Pound-Maker Investments Ltd.

2011 Annual Report

CORPORATE PROFILE

Pound-Maker Investments Ltd (PMI) is a Canadian controlled private corporation with over 200 shareholders, predominantly farmers and local business people from in and around the Lanigan district of Saskatchewan, owning a total of 643,000 shares which are all of the shares presently issued by the Company. Shareholders own an average 2,552 shares each. There are 52% of the shares held within a 20 mile radius of Pound-Maker, and an additional 28% held within a 20 and 50 mile radius. The remaining 20% covers every corner of Saskatchewan as well as most of Canada. Pound-Maker Investments Ltd. and its wholly owned subsidiaries, Pound-Maker Agventures Ltd. (PMA) and Pound-Maker Capital Corp. (PMCC), 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 operation in 1991.

Pound-Maker was established in 1970 when local area farmers were looking for an alternative market for their grain. A 2,500 head feedlot was constructed to utilize this grain with 50 local area farmers as shareholders. By the mid eighties, the feedlot capacity expanded to 8,500 head in order to continue to allow farmers to diversify and market their grain locally. During this time period, the company operated under the name of Pound-Maker Feeders Ltd..

In the late 1980's, the shareholders of the company looked for ways in which the local farmers could expand the volume and variety of products they could market from their own operation and also expand the economic impact that their business would have on the local economy. After a lengthy investigation and numerous feasibility studies, the Company decided to undertake the development of a 10,000 head feedlot expansion and the construction of a 10 million litre ethanol plant in 1991. The overall project was designed for the co-products of the fuel ethanol production process to be used as supplementary feed supply in the production of beef, thereby enhancing the overall production economics of both ethanol and beef.

To facilitate the funding of the project, Pound-Maker Feeders Ltd. undertook a corporate reorganization, completed a private share offering and secured two corporate minority interest partners who each acquired a 22% ownership interest in the new operating entity. As part of the corporate reorganization, Pound-Maker Feeders Ltd. renamed itself Pound-Maker Investments Ltd. and created a subsidiary company, Pound-Maker Agventures Ltd.. Pound-Maker Agventures Ltd. became the new operating company. Pound-Maker Investments Ltd. retained a 56% interest in Pound-Maker Agventures Ltd..

In 1994 and in 1998, the Company undertook additional expansions to its feedlot operations, bringing its current one-time feedlot capacity to 28,500 head. Ethanol production has increased to 12.5 million litres annually due to technological improvements. The Company currently employs approximately 50 people directly, consumes in excess of 120,000 tonnes of agricultural feedstocks, and finishes for market 36,000 to 48,000 of feeder cattle annually.

Since 2002, all of the shares of Pound-Maker Agventures Ltd. have been re-purchased from the corporate partners by Pound-Maker Investments Ltd. resulting in Pound-Maker Agventures Ltd. being a 100% wholly owned subsidiary today. In 2002, Pound-Maker Capital Corp. (PMCC) was created as a wholly owned subsidiary company of Pound-Maker Investments Ltd. to acquire the 22% minority interest held by the Saskatchewan Wheat Pool at that time. Pound-Maker Capital Corp. provides financing to cattle feeding customers of Pound-Maker Agventures Ltd..

Shareholders of Pound-Maker Investments Ltd. have the first right to deliver grain providing price and quality being equal. When additional supplies are needed, non-shareholders and other grain companies can deliver.

Pound-Maker's initial goals were to: build and maintain a profitable business, provide area farmers alternate markets, create local job opportunities for the community's youth, and to enhance its community - all of which continue to be a guiding focus in the company's day-to-day operations. Today, the Company is a significant provider of jobs and spin-off benefits to local businesses, and 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.

All of the Pound-Maker Companies are governed by a Board of Directors, consisting of 8 shareholders, elected by Pound-Maker Investments Ltd. at its annual meeting. The board meets quarterly to discuss current performance, relevant issues, and future strategies. Historically, the Board has focused primarily on growth, repayment of debt, and maintaining a strong equity position. Over time, the company has achieved its goal of providing market and employment opportunities for its stakeholders and the community. As a result of these strategies, much of the long term debt associated with its ethanol and feedlot expansions has been repaid.

As Pound-Maker looks forward, it will focus on a balanced approach achieving both corporate growth and a return to its shareholders. It will do this through dividends, the opportunity to do business with the company, and increased share value while continuing to seek new opportunities for growth and sustainability.

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 31st

(All dollar amounts in thousands except per share amounts)

	2011	**2010**
Sales revenue	$37,521	$54,034
Number of cattle marketed		
Company owned cattle	17,839	31,811
Custom fed cattle	19,238	16,611
Total cattle marketings	37,077	48,422
Ethanol sales (millions of litres)	8.7	13.2
Net earnings	$1,037	$1,341
Per share (1)	$1.61	$2.09
Shareholders' equity	$16,925	$16,370
Per share (1)	$26.32	$25.49
Return on shareholders' equity (1)	6.4%	8.8%
Capital expenditures (net of disposals)	$2,619	$725
Total assets	$26,687	$23,616
Long term debt (2)	$55	$1,267
Dividends on Class "A" common shares	$482	$482
Per share (1)	$0.75	$0.75

KEY FINANCIAL RATIOS

	2011	**2010**
Current Ratio (2)	2.08	2.76
Long-term Debt to Equity(2)	0.00	0.08

(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 31st, 2011.

2011 has been another good year for the company despite a number of significant challenges that were encountered during the year. Net earnings after tax for the year were $1.037 million. Both the feedlot and fuel ethanol division operated at considerable lower than historical production levels this past year. The feedlot division continued to suffer reduced capacity attributable to unusable feeding pens due to the adverse pen conditions that continued in fiscal 2011 from the extreme wet weather of 2010. The fuel ethanol division was down for a number of months as a result of the major dehydration and distillation retrofit that was undertaken in the ethanol plant. The ethanol plant was back to full capacity by year end, however substantial work is still required to a number of cattle feeding pens before they will be able to be used for feeding cattle.

Over the past number of years, the Company has re-invested a significant amount of capital into both the feedlot and ethanol division to ensure the sustainability of these operations going forward. During the past three years the Company has re-invested over $2.4 million on capital expenditures related to the ethanol plant's production processes including a major retro-fit of the distillation and dehydration areas of the plant this past year. Similarly, over the past three years, the Company has invested $1.0 million to acquire lands to not only facilitate the feedlot division's ability to background and graze cattle, but to also allow it greater flexibility in its manure management program. The board is firmly of the opinion that the Company must reinvest in its productive capital assets and infrastructure to remain as a competitive low cost producer for both beef and ethanol as well as and to have a sustainable business model for future generations.

In addition to investing in our capital assets and infrastructure, the board continues to believe that the Company must continue to make a substantial investment in having members of our management group become leading contributors to numerous industry and governmental organizations. We believe it is critical for us to be actively involved in shaping our destiny, as both the beef and biofuels industries have been and continue to face change. The board is firmly of the opinion that these investments have and will continue to result in many benefits accruing to the company and its stakeholders.

The board and management continue to work on the development of a formal succession plan and have developed training programs for its management group. The management team continues to work on the development of a long-term capital investment program. The board and management continue to evaluate opportunities that are identified in the strategic planning process to further grow and diversify the company for the benefits of our shareholders and community.

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 26th, 2011. This represents the 7th consecutive year of dividends been distributed to our shareholders. Dividends distributed over the past seven years total $3.2 million or $5.00 per share.

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 once again my privilege to report to you on the results of operations at Pound-Maker. It is gratifying to report another profitable year in the face on unprecedented global uncertainty and significant weather challenges.

The excessive moisture conditions of the past 2 years have hampered our ability to rebuild our feeding capacity to the levels we traditionally utilized. Additionally, less than ideal pen conditions adversely impacted gains, feed conversions, and feed costs. Fortunately, this summer has brought drier, warmer weather which has allowed us to replace much of the damaged windbreak fences, repair underground electrical wires, and to haul replacement clay into the pens that were most heavily damaged to enable them to become functional again. Unfortunately, we will not complete all the necessary reconstruction this fall, which will somewhat reduce our feeding capacity for the upcoming year.

In our ethanol division, we undertook a comprehensive upgrade and replacement of equipment within our plant this past spring. This required us to be out of production for nearly 4 months, as we did major upgrades, and replaced vital components to our distillation and dehydration equipment. We also replaced and did significant repairs in the remaining areas within the plant during this shutdown period. The availability of specialized components, skilled contractors, the complexity of the engineering and installation, and finally the computer programming of the operational control systems all took much longer than anticipated which delayed the start-up for several weeks. Upon reflection, however, this is the first major refit after 20 years of nearly continuous operations and this extended shutdown allowed for a comprehensive refurbishment that will allow it to continue to operate seamlessly for many additional years, and was an investment worth making.

Pound-Maker continues to make investments in our future sustainability by purchasing a new landbase with the ultimate goal of establishing a larger summer grazing program to help facilitate better utilization of our feedlot during the fall months while enhancing our profitability. 1760 acres of farm land was purchased south and west of Lanigan, and over the next 3 years, we will be developing this landbase into a grass production unit. This expansion combined with our existing grassland is projected to provide enough grazing for 2400 head during the summer months. We also continue to look for opportunities to increase our landbase in close proximity to our feedlot to fulfill our objective of increased sustainability for our feedlot operation by providing more land for manure disposal and increased forage production capability.

Looking forward, the rapid downsizing of the North American cow herd and the resulting reduction in availability of feeder cattle will present a significant challenge to feedlot profitability over the next 3-5 years. On an industry basis, this will result in a downsizing of feedlot capacity, and it is expected that there will be several feedlot companies exiting the business permanently over this same time frame. Given the current strong grain prices and future outlook for continued strength, it is anticipated that much of this reduction will occur in the smaller mixed farming operations. In the meantime, it will be a very competitive marketplace. On the ethanol side, the debt crisis in the United States will likely result in major reductions to the government subsidies paid to ethanol producers in the US, and will likely be followed by reductions here in Canada as well. While this uncertainty is not welcome, in the longer term, ethanol subsidies likely will be eliminated, and we believe that if subsidies are reduced and eliminated systematically over time, and if the Canadian governments follows the lead of the United States in this reduction of subsidies in favour of the mandated use of renewable fuels, Pound-Maker should remain in a sustainable and competitive position.

We also continue to work on developing the technical and leadership skills of our management team. We have initiated formalized training both on a group and individual basis in growing their expertise to assume greater responsibility and provide for seamless transition in our succession plans. We are committed to continuing these programs over the coming years to ensure Pound-Maker will have a capable management team to lead the organization in the future.

We continue to place our belief in the core strategic advantages that Pound-Maker has always had. Committed farmer shareholders, competitively priced and ample feedstock supply, strong governance and financial prudence, and a dedicated workforce have always placed us in an advantageous position. These same advantages will continue to allow us to seek out new and sustainable opportunities to create even more value for our shareholders in the future.

In closing, I would like to thank the Board of Directors for their thoughtful guidance, and our great staff for their commitment to our success.

Respectfully submitted,

Brad Wildeman
President
Pound-Maker Agventures Ltd.

2011 – The Year in Review

Results of Operations

Sales

Revenue for year ended July 31st, 2011 was $37.5 million, a decrease of $16.5 million (30.6%) from the previous year. Sales revenue in the feedlot division was $29.7 million, a decrease of $13.2 million (30.8%) from the preceding year. The reduced volume of sales revenues is reflective of the reduced level of cattle feeding that occurred during fiscal 2011 due to continued unfavourable feedlot pen conditions resulting from the extreme wet weather experienced in both 2010 and 2011. Sales revenue in the ethanol division was $8.3 million, a decrease of $3.3 million (28.3%) from 2010. The reduced sales revenue in the ethanol division was due to lower volumes of fuel ethanol that were produced during fiscal 2011 as a result of the major retro fit and refurbishment that was undertaken in the ethanol plant during the year.

Gross Profit Margin

The gross profit margin for the year ended July 31st, 2011 was $5.7 million, a decrease of $0.8 million (12.3%) from 2010. The decrease in gross profit margin arose as a result of a decrease in the gross margin of the ethanol division of $1.5 million (44.6%) which was offset by an increased gross margin in the feedlot division of $0.7 million. The substantially lower 2011 gross profit in the ethanol division is reflective of the lower volumes of production and sales of fuel ethanol that occurred in 2011 as compared to that of the previous year. Increases in 2011 fuel ethanol feedstocks costs were largely offset by higher fuel ethanol selling prices that prevailed during fiscal 2011 as compared to the previous year. While the fiscal 2011 operating levels in the feedlot were also less than fiscal 2010 production levels, the increase in the sales price of finished beef in fiscal 2011 as compared to 2010 resulted in substantial improvement in the gross profit margin from finishing cattle for market despite relative increases in the cost of feeder cattle between the two fiscal years.

Net Earnings

Earnings before taxes were $1.2 million for the year ended July 31st, 2011, a decrease of $0.5 million (27.4%). The decrease in earnings before taxes is attributable to reduced gross profits in 2011 as compare to the previous year. Operating, administrative, amortization and interest on long-term debt were $0.4 million (8.5%) lower than that of the previous year.

Financial Position

Cash flows generated from operations increased from $0.8 million for the year ended July 31st, 2010 to $2.2 million for the year ended July 31st, 2011, an increase of $1.4 million (175%) despite net earnings for the year ended July 31st, 2011 being $0.3 million less than the prior year. The increase in cash flows from operations is primarily due to the company incurring less current income taxes in fiscal 2011 as compared to 2010 when the company realized additional cash basis income for taxation purposes due to a substantial reduction in cattle inventories at July 31st, 2010 as compared to preceding years.

The financial position of the company strengthened during the year and all financial ratios improved on a year over year basis. The Company has not entered into any new debt facilities. The Company repaid in full a $1.2 million term loan during the year that was not scheduled to mature until August 1st, 2013 and made all scheduled debt payments were made on schedule.

2011 – The Year In Review (Continued)

Capital Expenditures

Capital expenditures for the year ended July 31st 2011 were $2.5 million (2010 - $0.7 million). Included in the 2011 capital expenditures are 11 quarters of farm land that the company has acquired to expand its land based grain farming and cattle grazing business and $1.4 million in capital improvement to the company's ethanol plant.

Cattle Feeding Division

Sales revenues for the cattle feeding operations were $29.7 million, a decrease of $13.2 million (30.8%) over the prior year. The significantly lower revenues for the year in the cattle feeding division is primarily attributable to the loss in the feedlots physical production capacity to house cattle in many of its pens due to wet and unsuitable pen conditions for the care and feeding of cattle. The company marketed 37,077 head of cattle (17,839 company cattle and 19,238 custom cattle) in fiscal 2011, compared to marketings of 48,422 head (31,811 company cattle and 16,611 custom cattle) in fiscal 2010. The decrease in company cattle marketings of 43.9% was partially offset by the higher selling prices received for finished cattle during fiscal 2011. In fiscal 2011 the company fed more cattle for custom cattle feeders and fewer cattle for its own account as compared to fiscal 2010.

Gross margins on company fed cattle increased in fiscal 2011 over those of fiscal 2010 due largely to higher selling prices being received for finished beef. On average finished beef prices received during fiscal 2011 were $14 per cwt (17%) higher than those received during fiscal 2010. Gross margins on custom fed cattle during 2011 were consistent with those realized from custom cattle feeding in fiscal 2010.

Combined feedlot utilization during fiscal 2011 of 57% was substantially lower than that of fiscal 2010 of 78%. Adverse pen conditions due to the unprecedented rain during calendar 2010 and the spring of 2011 resulted in the company not being able to utilize some of the pens. Total cattle marketing's declined by 11,345 head during fiscal 2011 as compared to 2010 representing a 23.4% decrease in combined finished cattle marketings.

Feedlot operating expenses for fiscal 2011 were comparable to those of fiscal 2010.

Feedlot divisional earnings for fiscal 2011 were $0.7 million, an increase of $0.9 million over 2010.

Fuel Ethanol Division

Fuel ethanol sales revenue for the year ended July 31st, 2011 decreased $3.3 million from fiscal 2010. The decrease in sales revenue was the result of lower fuel ethanol production due to a large retrofit project undertaken in the distillation and dehydration sections of the plant which resulted in the plant being out of production for a number of months. Sales volumes during fiscal 2011 were 8.7 million litres, a decrease of 4 million litres (30%) from the previous year. The gross profit margin in the ethanol division decreased $1.5 million (45.5%) for the year ended July 31st, 2011 as compared to that of the previous year due primarily to lower production and sales volumes. Government incentives applicable to ethanol sales earned by the company for the year ended July 31st, 2011 were $0.8 million compared to $1.8 million in the previous year. The higher level of government incentives received in the previous year was due in part to a change in the government program at that time.

Future Outlook

The global economy continues to demonstrate considerable volatility, particularly in light of recent concerns related to the credit worthiness of sovereign debts in the EU and elsewhere in the world. This uncertainty makes it difficult to predict the future, particularly for fuel ethanol that is priced relative to crude oil prices; and beef where prices are determined by global supply and demand. Political trade issues such as the U.S. Country of Origin Labeling Legislation, international markets which have yet to fully reopen since BSE, and increased regulatory cost imposed on the beef industry continue to evolve and continue to impact Canadian beef prices. The appreciation in the Canadian dollar relative to the U.S. dollar continues to reduce Canadian feeder and finished cattle prices.

The reduction of beef breeding herds in both Canada and the U.S., and therefore, lower feeder cattle numbers has strengthened prices considerably. It is anticipated this will also strengthen finished cattle prices over time, but strong competition for a shrinking supply of feeder cattle will hamper feeding margins in the near term as breeding herds will need to rebuild or feedlot consolidation occurs. Our strategic feed cost advantage will be important to maintain profitability in this division in the coming years.

Ethanol prices are expected to remain constant and perhaps increase over the year as the economy stabilizes and demand for motor fuels increase. Ethanol profitability is still closely tied to government incentive programs and, therefore, remains somewhat volatile and unpredictable.

We continue to position the Company for sustainability and profitability in the long term and will seek opportunities that contribute to those goals.

Despite the many uncertainties that exist today, the company is of the opinion that its strong financial position and low debt servicing requirements positions it well to respond to changes and opportunities in the market place that arise for the benefit of stakeholders.

Management's Responsibility

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.

MNP 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.

October 26, 2011

_______________ President _______________ Chief Financial Officer

Independent Auditors' Report

To the Shareholders of Pound-Maker Investments Ltd.:

We have audited the accompanying consolidated financial statements of Pound-Maker Investments Ltd. and its subsidiaries, which comprise the consolidated balance sheets as at July 31, 2011 and 2010, and the consolidated statements of earnings, retained earnings, comprehensive income and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pound-Maker Investments Ltd. and its subsidiaries as at July 31, 2011 and 2010 and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Saskatoon, Saskatchewan

October 26, 2011

MNP LLP
Chartered Accountants

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Pound-Maker Investments Ltd.
Consolidated Balance Sheet
As at July 31, 2011

	2011	2010
Assets		
Current		
Cash	**31,000**	4,584,000
Accounts receivable	**1,502,000**	1,806,000
Income taxes recoverable	**681,000**	-
Inventory *(Note 3)*	**14,896,000**	10,340,000
Prepaid expenses	**79,000**	72,000
	17,189,000	16,802,000
Property, plant and equipment *(Note 4)*	**8,496,000**	6,793,000
Start-up costs *(Note 5)*	**2,000**	21,000
	25,687,000	23,616,000
Liabilities		
Current		
Bank indebtedness *(Note 6)*	**3,905,000**	-
Accounts payable and accruals	**1,874,000**	1,898,000
Income taxes payable	**-**	1,273,000
Future income taxes payable *(Note 11)*	**2,469,000**	2,550,000
Current portion of long-term debt *(Note 7)*	**8,000**	374,000
	8,256,000	6,095,000
Long-term debt *(Note 7)*	**47,000**	893,000
Future income taxes payable *(Note 11)*	**459,000**	258,000
	8,762,000	7,246,000
Commitments *(Note 14)*		
Shareholders' Equity		
Share capital *(Note 8)*	**1,443,000**	1,443,000
Retained Earnings	**14,427,000**	13,872,000
Contributed surplus *(Note 9)*	**1,055,000**	1,055,000
	16,925,000	16,370,000
	25,687,000	23,616,000

Approved on behalf of the Board

______________________ **Director** ______________________ **Director**

The accompanying notes are an integral part of these financial statements

Pound-Maker Investments Ltd.
Consolidated Statement of Earnings and Retained Earnings
For the year ended July 31, 2011

	2011	*2010*
Revenue	**37,521,000**	54,034,000
Cost of goods sold *(Note 10)*	**31,848,000**	47,510,000
Gross profit	**5,673,000**	6,524,000
Expenses		
Operating and administrative	**3,480,000**	3,704,000
Amortization of property, plant and equipment	**930,000**	1,054,000
Amortization of start-up costs	**19,000**	19,000
Interest on long-term debt	**19,000**	82,000
	4,448,000	4,859,000
Earnings from operations	**1,225,000**	1,665,000
Other revenue		
Gain on disposal of property, plant and equipment	**14,000**	42,000
Earnings before income taxes	**1,239,000**	1,707,000
Provision for (recovery of) income taxes *(Note 11)*		
Current	**82,000**	1,800,000
Future	**120,000**	(1,434,000)
	202,000	366,000
Earnings for the year	**1,037,000**	1,341,000
Retained earnings, beginning of year	**13,872,000**	13,013,000
Dividends	**(482,000)**	(482,000)
Retained earnings, end of year	**14,427,000**	13,872,000
Earnings per share - basic	**1.61**	2.09
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, 2011

	2011	*2010*
Earnings for the year	**1,037,000**	1,341,000
Other comprehensive income	**-**	-
Comprehensive income	**1,037,000**	1,341,000

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, 2011

	2011	*2010*
Cash provided by (used for) the following activities		
Operating		
Earnings for the year	**1,037,000**	1,341,000
Future income taxes	**120,000**	(1,434,000)
Gain on disposal of property, plant and equipment	**(14,000)**	(42,000)
Amortization of property, plant and equipment	**930,000**	1,054,000
Amortization of start-up costs	**19,000**	19,000
	2,092,000	938,000
Changes in working capital accounts		
Accounts receivable	**304,000**	1,169,000
Prepaid expenses	**(7,000)**	1,000
Inventory	**(4,556,000)**	7,710,000
Accounts payable and accruals	**(24,000)**	305,000
Income taxes payable/receivable	**(1,954,000)**	1,317,000
	(4,145,000)	11,440,000
Financing		
Long-term debt repayments	**(1,212,000)**	(354,000)
Dividends paid	**(482,000)**	(482,000)
	(1,694,000)	(836,000)
Investing		
Purchase of property, plant and equipment	**(2,687,000)**	(925,000)
Proceeds on disposal of property, plant and equipment	**68,000**	200,000
	(2,619,000)	(725,000)
Increase (decrease) in cash resources	**(8,458,000)**	9,879,000
Cash resources (deficiency), beginning of year	**4,584,000**	(5,295,000)
Cash resources (deficiency), end of year	**(3,874,000)**	4,584,000
Cash resources are composed of:		
Cash	**31,000**	4,584,000
Bank indebtedness	**(3,905,000)**	-
	(3,874,000)	4,584,000
Supplementary Cash Flow Information		
Interest paid	**52,000**	175,000
Income taxes paid (net of refund received)	**1,946,000**	395,000

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 as issued by the Accounting Standards Board 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.

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, the cost of inputs for feed and bedding, veterinary supplies, wages, interest charges and appropriate overhead allocations as applicable in bringing the inventories to their present condition and location. 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, the cost of inputs for processing supplies, utilities, blending fuel, wages and appropriate overhead allocations as applicable in bringing the inventories to their present condition and location. 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.

Supplies inventory is recorded at the lower of cost and net realizable value. The cost of supplies inventory consists of the invoiced cost of supplies purchased. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

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.

Parts and supplies are expensed in the year consumed.

2. Significant accounting policies *(Continued from previous page)*

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 differences 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 government 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, 2011 fiscal year $45,000 (2010 - $41,000) has been received and recognized as revenue under these programs. Program overpayments and underpayments are recognized when notification of reassessment by program Administration has been received.

Revenue from the government funded Eco-Energy Program is recorded in revenue when the related ethanol sale occurs. During the July 31, 2011 fiscal year $752,000 (2010 - $1,773,000) has been recognized as revenue under this program.

Comprehensive income

Comprehensive income includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive income is the total of net income and other comprehensive income. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with Canadian generally accepted accounting principles, require recognition, but are excluded from net income. There are no amounts recorded in Comprehensive income in the current year.

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.

2. Significant accounting policies *(Continued from previous page)*

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.

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 the 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 the 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.

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 begins 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.

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 and subsequently recognized at their fair value. Net gains and losses arising from changes in fair value are recognized immediately in income.

2. Significant accounting policies ***(Continued from previous page)***

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.

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.

Financial asset impairment

The Company assesses impairment of all its financial assets, except those classified as held for trading. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year earnings.

Recent accounting pronouncements

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) has confirmed that International Financial Reporting Standards (IFRS) will replace current Canadian GAAP for fiscal years beginning on or after January 1, 2011, for publicly accountable enterprises. For the Company, financial statements, including comparative information, for annual and interim periods beginning on or after January 1, 2011 will be prepared in accordance with IFRS.

Management is required to provide progress updates on the entity's IFRS changeover plan at each interim and annual reporting period up until the changeover date. An external advisor has been engaged by the Company to assist with the development of the implementation plan and to perform a detailed review of major differences between Canadian GAAP and IFRS.

2. Significant accounting policies *(Continued from previous page)*

The Company has implemented most of its changeover plan to adopt IFRS on August 1, 2011. The key elements of the plan include:

- A detailed gap analysis between the Company's accounting policies and IFRS has been completed. Each area where gaps were present, the Company assessed whether the impact would be significant. The Company is currently assessing its options available for measurement under the IFRS framework for certain balances including Property, Plant & Equipment.
- The Company has assessed the impact of IFRS on the Company's processes and functions. The Company believes there will not be a significant impact on its current processes and functions on changeover.
- The Company will be preparing an opening IFRS balance sheet as at August 1, 2010, including schedules used to generate note disclosure and quantification of any difference as compared to August 1, 2010 balance sheet prepared under Canadian Generally Accepted Accounting Principals.

3. Inventory

	2011	*2010*
Cattle	**13,288,000**	8,886,000
Feedstocks	**1,123,000**	752,000
Ethanol	**318,000**	584,000
Supplies	**167,000**	118,000
	14,896,000	10,340,000

4. Property, plant and equipment

	Cost	***Accumulated amortization***	***2011 Net book value***	*2010 Net book value*
Land	**1,874,000**	**-**	**1,874,000**	1,170,000
Feedmill	**1,152,000**	**1,042,000**	**110,000**	112,000
Office, feedlot and feedlot equipment	**5,521,000**	**3,635,000**	**1,886,000**	1,778,000
Automotive equipment	**3,031,000**	**1,884,000**	**1,147,000**	1,220,000
Ethanol plant and processing equipment	**15,978,000**	**12,641,000**	**3,337,000**	2,385,000
Parts and supplies	**142,000**	**-**	**142,000**	128,000
	27,698,000	**19,202,000**	**8,496,000**	6,793,000

5. Start-up costs

	2011	*2010*
Start up costs	**243,000**	381,000
Accumulated amortization	**(241,000)**	(360,000)
Net book value	**2,000**	21,000

6. Operating credit facility/Bank Indebtedness

Bank Indebtedness consists of an operating line of credit in the amount of $3,380,000 and cheques written in excess of bank balance in the amount of $525,000.

The Company has operating credit facilities with a Canadian chartered bank to a maximum of $12,000,000 of which $3,380,000 amount was outstanding as of July 31, 2011 (2010 - $0). The operating loan bears interest at bank prime plus 0.25% and is payable monthly. The loan is secured under Section 427 of the Bank Act and by an unlimited guarantee by Pound-Maker Investments Ltd.

The Company has an authorized stand-by letter of credit with a Canadian chartered bank to a maximum of $600,000 (2010 - $600,000).

The terms of the operating loan require that certain measurable covenants be met. At July 31, 2011 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.

7. Long-term debt

	2011	*2010*
Land loan repayable in annual instalments of $10,000 including interest at 3.5%. The unsecured loan matures January 15, 2017.	**55,000**	63,200
Farm Credit Canada loan repayable in monthly instalments of $35,632 including interest at 5.9%. The loan was paid off in the year.	**-**	1,203,800
	55,000	1,267,000
Less: current portion	**8,000**	374,000
	47,000	893,000

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

2012	8,000
2013	8,000
2014	9,000
2015	9,000
2016	9,000

8. Share capital

	2011	2010
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

9. 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.

10. Cost of goods sold

	2011	2010
Cattle	**15,936,000**	26,489,000
Feedstocks	**12,301,000**	16,293,000
Production costs	**3,601,000**	4,640,000
Interest	**9,000**	88,000
	31,847,000	47,510,000

11. Income taxes

The components of future income tax liabilities, valued at the Company's expected marginal income tax rate when the future tax liability will be settled of 27.27% (2010 - 28.75%), are as follows:

	2011	*2010*
Timing differences related to cash basis reporting for income taxes (current)	**2,469,000**	2,550,000
Timing of differences related to property, plant and equipment (long-term)	**459,000**	258,000
	2,928,000	2,808,000

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

	2011	*2010*
Earnings before income taxes for the year	**1,239,000**	1,707,000
Expected tax expense 27.27% (2010 - 28.75%)	**338,000**	491,000
Decrease in provision:		
Effect of rate change on timing differences	**(136,000)**	(125,000)
Income tax expense	**202,000**	366,000

12. 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.

13. 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.

During the year, land was purchased from related parties in the amount of $703,000. The amount was recorded at the exchange amount and was made on the same terms and conditions as transactions with unrelated parties.

14. Commitments

The marketing of fuel grade ethanol is governed by the terms of an agreement between the Company and Husky Oil Marketing Company. Under the terms of the agreement, Husky Oil Marketing Company is entitled to act as the exclusive marketing agent for fuel ethanol produced by the Company, provided certain conditions are met. The ethanol marketing agreement expires March 31, 2012.

Related to the ethanol marketing agreement, the Company has ethanol sales agreements with purchasers of its fuel ethanol. The ethanol sales agreements indicate the price formulas and annual volumes agreed to by the Company and the customer. The ethanol sales agreement for the sale of ten to eleven million litres of fuel ethanol expires on April 30, 2012. The ethanol sales contract contains renewal options that may be mutually agreed to by the Company and the purchaser of the fuel ethanol.

The Company has also entered into commitments for future commodity purchases as described below in Note 17.

15. 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 $95,000 (2010 - $103,000) and are measured at the exchange amount of the asset received.

16. 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 2010, and the next required valuation will be as of December 31, 2013.

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 obligation. Cash contributed to the individual pension plan and recognized as an expense during the year was $49,000 (2010 - $32,000).

17. 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 appropriately decided not to apply hedge accounting.

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, 2011 the Company had commitments of $18,000 to purchase feedstock (2010 - none) and no commitments to purchase cattle (2010 - none).

17. Financial instruments *(Continued from previous page)*

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 96% (2010 - 25%) of outstanding accounts receivable. Receivables from custom cattle feeders represent approximately 0% (2010 - 22%) of outstanding accounts receivable. Receivables related to the oil industry represent approximately 0% (2010 - 50%) 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.

Fair value of financial instruments

The carrying amount of cash, accounts receivable, bank indebtedness, and accounts payable and accruals 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.

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 and mixture of variable and fixed rate interest loans.

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.

18. Capital management

The Company's objectives in managing capital are:

- To ensure sufficient liquidity to enable the internal financing of capital projects thereby facilitating expansion;
- To maintain a strong capital base so as to maintain investor, creditor and market confidence;
- To provide an adequate return to shareholders.

The Company's capital is composed of bank indebtedness, long-term debt, including current portion, and shareholders' equity. The Company uses its capital to finance capital expenditures for ethanol plant expansion and building and equipment replacement. The Company currently funds these requirements out of internally generated cash flows and use of the operating credit facility. The Company's long-term debt constitutes an unsecured mortgage. The Company maintains a secured operating credit facility used for ongoing operations, capital expenditures and purchase of livestock which is secured by a General Security Agreement and an unlimited guarantee provided by Pound-Maker Investments Ltd. The Company does not have any long-term debt, other than the mortgage, and therefore net earnings generated from operations are available for reinvestment in the Company or distribution to the Company's shareholders. The Board of Directors does not establish quantitative return on capital requirements for management; but rather promotes year over year sustainable growth. The Company does not have a share repurchase plan.

FIVE YEAR REVIEW – CONSOLIDATED

(For the years ended July 31st)

	2011	2010	2009	2008	2007
Financial					
Sales revenue	$37,521,000	$54,034,000	$53,364,000	$46,999,000	$42,002,000
Net earnings (loss)	$1,037,000	$1,341,000	$1,825,000	$932,000	$1,462,000
Net earnings (loss) per share	$1.61	$2.09	$2.84	$1.45	$2.27
Long-term debt	$55,000	$1,267,000	$1,621,000	$1,956,000	$2,356,000
Net working capital	$8,933,000	$10,707,000	$10,173,000	$9,445,000	$9,693,000
Total assets	$25,687,000	$23,616,000	$28,262,000	$22,962,000	$22,322,000
Shareholder's equity	$16,925,000	$16,370,000	$15,511,000	$14,168,000	$13,557,000
Shareholder's equity	$26.32	$25.49	$24.12	$22.03	$21.08
Dividends on Class "A" common shares	$482,250	$482,250	$482,250	$321,500	$321,500
Dividends - per share	$0.75	$0.75	$0.75	$0.50	$0.50
Average price for shares traded during the year	$9.76	$8.80	$8.09	$9.06	$9.63
Dividend Yield	7.7%	8.5%	9.3%	8.3%	7.8%
Operational					
Number of cattle marketed					
Company	17,839	31,811	30,667	24,772	19,475
Custom	19,238	16,611	7,613	15,399	17,254
Total	37,077	48,422	38,280	40,171	36,729
Litres of fuel ethanol Produced	8,155,821	13,209,143	13,361,578	13,053,346	12,359,892
Tonnes of feedstock consumed:					
Barley	45,663	62,472	59,203	51,787	65,480
Forages	21,675	33,992	27,595	24,105	26,218
Ethanol grain feedstocks	21,267	34,503	36,088	35,727	33,754
Total	88,605	130,967	122,886	111,619	125,452