u>
Tonnes of feedstock consumed:					
Barley	51,787	65,480	60,910	60,657	61,761
Forage	24,105	26,218	31,637	24,863	22,864
Ethanol grain feedstocks	<u>35,727</u>	<u>33,754</u>	<u>34,098</u>	<u>33,394</u>	<u>32,368</u>
Total	<u>111,619</u>	<u>125,452</u>	<u>126,645</u>	<u>118,914</u>	<u>116,993</u>