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### VITERRA POSTS NET EARNINGS OF \$96 MILLION IN ITS FOURTH QUARTER

Viterra, the new operating name for Saskatchewan Wheat Pool Inc., announced its fourth quarter results today reporting \$96.0 million in net earnings.

“It has been three months since we began operations as a combined company. During that time we completed a number of country asset divestitures, two port terminal divestitures and refinanced much of its pre-existing debt,” said President and CEO Mayo Schmidt. “At the same time, our team has been working diligently to integrate the operations of Agricore United to build Canada’s leading agribusiness. With the significant momentum illustrated by this quarter’s financial results, coupled with the synergies to be achieved, we believe that we have established an exceptional platform for growth.”

Under generally accepted accounting principles, periods prior to the acquisition exclude the consolidated results of Agricore United (“AU”) and its wholly-owned subsidiaries. Accordingly, results only include two months of earnings attributed to AU for the period subsequent to the acquisition date of May 29, 2007.

Viterra recently announced its intent to change its financial year-end from July 31 to October 31 to better align its reporting period with its business cycle. As a result, Viterra’s fiscal 2007 reporting period will be a 15-month year ending October 31, 2007 and the results reported represent the fourth quarter and twelve month periods ending July 31, 2007.

Highlights include:

- Consolidated sales and other operating revenues climbed \$799.1 million to \$1.4 billion for the fourth quarter, up from \$601.1 million in same period last year. The year-to-date consolidated sales and other operating revenues of \$2.6 billion improved by \$1.0 billion over the same twelve-month period of the prior year.
- Consolidated EBITDA for the fourth quarter was \$149.7 million up from \$52.9 million in the fourth quarter of fiscal 2006. For the twelve months ended July 31, 2007, consolidated EBITDA was \$202.0 million compared to \$77.9 million for the same period last year. Included in the current quarter and year-to-date results is \$74.3 million of EBITDA contributed by AU for June and July.
- Net earnings from continuing operations for the fourth quarter this year were \$96.0 million compared to net earnings from continuing operations of \$13.4 million in the prior year. Year-to-date net earnings from continuing operations for the first twelve months of fiscal 2007 were \$108.0 million versus a net loss from continuing operations of \$6.8 million last year.
- Cash flow prior to working capital changes of \$169.6 million (\$1.54 cash flow per share) for the twelve-month period ending July 31, 2007 improved by \$115.8 million over the cash flow prior to working capital changes of \$53.7 million (\$0.64 cash flow per share) for the same period in the prior year. For the most recent quarter, cash flow prior to working capital changes was \$122.4 million (\$0.72 cash flow per share) compared to \$44.5 million (\$0.49 cash flow per share) in the same three-month period of 2006.

- Shipments and margins in the Grain Handling and Marketing segment were up over the prior year, contributing to EBITDA of \$109.2 million, a \$52.0 million increase over the same period last year. Grain margins per tonne for the twelve-months ending July 31, 2007 increased to \$23.56 per tonne, compared to \$20.09 per tonne in 2006, an increase of 17.3% over the prior year. Shipments during this period improved by 2.3 million tonnes, which included 2.0 million tonnes from AU in the most recent quarter.
- Sales and other revenue for the Agri-products segment were \$810.6 million for the twelve-month period ending July 31, 2007, which includes sales of \$588.3 million for the fourth quarter of the year. This compares to \$539.0 million in the same twelve-month period last year (\$340.0 million in the fourth quarter of 2006). Improved margins in this segment, a result of a particularly strong recovery in crop nutrition margins over the prior year contributed to an increase in EBITDA of \$70.0 million for the quarter and \$81.2 million for the twelve-month period. Total Agri-products EBITDA for the twelve-month period was \$106.9 million, which includes \$45.6 million attributable to AU in the quarter.
- Restructuring and integration costs incurred were \$9.0 million, primarily a result of severance, travel, consulting and advisory costs.
- For the twelve-month period ending July 31, 2007, net earnings were \$108.0 million (\$0.98 basic and diluted earnings per share) compared to earnings of \$531,000 (\$0.01 basic and diluted loss per share) in the prior year.

Viterra will be hosting a conference call for interested parties on September 7, 2007 at 11:00 a.m. Toronto time, 9:00 a.m. Regina time to discuss its Fourth Quarter Financial Report. Details are available on Viterra's website, under News Releases at [www.viterra.ca](http://www.viterra.ca)

Saskatchewan Wheat Pool Inc., doing business as Viterra, is Canada's leading agri-business, with extensive operations and distribution capabilities across Western Canada, and with operations in the United States and Japan. The new company is diversified into sales of crop inputs, services and equipment, grain handling and marketing, livestock feed, agri-food processing and financial services. These operations are complemented by value-added businesses and strategic alliances, which allow Viterra to leverage its pivotal position between Prairie farmers and destination customers. The Company's common shares are listed on the Toronto Stock Exchange under the symbol SWP.

#### Forward-Looking Information

This release contains forward-looking statements that involve certain risks and uncertainties, which could cause actual results to differ materially from future results expressed or implied by such statements. Important factors that could affect these statements include, without limitation, weather conditions; producer's decisions regarding total planted acreage, crop selection, and utilization levels of farm inputs such as fertilizers and pesticides; crop production and crop quality in Western Canada; Canadian grain export levels; ability of the railways to ship grain to port facilities for export without labour or other service disruptions; changes in government policy and transportation deregulation; world agricultural commodity prices and markets; integration risk associated with the merger of Saskatchewan Wheat Pool and Agricore United; the Company's financial leverage and funding requirements; continued availability of credit facilities; credit risk in respect of customers of Viterra; foreign exchange and counterparty risks associated with foreign exchange and commodity hedging programs; changes in competitive forces including pricing pressures; disease and other livestock industry risks; environmental risks and global political and economic conditions, including grain subsidy actions of the United States and European Union.

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# VITERRA

## FOURTH QUARTER REPORT – JULY 31, 2007 MANAGEMENT’S DISCUSSION AND ANALYSIS

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## **1. RESPONSIBILITY FOR DISCLOSURE**

Management's Discussion and Analysis ("MD&A") was prepared based on information available to Saskatchewan Wheat Pool Inc., operating as Viterra (referred to herein as "Viterra" or the "Company") as of September 6, 2007. Management prepared this report to help readers interpret Viterra's consolidated financial results for the three-month and twelve-month periods ended July 31, 2007, compared to the same periods in the previous fiscal year. With the acquisition of Agricore United ("AU") on May 29, 2007, the results for the quarter and twelve months include the results of AU for the period May 29, 2007 to July 31, 2007, but not the results of AU for any earlier period.

To support this discussion, this report includes information with respect to the agri-business industry, the markets in which the Company operates and any trends that may impact operating and financial performance into the future. This report should be read in conjunction with the Saskatchewan Wheat Pool Inc. 2006 Annual Report, 2006 Annual Information Form and its Business Acquisition Report dated July 18, 2007, which are available on Viterra's website at [www.viterra.ca](http://www.viterra.ca) as well as on SEDAR's website at [www.sedar.com](http://www.sedar.com) under Saskatchewan Wheat Pool Inc.

This MD&A, the unaudited Consolidated Financial Statements and Notes to the Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars unless specifically stated to the contrary.

## **2. COMPANY OVERVIEW**

The Company is a vertically integrated Canadian agri-business engaged in a number of distinct but interrelated businesses. With the acquisition of the majority of the shares of AU on May 29, 2007, the Company became Canada's leading agri-business, with operations and distribution capabilities extending across Western Canada and into the United States and Japan.

Viterra's core businesses are diversified between grain handling and marketing, agri-products sales, livestock services, agri-food processing and financial services. Viterra also participates in fertilizer manufacturing and malt processing through its ownership interests in Western Co-operative Fertilizers Limited ("Westco") and Prairie Malt Limited respectively. Viterra is involved in other commodity-related businesses through strategic alliances and supply agreements with domestic and international grain traders and food processing companies. The Company also markets commodities directly to global customers around the world.

Viterra recently announced its intent to change its financial year-end from July 31 to October 31 to better align its reporting period with its business cycle. As a result, Viterra's fiscal 2007 reporting period will be a 15-month year ending October 31, 2007 and the results reported herein represent the fourth quarter and twelve month periods ending July 31, 2007.

Unless otherwise indicated, all comparisons of results for the quarter and twelve months ending July 31, 2007 are against similar periods for 2006. However, under GAAP, prior period results exclude the consolidated results of AU and its wholly-owned subsidiaries. As noted above, AU's results may only be reported commencing from the acquisition date of May 29, 2007.

With the recent change in the Company's operating name, Saskatchewan Wheat Pool Inc. has applied for a change in its trading symbol on the TSX. Until such approval is received, the Company's shares will continue to trade on the TSX under the symbol "SWP".

### 3. SUMMARY AND ANALYSIS OF CONSOLIDATED RESULTS

Selected Consolidated Financial Information For the periods ending July 31 (in thousands - except percentages and per share amounts)	Fourth Quarter		Better (Worse)	Twelve Months		Better (Worse)
	2007	2006		2007	2006	
	(Unaudited)	(Unaudited)		(Unaudited)	(Audited)	
Sales and other operating revenues	\$ 1,400,183	\$ 601,085	\$ 799,098	\$ 2,589,908	\$ 1,575,656	\$ 1,014,252
Gross profit and net revenues from services	\$ 270,481	\$ 98,605	\$ 171,876	\$ 459,800	\$ 260,155	\$ 199,645
Operating, general and administrative expenses	(120,821)	(45,720)	(75,101)	(257,789)	(182,270)	(75,519)
EBITDA	149,660	52,885	96,775	202,011	77,885	124,126
Depreciation and amortization	(15,763)	(7,073)	(8,690)	(38,110)	(27,727)	(10,383)
EBIT	133,897	45,812	88,085	163,901	50,158	113,743
Integration expenses (Note 4)	(8,234)	-	(8,234)	(8,952)	-	(8,952)
Provision for pension settlement (Note 9(b))	-	(15,000)	15,000	(5,000)	(15,000)	10,000
Gain on disposal of assets (Note 4)	32,609	677	31,932	32,806	3,272	29,534
Financing expenses (Note 10)	(14,813)	(2,434)	(12,379)	(22,027)	(30,953)	8,926
	143,459	29,055	114,404	160,728	7,477	153,251
Provision for corporate taxes						
Current portion	(5,427)	(833)	(4,594)	(5,504)	(1,726)	(3,778)
Future portion	(42,019)	(14,811)	(27,208)	(47,227)	(12,595)	(34,632)
Earnings (loss) from continuing operations	\$ 96,013	\$ 13,411	\$ 82,602	\$ 107,997	\$ (6,844)	\$ 114,841
Net recovery from discontinued operations	\$ -	\$ 81	\$ (81)	\$ -	\$ 7,375	\$ (7,375)
Net earnings	\$ 96,013	\$ 13,492	\$ 82,521	\$ 107,997	\$ 531	\$ 107,466
Earnings (loss) per share						
- basic and diluted - continuing operations	\$ 0.57	\$ 0.15	\$ 0.42	\$ 0.98	\$ 0.01	\$ 0.97
	\$ 0.57	\$ 0.15	\$ 0.42	\$ 0.98	\$ (0.08)	\$ 1.06

Sales and other operating revenues for the fourth quarter of fiscal 2007 increased \$799.1 million to \$1.4 billion, compared to the \$601.1 million generated in the fourth quarter last year. AU's sales for June and July of 2007 were \$747.9 million. The balance of the increase was due to higher sales volumes in all major agri-product categories and higher fertilizer prices through the fourth quarter. On a year-to-date basis, consolidated sales and other operating revenues were \$2.6 billion, a \$1.0 billion improvement over the \$1.6 billion generated in the first twelve months of fiscal 2006. The increase was driven by strong results in all operating segments.

During the quarter, Viterra generated consolidated earnings from continuing operations before interest, taxes, depreciation and amortization, integration expenses, pension provisions, and gains on disposals of assets (EBITDA) of \$149.7 million, an increase of \$96.8 million compared to the fourth quarter of 2006. For the twelve-month period ending July 31, 2007, EBITDA improved by \$124.1 million to \$202.0 million. Higher margins in all operating segments, including additional EBITDA of \$74.3 million from AU were the main reasons for improved earnings in the quarter. Further information on segment performance is described in Section 4 'Segment Results'.

Depreciation and amortization for the three months ended July 31, 2007, was \$15.8 million compared to \$7.1 million in last year's fourth quarter and for the twelve months was \$38.1 million compared to \$27.7 million last year. Depreciation and amortization expenses increased primarily as a result of the addition of AU assets which accounted for \$8.4 million of the increase during the quarter and year-to-date periods.

Integration costs of \$8.2 million for the quarter and \$9.0 million for the twelve-month period ending July 31, 2007 reflect severance, consulting and advisory costs, and other integration costs incurred by the Company during the period. As described in more detail in Section 8 'Restructuring and Integration Matters', additional integration costs attributable to AU have been accrued at July 31, 2007 as part of the cost of the acquisition of the AU shares.

Interest expense of \$14.8 million for the quarter increased from the \$2.4 million expensed in last year's fourth quarter, a result of the additional borrowing assumed in the most recent quarter to fund a portion of the AU share purchase and interest on additional AU debt in the

most recent quarter. However, for the twelve-month period ended July 31, 2007, interest expense declined by \$8.9 million compared to the prior period of 2006. The decline primarily reflects both lower debt levels and lower interest rates for the first three quarters of the year, as well as the absence of an \$11.2 million one-time expense incurred in the prior year for the redemption of the Company's Senior Subordinated Notes.

Viterra recorded corporate tax provisions of \$47.4 million this quarter compared to \$15.6 million in last year's fourth quarter. Corporate tax provisions for the first twelve months of fiscal 2007 were \$52.7 million compared to \$14.3 million in the same period last year. The tax provision in the prior year included an \$11.8 million adjustment to reflect the impact of declining federal tax rates on the valuation of the future tax asset. Excluding this adjustment in the prior year, the effective tax rate for 2006 was 33.3%, compared to 32.8% for the latest twelve-month period. Due to the Company's loss carry-forwards, current taxes largely reflect the current taxes in the Company's subsidiary operations and in the twelve-month period ending July 31, 2007, increased by \$3.8 million to \$5.5 million.

The gain of \$32.6 million recorded in the quarter (\$32.8 million for the twelve-months) reflects the gain on the sale of the Company's North Shore terminal to Cargill Limited ("Cargill"). (See discussion of Restructuring and Integration Matters in Section 8 below). The gain on disposal of assets for the prior year of \$3.3 million includes a \$2.4 million gain on the sale of the Company's interest in its Lloydminster joint venture, together with gains on assets in the ordinary course of business.

Viterra's net earnings from continuing operations grew by \$82.6 million to \$96.0 million in the most recent quarter. On a year-to-date basis, net earnings from continuing operations surged \$114.8 million higher than the net loss from continuing operations of \$6.8 million last year.

Earnings per share for the fourth quarter were \$0.57 compared to earnings of \$0.15 per share last year. For the twelve-month period, earnings were \$0.98 per share, up significantly from earnings of \$0.01 per share (a loss of \$0.08 per share from continuing operations) for the same twelve-month period last year.

To assist with comparability, the following table provides a breakdown of EBITDA by business segment between Viterra's heritage companies.

Breakdown of EBITDA By Segment (\$ millions)	Fourth Quarter				Twelve Months			
	2007 AU (Unaudited)	2007 SWP (Unaudited)	2007 Viterra (Unaudited)	2006 SWP (Audited)	2007 AU (Unaudited)	2007 SWP (Unaudited)	2007 Viterra (Unaudited)	2006 SWP (Audited)
Grain Handling and Marketing	\$ 32.0	\$ 25.7	\$ 57.7	\$ 23.1	\$ 32.0	\$ 77.2	\$ 109.2	\$ 57.2
Agri-products	45.6	55.5	101.1	31.1	45.6	61.3	106.9	25.7
Agri-food Processing	-	3.3	3.3	4.1	-	15.3	15.3	18.3
Livestock Services	2.9	-	2.9	-	2.9	-	2.9	-
Financial Products	0.7	-	0.7	-	0.7	-	0.7	-
Corporate	(6.9)	(9.1)	(16.0)	(5.4)	(6.9)	(26.1)	(33.0)	(23.4)
	\$ 74.3	\$ 75.4	\$ 149.7	\$ 52.9	\$ 74.3	\$ 127.7	\$ 202.0	\$ 77.8

### 3.1 Selected Quarterly Information

<b>Selected Quarterly Financial Information</b>								
<i>For the quarters ended</i>								
<i>(\$millions - except per share amounts)</i>								
<i>(Unaudited)</i>	<b>2007 Q4</b>	2007 Q3	2007 Q2	2007 Q1	2006 Q4	2006 Q3	2006 Q2	2006 Q1
Sales and other operating revenues	\$ <b>1,400.2</b>	\$ 401.6	\$ 447.6	\$ 340.6	\$ 601.1	\$ 333.7	\$ 367.3	\$ 273.6
<sup>1</sup> Earnings (loss) from continuing operations	\$ <b>96.0</b>	\$ 9.2	\$ 7.9	\$ (5.1)	\$ 13.4	\$ (10.6)	\$ (1.9)	\$ (7.7)
<sup>1</sup> Earnings (loss) from continuing operations per share Basic and diluted	\$ <b>0.57</b>	\$ 0.10	\$ 0.09	\$ (0.06)	\$ 0.15	\$ (0.13)	\$ (0.02)	\$ (0.09)
Net earnings	\$ <b>96.0</b>	\$ 9.2	\$ 7.9	\$ (5.1)	\$ 13.5	\$ (8.2)	\$ 3.0	\$ (7.7)
Earnings (loss) per share (basic and diluted)	\$ <b>0.57</b>	\$ 0.10	\$ 0.09	\$ (0.06)	\$ 0.15	\$ (0.10)	\$ 0.04	\$ (0.09)

<sup>1</sup> Before discontinued operations and extraordinary items

The Company's earnings follow the seasonal pattern of prairie grain production. Activity peaks in the spring as new crops are sown and in the fall as mature crops are harvested. The volume of grain shipments are relatively stable through the quarters, but can be influenced by destination customer demand, the Canadian Wheat Board's (CWB's) export program, and producers' marketing decisions. Sales of Viterra's Agri-products peak in May through July, corresponding with the growing season, supplemented by additional crop nutrient sales in the late fall. Although relatively steady throughout the year, sales in the Livestock Services segment tend to peak during the winter months as feed consumption increases. In the Agri-food business, earnings are more fluid with continuous demand for products throughout each quarter. Financial Products agency fees follow the related pattern of sales of the underlying activity in Agri-products and Livestock Services segments.

## 4. SEGMENT RESULTS

### 4.1 Grain Handling and Marketing

In the Grain Handling and Marketing segment, Viterra actively buys grain and oilseeds from farm customers throughout the year. Viterra tests the commodities for quality and cleans, dries and blends them in preparation for shipping. Viterra earns a margin for these services. Volumes, quality and export demand are key drivers in this business. Viterra markets non-Board grains and oilseeds directly to destination customers and buys and sells Canadian Wheat Board (CWB) grains as an Agent and Accredited Exporter of the CWB. The level of shipments each quarter depends on demand from destination customers, the CWB export program and producer marketing decisions, which are driven by commodity price expectations, harvest pressures and cash flow requirements.

Grain Handling For the periods ending July 31 (in thousands - except percentages & margins)		Fourth Quarter		Better (Worse)	Twelve Months		Better (Worse)
		2007 (Unaudited)	2006 (Unaudited)		2007 (Unaudited)	2006 (Audited)	
Gross profit and net revenues from services	\$	108,342	\$ 45,113	\$ 63,229	\$ 240,354	\$ 159,022	\$ 81,332
Operating, general and administrative expenses		(50,603)	(22,030)	(28,573)	(131,120)	(101,813)	(29,307)
EBITDA		57,739	23,083	34,656	109,234	57,209	52,025
Depreciation and amortization		(7,294)	(2,936)	(4,358)	(16,914)	(11,579)	(5,335)
EBIT	\$	50,445	\$ 20,147	\$ 30,298	\$ 92,320	\$ 45,630	\$ 46,690
Operating Highlights							
[A] Industry receipts - six major grains (tonnes)		9,114	8,834	3.2%	33,156	31,816	4.2%
[B] Industry shipments - six major grains (tonnes)		8,991	8,305	8.3%	33,497	32,120	4.3%
[C] Primary Elevator Receipts (tonnes) *		3,777	2,146	76.0%	9,652	7,721	25.0%
Primary Elevator Shipments (tonnes)		4,063	2,044	98.8%	10,202	7,914	28.9%
[D] Six Major Grains		3,911	2,007	94.9%	9,896	7,766	27.4%
[E] Industry terminal handle - six major grains (tonnes)		5,000	5,355	(6.6%)	17,598	18,980	(7.3%)
[F] Port Terminal receipts (tonnes)		2,540	1,582	60.6%	6,513	6,017	8.2%
Vancouver		1,191	835	42.6%	3,282	3,641	(9.9%)
Thunder Bay		926	520	78.1%	1,924	1,463	31.5%
Prince Rupert Grain (Company share)		423	227	86.3%	1,307	913	43.2%
Market share (%) - Country Receipts *	[C]/[A]	41.4%	24.3%	17.1 pt	29.1%	24.3%	4.8 pt
Market share (%) - Shipments *	[D]/[B]	43.5%	24.2%	19.3 pt	29.5%	24.2%	5.3 pt
Margin (\$ per grain tonne shipped)	\$	26.67	\$ 22.07	20.8%	\$ 23.56	\$ 20.09	17.3%

\* Represents six major grains

Viterra determines its market share based on primary elevator receipts and on a non-consolidated basis, its market share was essentially unchanged from the same quarter and twelve-month periods of the prior year. However, with the addition of the diversified network of assets acquired from AU, primary elevator receipts increased by 1.7 million tonnes for June and July and was the predominant reason for the higher consolidated market shares in all three prairie provinces.

Although the reported market share for the quarter was 41.4%, the proportion of the Company's receipts relative to the industry are not indicative of a normalized market share due to the exclusion of AU's May grain receipts and the divestiture of assets to Cargill and James Richardson International ("JRI") at the end of June 2007. Management expects that once the annualized impact of the market share attributable to AU (post divestiture) is considered, the market share of Viterra will normalize at about 42%.

For the fourth quarter of fiscal 2007, Viterra shipped 4.1 million tonnes of grains and oilseeds from primary elevators, compared to 2.0 million tonnes in last year's fourth quarter. Again, the additional shipments in the year were attributable almost entirely to shipments through the AU facilities. On a twelve-month basis, shipments improved by 2.3 million tonnes from the prior year, with AU accounting for about 2.0 million tonnes of this increase and the balance attributable to additional shipments by SWP.

The split between CWB and non-Board commodities for the twelve-month period was 57:43 compared to 56:44 last year, while the industry's ratio for the same twelve-month period was 61:39 compared to 59:41 last year. Excellent crop quality, strong global demand and the timing of the CWB export program contributed to the year-to-date increase in CWB shipments for the industry. The Company is now the leading merchandiser and exporter of canola in Western Canada, and with increasing demand for oilseeds, the Company expects to see its proportion of non-Board grain increase to a more even split.

Volumes through Viterra's wholly-owned port terminals in Thunder Bay and Vancouver improved by 762,000 tonnes in the most recent quarter. Additional volumes attributable to the AU owned terminals added 1.1 million tonnes of volume during the quarter, offsetting a 373,000 tonne decline in the Saskatchewan Wheat Pool owned terminals. The decline in receipts in the Pool owned terminals was primarily in Vancouver due to the disposal of the North Shore facility as well as lower third party tonnes. On a twelve-month basis, volumes at the Saskatchewan Wheat Pool owned terminals declined by 1.0 million tonnes, which as

noted in the third quarter report, was largely attributable to CN's labour strike, operational shutdowns at CN and CP due to weather, lower third party volumes, a five-week maintenance shutdown and a slower CWB export program during the earlier part of the year. Viterra's share of volumes through Prince Rupert Grain Ltd. ("PRG") improved by 394,000 tonnes, partially offsetting the decline at Viterra's wholly-owned terminals.

Gross margins for the three months ended July 31, 2007 improved by 20.8% for the quarter to \$26.67 per tonne and 17.3% for the twelve-month period to \$23.56 per tonne. Gross margins in 2007 have benefited from a higher quality crop, particularly malt barley, a shift in product mix to favor higher margin human consumption peas over feed peas, higher mustard margins and higher earnings attributable to the Company's interest in PRG.

Operating, general and administrative ("OG&A") expenses for the Grain Handling and Marketing segment increased by \$28.6 million for the quarter and \$29.3 million for the twelve-month period ended July 31, 2007. About \$24 million of the increases reflect AU operating expenses that are now included in the Company's results, while expenses in the prior year were reduced by a \$5.3 million gain realized on the Thunder Bay pension plan. Excluding these items, current year expenses were comparable to those reported in the prior year.

Based on the above, EBITDA for the three-month and twelve-month periods ending July 31, 2007 was \$57.7 million and \$109.2 million, respectively, an increase of \$34.7 million and \$52.0 million over the comparable periods of the prior year. The contribution to EBITDA from AU in the most recent quarter was \$32.0 million. The remaining \$20 million improvement in EBITDA over the last twelve-month period was due to increased volumes and higher margins achieved in the Grain Handling and Marketing segment, together with a continued focus on cost containment.

## 4.2 Agri-products

Agri-Products For the periods ending July 31 (in thousands - except percentages)	Fourth Quarter		Better (Worse)	Twelve Months		Better (Worse)
	2007 (Unaudited)	2006 (Unaudited)		2007 (Unaudited)	2006 (Audited)	
Gross profit and net revenues from services	\$ 142,923	\$ 48,014	\$ 94,909	\$ 183,227	\$ 77,104	\$ 106,123
Operating, general and administrative expenses	(41,842)	(16,909)	(24,933)	(76,284)	(51,358)	(24,926)
EBITDA	101,081	31,105	69,976	106,943	25,746	81,197
Depreciation and amortization	(5,218)	(2,870)	(2,348)	(13,556)	(11,017)	(2,539)
EBIT	\$ 95,863	\$ 28,235	\$ 67,628	\$ 93,387	\$ 14,729	\$ 78,658
Operating Highlights						
Seed, Fertilizer, Crop Protection, Other Sales	\$ 588,343	\$ 340,027	\$ 248,316	\$ 810,613	\$ 538,984	\$ 271,629
Fertilizer <sup>1</sup>	\$ 224,227	\$ 185,716	\$ 38,511	\$ 381,627	\$ 336,258	\$ 45,369
Crop Protection	\$ 304,098	\$ 116,449	\$ 187,649	\$ 326,601	\$ 133,744	\$ 192,857
Seed	\$ 34,671	\$ 30,859	\$ 3,812	\$ 64,577	\$ 49,286	\$ 15,291
Equipment sales and other revenue	\$ 25,347	\$ 7,003	\$ 18,344	\$ 37,808	\$ 19,696	\$ 18,112
Margin (% of Sales)	24.3%	14.1%	10.2 pt	22.6%	14.3%	8.3 pt

<sup>1</sup> Consolidated sales from retail operations and the Company's proportionate share of WCFL.

Retail sales of Agri-products are seasonal and correlate directly to the life cycle of the crop, with the majority of the segment's annual sales and earnings generated in the fourth quarter when producers purchase their crop inputs: seed, fertilizer and crop protection products. During the first three quarters, Viterra works closely with its customer base providing planning, agronomic and customized solutions in preparation for the next year's crop. Viterra also works with suppliers to position product and inventories in advance of the intense spring selling period.

Sales and other operating revenues for the Agri-products segment during the fourth quarter were \$588.3 million compared to \$340.0 million for the same quarter of the prior year, an increase of \$248.3 million. For the last twelve-month period, sales were \$810.6 million

versus \$539.0 million, an improvement of \$271.6 million. Increased sales associated with the consolidation of the AU results for June and July, excluding the increased ownership interest acquired in Westco, were \$267.4 million in both the quarter and twelve-month results. Additional factors affecting sales in 2007 included strong selling prices for fertilizer due to unusually high world demand and higher sales in all other product lines, offset by lower sales volumes in Westco.

Incremental gross profit attributable to the consolidation of AU's financial results for June and July was \$46.1 million for the quarter and twelve-month period ending July 31, 2007, excluding the incremental gross profit attributable to the Company's additional ownership interest in Westco during the two last months of the quarter.

The balance of the increased gross profit reported in the quarter and year-to date periods was due mainly to improved fertilizer gross margins. Prior year results reflected unusually low fertilizer margins due to inventory depreciation that occurred over the course of the twelve-month period ending July 31, 2006. The latest twelve-month period shows the positive impact on earnings associated with the significant inventory appreciation realized in 2007. This was a result of lower natural gas prices in the fall of 2006, which drove lower manufacturing costs in the early part of the year, combined with higher fertilizer market prices in the spring.

OG&A expenses increased by \$24.9 million for the quarter and \$24.9 million for the twelve-month period ending July 31, 2007, primarily due to incremental expenses of \$23.1 million associated with the addition of AU operations. Excluding this item, current year expenses increased by 3.5% from the prior year, largely due to higher salary costs and expenses associated with higher rental and services income.

The higher gross profit was the primary reason for the increased EBITDA of \$70.0 million and \$81.2 million in the quarter and twelve-month periods respectively. Westco's contribution to EBITDA for these periods, (which includes an additional 57% share of Westco's earnings for June and July acquired through AU), was \$44.1 for the quarter, compared to \$10.1 million reported for the same quarter of 2006. For the twelve-month period ending July 31, 2007, Westco EBITDA was \$55.9 million, an increase of \$38.5 million compared to the \$17.4 million reported in the same twelve-month period of 2006. The higher ownership interest in Westco accounted for \$20.9 million of the increase in Westco's EBITDA in the quarter and twelve-month period, with the balance attributable to improved wholesale margins.

### 4.3 Agri-food Processing

Agri-food Processing For the periods ending July 31 (in thousands - except percentages and margins)	Fourth Quarter		Better (Worse)	Twelve Months		Better (Worse)
	2007	2006		2007	2006	
	(Unaudited)	(Unaudited)		(Unaudited)	(Audited)	
Gross profit and net revenues from services	\$ 6,157	\$ 5,478	12.4%	\$ 23,160	\$ 24,029	(3.6%)
Operating, general and administrative expenses	(2,901)	(1,394)	(108.1%)	(7,885)	(5,691)	(38.6%)
EBITDA	3,256	4,084	(20.3%)	15,275	18,338	(16.7%)
Depreciation and amortization	(1,557)	(1,267)	(22.9%)	(5,946)	(5,131)	(15.9%)
EBIT	\$ 1,699	\$ 2,817	(39.7%)	\$ 9,329	\$ 13,207	(29.4%)
Operating Highlights						
Total sales & revenue	\$ 44,142	\$ 32,164	37.2%	\$ 153,938	\$ 122,253	25.9%
Tonnes Sold	87	76	14.5%	317	277	14.4%
Margin per Tonne	\$ 70.77	\$ 72.08	(1.8%)	\$ 73.06	\$ 86.75	(15.8%)

Viterra's significant interests in Agri-food Processing include wholly-owned Can-Oat Milling, the world's largest industrial oat miller, with plants in Portage la Prairie, Manitoba, Martensville, Saskatchewan, and Barrhead, Alberta, and a 42.4% interest in Prairie Malt Limited, a single-site malting plant located at Biggar, Saskatchewan.

Can-Oat Milling is an established market leader in industrial oat supply and the supplier of choice for many North American food manufacturers. For the oat milling business, yield is a significant factor in profitability. In an average year, it takes 1.6 tonnes of raw oats to produce one tonne of oat ingredients. The quality of raw oats has the largest impact on yield. Oats are priced in U.S. dollars and the world feed grain market predominantly drives prices. The price of finished goods moves up and down with the price of oats. A strong Canadian dollar can create foreign exchange challenges thus currency hedging practices are important to protect margins.

In Viterra's malt business, reliable quality is a key factor in maintaining sales relationships with international customers. Only high-quality malt barley is selected for the malting process so crop quality can affect supply and increase production costs. For Prairie Malt, energy consumption, labour and yield maximization (the amount of malt produced from a tonne of barley) are key production drivers. Natural gas is also a key factor in production thus rising gas prices can affect margins. Since sales are priced in U.S. dollars, Prairie Malt reduces the impact of foreign currency fluctuations by engaging in currency hedging activities.

Sales in the Agri-food Processing segment for the quarter were \$44.1 million, up 37.2% from the comparable period of 2006, due mainly to stronger sales in Can-Oat. Demand for oat ingredients remained steady through the quarter, resulting in increased sales volumes and a 31.9% increase in Can-Oat Milling's sales quarter-over-quarter.

Segment sales for the twelve months ended July 31, 2007, were \$153.9 million compared to \$122.2 million in the prior year, an increase of 25.9%, again mainly attributable to Can-Oat. Can-Oat's sales volume increased as a result of strong customer demand that increased sales volumes for both finished and primary oat products. Finished products include oat flakes, oat bran and oat flour, while primary products include whole groats and steelcut. Prairie Malt also benefited from stronger sales during the year, mainly the result of the consolidation of excess capacity in the North American market.

Stronger fourth quarter sales contributed to improved gross profits of \$6.2 million, with the 12.4% increase in the most recent quarter offsetting reduced gross profit in the earlier part of the year. Overall, gross profit for the twelve months ending July 31, 2007 declined by \$870,000 or 3.6%, largely due to the impact of a stronger Canadian dollar and poorer oat quality which reduced processing yields.

Segment EBITDA was \$3.3 million for the fourth quarter, down \$829,000 from the same period last year. On a twelve-month basis, EBITDA of \$15.3 million declined by \$3.1 million compared to the same period of the prior year. The decline in EBITDA for the twelve months ending July 31, 2007 was largely a result of the gross profit decline (as a result of the poor oat quality and currency valuation), combined with higher operating, general and administration costs. Higher OG&A expenses reflect the additional production costs associated with the Barrhead acquisition and expansion at the Portage North Oat Mill, which were not part of operations in last year's fourth quarter.

## 4.4 Livestock Services

Livestock Services For the periods ending July 31 (in thousands - except percentages and margins)	Fourth Quarter		Better (Worse)	Twelve Months		Better (Worse)
	2007	2006		2007	2006	
	(Unaudited)	(Unaudited)		(Unaudited)	(Audited)	
Gross profit and net revenues from services	\$ 10,841	\$ -	\$ 10,841	\$ 10,841	\$ -	\$ 10,841
Operating, general and administrative expenses	(7,914)	-	(7,914)	(7,914)	-	(7,914)
EBITDA	2,927	-	2,927	2,927	-	2,927
Depreciation and amortization	(1,058)	-	(1,058)	(1,058)	-	(1,058)
EBIT	\$ 1,869	\$ -	\$ 1,869	\$ 1,869	\$ -	\$ 1,869
Operating Highlights						
Feed sales (tonnes)	253	-	100.0%	253	-	100.0%
Non-feed sales and revenue from services	\$ 9,261	\$ -	100.0%	\$ 9,261	\$ -	100.0%
Feed margin (\$ per feed tonne sold)	\$ 40.64	\$ -	100.0%	\$ 40.64	\$ -	100.0%
Non-feed gross profit & net revenue from services	\$ 560	\$ -	100.0%	\$ 560	\$ -	100.0%

This division represents a new reporting segment for the Company following the acquisition of AU. The segment formulates and manufactures feed for swine, dairy and beef cattle, poultry and other specialty feeds from ten feed mills and two pre-mix manufacturing centres in British Columbia, Alberta, Manitoba, Texas and New Mexico. The key driver in the profitability of feed manufacturing closely correlates to feed tonne volumes, since feed sales prices typically fluctuate in response to the underlying cost of ingredients to maintain relatively stable margins. While margins in this division are typically stable over the course of a twelve-month period, there can be some seasonal variability in the U.S. market, with lower margins earned in the spring when higher margin feed consumption decreases and the resulting product mix is shifted to lower margin product.

To complement its manufacture and sale of feed, Livestock Services also engages in marketing swine and providing other ancillary services such as arranging financing for livestock producers. In addition, non-feed profits include the Company's equity investment in Puratone Corporation ("Puratone"). Profitability from swine sales and Puratone follow the underlying movements in hog prices.

Feed sales of \$67.3 million (\$266 per tonne) for the quarter and twelve months ending July 31, 2007 represent sales during the June and July periods. Gross profit on feed for the same two-month period was \$10.3 million, or \$40.64 per tonne.

On an annualized basis, it is expected that total feed volumes for the Company will approximate 1.6 million tonnes, of which about 1 million tonnes is manufactured and sold in Western Canada.

## 4.5 Financial Products

Financial Products For the periods ending July 31 (in thousands - except percentages)	Fourth Quarter		Better (Worse)	Twelve Months		Better (Worse)
	2007	2006		2007	2006	
	(Unaudited)	(Unaudited)		(Unaudited)	(Audited)	
Gross profit and net revenues from services	\$ 2,218	\$ -	\$ 2,218	\$ 2,218	\$ -	\$ 2,218
Operating, general and administrative expenses	(1,539)	-	(1,539)	(1,539)	-	(1,539)
EBITDA	679	-	679	679	-	679
Depreciation and amortization	(100)	-	(100)	(100)	-	(100)
EBIT	\$ 579	\$ -	\$ 579	\$ 579	\$ -	\$ 579

Through both Agricore United Financial™ ("AU Financial") and Unifeed Financial™, the Company acts as an agent of a Canadian Schedule I chartered bank. AU Financial extends unsecured trade credit at competitive rates to the Company's Agri-products customers. Unifeed Financial offers secured loans to customers to purchase feeder cattle and feeder

hogs, as well as related feed inputs, with terms that do not require payment until the livestock is sold. The Company directly manages the customer relationship and receives a fee for performing front-end credit review and management services. In addition to these credit programs, this segment also offers other ancillary financial and risk management products to producers.

The profitability of this segment relates to the level, duration and quality of credit in a given period, which, in turn, is influenced by crop input and feed prices, farm income levels, and interest rates.

As AU Financial was not available to the Company's own customers, EBITDA of \$679,000 for the quarter and twelve-month period ending July 31, 2007 represents the earnings attributable to the consolidation of AU for June and July.

#### 4.6 Corporate Expenses

Corporate Expenses For the periods ending July 31 (in thousands)	Fourth Quarter		Better (Worse)	Twelve Months		Better (Worse)
	2007	2006		2007	2006	
	(Unaudited)	(Unaudited)		(Unaudited)	(Audited)	
Operating, general and administrative expenses	\$ (16,022)	\$ (5,387)	(10,635)	\$ (33,047)	\$ (23,408)	(9,639)
Depreciation and amortization	(536)	-	(536)	(536)	-	(536)
EBIT	\$ (16,558)	\$ (5,387)	(11,171)	\$ (33,583)	\$ (23,408)	(10,175)

Corporate expenses increased by \$10.6 million for the fourth quarter and \$9.6 million for the twelve-months ending July 31, 2007, compared to the same periods last year. Additional corporate expenses related to the consolidation of the AU results during the quarter of \$6.9 million, as well as a \$3.3 million increase in benefits costs associated with the impact of the Company's stock price on its short-term and long-term incentive plans were the main factors accounting for the increase.

#### 5. OUTLOOK

*In addition to other sections of the Company's report, this section contains forward-looking information and actual outcomes may differ materially from those expressed or implied therein. For more information, please see "Forward-Looking Information" on page 24 of this report.*

Preliminary production estimates released by Statistics Canada on August 23, 2007 forecast production of the six major crops at 47 million tonnes for the 2007 growing season, comparable to the 10 year average. Although production results will vary as the harvest progresses, yields for most crops are expected to be near average, despite hot and dry weather conditions in July and the excess rainfall experienced in August. While it is early in the harvest to be definitive about this year's crop quality, early samples of wheat have been in the top two grades with high protein content. Canola quality has also been good, with the majority of the samples falling within the top grade. While production is forecasted to decline by about 7% in Alberta, production in Manitoba and Saskatchewan is forecasted to rise by 3% and 4% over the prior year respectively. In addition, on-farm carry-over stocks, while drawn down in the current year, are estimated to be approximately 5.9 million tonnes, still in excess of the long-term average.

Strong worldwide oilseed demand continues and canola exports for 2008 are expected to increase to a record high as a result of ample domestic supply and tighter supplies in competing countries. Agriculture and Agri-Food Canada project exports to decline by about

14% in 2008, mainly due to lower wheat exports as a result of reduced supply and increasing domestic demand. However, actual exports next year will be dependant on the actual production for 2007, crop quality and prevailing commodity prices. Nevertheless, with the Company's increasing presence in non-CWB marketed grains, particularly its leading market position in the merchandising and marketing of canola, the Company is well-positioned to capture additional handling and marketing opportunities, both domestically and abroad.

Prices for natural gas, a primary input in the manufacture of nitrogen fertilizer, have also stabilized recently and as the Company nears the manufacturing season for these products, prices are roughly comparable to this time last year. At the retail level, the early harvest this year and good commodity prices are positive for fall fertilizer sales activity. Soil nutrient levels have been depleted over the last couple of years and the Company expects that fertilizer application will be strong to maintain yield potential next spring.

The outlook for Can-Oat's business is positive for 2008. Production estimates by Statistics Canada forecast a 32% increase in oat production, a 32-year high, due mainly to larger seeded areas and lower abandonment rates. Additionally, with harvesting of the 2007 crop underway in Manitoba, early results are showing promise of a better oat quality than has been seen in that province in the last three years. The positive impact of this should be seen in improved milling yields in the Portage la Prairie plant in the coming months. The annualized benefits from Can-Oat's expansion in Portage la Prairie and the acquisition of the plant in Barrhead are also expected to be fully realized in 2008.

The acquisition of AU on May 29, 2007 resulted in a significant geographical and operational expansion and diversification of the Company's business. While not necessarily indicative of future performance, due to the unusually strong contribution from the Agri-products segment this year, on a pro-forma basis for the twelve months ending July 31, 2007, the adjusted EBITDA reported by the Company would have increased by \$146 million to \$348 million. As noted earlier, estimated synergies are expected to be about \$92 million and should be fully annualized by fiscal 2009. The Company has previously estimated annualized EBITDA associated with the facilities sold to Cargill and JRI of \$60 million.

As described in Note 13 of the Consolidated Financial Statements for the period ending July 31, 2007, the Company expects to realize a pre-tax gain of about \$4.7 million in the quarter ending October 31, 2007 on its investment in the Winnipeg Commodity Exchange.

## 6. LIQUIDITY AND CAPITAL RESOURCES

### 6.1 Non-cash Working Capital

<b>Non-Cash Working Capital</b> <i>As at July 31 (in thousands)</i>	<b>2007</b> <b>Consolidated</b> <i>(Unaudited)</i>	<b>2007</b> <b>AU</b> <i>(Unaudited)</i>	<b>2007</b> <b>Adjusted SWP</b> <i>(Unaudited)</i>	<b>2006</b> <i>(Audited)</i>	<b>Increase</b> <b>(Decrease)</b>
<b>Non-Cash working capital</b>					
Inventory	\$ 592,525	430,240	\$ 162,285	\$ 142,925	\$ 19,360
Accounts receivable (Note 5)	646,046	218,871	\$ 427,175	123,176	303,999
Prepaid expenses and deposits	31,389	21,612	\$ 9,777	13,074	(3,297)
Accounts payable and accrued liabilities	(461,208)	(302,633)	\$ (158,575)	(129,940)	(28,635)
	<b>\$ 808,752</b>	<b>\$ 368,090</b>	<b>\$ 440,662</b>	<b>\$ 149,235</b>	<b>\$ 291,427</b>

Inventory levels at the end of July 31, 2007 were \$449.6 million higher than at July 31, 2006, which includes \$430.2 million associated with the inventory balances consolidated from AU. The balance of the increase relates mainly to higher grain commodity values.

Accounts receivable at the end of July 31, 2007 were \$522.9 million higher than at July 31, 2006. The balance at July 31, 2007 includes \$218.9 million of accounts receivable attributable to AU. In addition, receivables at the end of the period include \$255 million of proceeds receivable from the divestiture of property, plant and equipment assets to JRI. As noted in Note 13 of the Consolidated Financial Statements, these funds were held in escrow at the end of the quarter and applied to reduce the amount owing under the Company's bridge facility in August 2007. (see Section 6.3). The remaining increase in receivables largely reflects higher trade receivables associated with increased sales and higher commodity prices during the quarter.

Accounts payable and accrued liabilities were up \$331.3 million over the balance at July 31, 2006, which includes \$302.6 million of payables and accruals in AU. Additional payables and accruals are largely a result of an increase in the value of deferred cash tickets outstanding with producers in the current year.

## 6.2 Cash Flow Information

Cash Flow prior to working capital changes For the periods ending July 31 (in thousands - except percentages & per share amounts)	Fourth Quarter		Better (Worse)	Twelve Months		Better (Worse)
	2007	2006		2007	2006	
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)		
EBITDA	\$ 149,660	\$ 52,885	\$ 96,775	\$ 202,011	\$ 77,885	\$ 124,126
Add (Deduct):						
Non-cash financing expenses	491	491	-	1,964	11,761	(9,797)
Post employment benefit	53	(4,734)	4,787	738	(3,334)	4,072
Other items	626	(877)	1,503	1,354	116	1,238
Adjusted EBITDA	150,830	47,765	103,065	206,067	86,428	119,639
Integration expenses (Note 4)	(8,234)	-	(8,234)	(8,952)	-	(8,952)
Cash interest expense	(14,813)	(2,434)	(12,379)	(22,027)	(30,953)	8,926
Pre-tax cash flow	127,783	45,331	82,452	175,088	55,475	119,613
Current income taxes	(5,427)	(833)	(4,594)	(5,504)	(1,726)	(3,778)
Cash Flow prior to working capital changes	\$ 122,356	\$ 44,498	\$ 77,858	\$ 169,584	\$ 53,749	\$ 115,835
Per share	\$ 0.72	\$ 0.49	46.9%	\$ 1.54	\$ 0.64	140.6%

For the twelve months ended July 31, 2007, Viterra generated cash flow prior to working capital changes of \$169.6 million, an increase of \$115.8 million over last year. Cash flow provided by continuing operations for the most recent quarter was \$122.4 million, an improvement of \$77.9 million from the same quarter of 2006. The improvement in each of the quarter and twelve-month periods reflect higher EBITDA, offset by the integration costs incurred by Viterra in the current period. Current income taxes are significantly less than the prevailing tax rate on pre-tax cash flows due to the tax shield provided by capital cost allowance and the Company's loss-carry-forwards.

Cash Flow Provided by Operations For the periods ending July 31 (in thousands)	Fourth Quarter		Better (Worse)	Twelve Months		Better (Worse)
	2007	2006		2007	2006	
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)		
Net earnings	\$ 96,013	\$ 13,411	\$ 82,602	\$ 107,997	\$ (6,844)	\$ 114,841
Adjustments for items not involving cash	26,343	31,087	(4,744)	61,587	60,593	994
Cash flow prior to working capital changes	\$ 122,356	\$ 44,498	\$ 77,858	\$ 169,584	\$ 53,749	\$ 115,835
Changes in non-cash working capital items	(301,400)	31,437	(332,837)	(378,433)	(20,260)	(358,173)
Cash from discontinued operations	-	8,554	(8,554)	-	17,509	(17,509)
Cash flow provided by (used in) operating activities	\$ (179,044)	\$ 84,489	\$ (263,533)	\$ (208,849)	\$ 50,998	\$ (259,847)
<b>Free Cash Flow</b>						
Cash flow prior to working capital changes	\$ 122,356	\$ 44,498	\$ 77,858	\$ 169,584	\$ 53,749	\$ 115,835
Property, plant and equipment expenditures	(92,618)	(17,885)	(74,733)	(119,038)	(29,985)	(89,053)
Proceeds on sale of property, plant and equipment	432,935	775	432,160	433,161	3,739	429,422
Free Cash Flow	\$ 462,673	\$ 27,388	\$ 435,285	\$ 483,707	\$ 27,503	\$ 456,204

Free cash flow is measured by cash flow prior to working capital changes less capital expenditures, net of proceeds. For the quarter and year-to-date periods, free cash flow improved by \$435.3 million and \$456.2 million respectively from the comparable periods of the prior year. This was due largely to the proceeds received on the asset divestitures during the period, together with improved cash flow from operations. Proceeds included \$255 million for the sale of property, plant and equipment assets to JRI, \$84 million for the sale of the Company's North Shore facility (which was used to purchase the Company's 50% ownership interest in Cascadia – see Section 6.6), \$70 million for the sale of assets to Cargill, proceeds for AU's Vancouver port terminal, and proceeds received on asset sales in the ordinary course of business. As noted, \$255 million of the proceeds from divested assets were applied to reduce long-term debt subsequent to quarter end.

### 6.3 Financing Activities

Key Financial Information <sup>1</sup> (in thousands - except percentages and ratios)	At July 31, 2007		Better (Worse)
	2007 (Unaudited)	2006 (Audited)	
Funded Debt, net of cash and cash equivalents	\$ 836,366	\$ 33,047	\$ (803,319)
EBITDA (for twelve months ending July 31)	\$ 202,011	\$ 77,885	\$ 124,126
Ratios			
Current Ratio	1.11 x	2.28 x	(1.17 pt)
Total Debt to Equity <sup>2</sup>	39.0%	22.0%	(17.0 pt)
Long Term Debt to Equity	4.7%	18.7%	14.0 pt

<sup>1</sup> See Reconciliation of Non-GAAP terms below

<sup>2</sup> Subsequent to quarter end, the Company applied \$255 million of proceeds received from divestitures to reduce a portion of the outstanding Bridge Facility. Following this debt repayment, the revised pro-forma Total Debt to Equity at July 31, 2007 was 31.8%

The Company's total funded debt, net of cash and short-term investments, of \$836.4 million at July 31, 2007, increased by \$803.3 million in the current period due to increases in short-term and long-term debt, offset by \$13.6 million in increased consolidated cash balances at the end of July, 2007. Cash distributions from the Company's principal subsidiaries (those in which the Company has at least a 50% interest) occur at regular intervals and the Company maintains an active role in all decisions affecting cash distributions from these subsidiaries.

Long-term debt, including the current portion, was \$114.1 million at July 31, 2007, up modestly from the \$110.8 million reported at the same time last year.

Short-term debt increased \$808.1 million to \$827.1 million at July 31, 2007, compared to \$19.0 million reported in the prior year. The majority of the additional short-term debt relates to a non-revolving Bridge Credit Facility ("Bridge Facility") of \$750 million undertaken by the Pool on May 28, 2007 to fund \$330 million for the acquisition of the AU shares, and to repay \$362 million of AU's long-term debt. The new facility bears interest at prime plus 1.5%, increasing to 1.75% after 180 days and 2.25% after 270 days.

Subsequent to quarter-end, and concurrent with the finalization of the new senior revolving credit facility put in place on August 10, 2007 (see below), the Company applied \$255 million of the proceeds received from the sale of assets to JRI to reduce the amount owing under the Bridge Facility.

As described in Note 13 of the Consolidated Financial Statements for July 31, 2007, subsequent to quarter-end Viterro also completed an offering for \$200 million of 8.5% Senior

Unsecured Notes (“Series 2007-1 Notes”) due on August 1, 2017. The Company used the net proceeds to repay a portion of the short-term borrowings outstanding under the Bridge Facility. As a result, the outstanding amount on the Bridge Facility, subsequent to these transactions (including the application of the divestiture proceeds) was \$241 million. The Company expects to refinance this remaining Bridge Facility with long-term debt.

The remaining increase in short-term debt at the end of July 2007 relates to additional bank debt and member and demand loans arising from the consolidation of AU of \$111 million.

On August 10, 2007, the Company entered into a \$600 million senior secured revolving credit facility to replace existing revolving credit lines in AU. The facility expires on August 10, 2010 and may be extended at the option of the Company for an additional two years. Proceeds drawn on the facility will bear interest at a rate based on Banker’s Acceptances plus 0.9% to 1.5%, depending on the Company’s fixed charge ratio.

Management believes that cash flow from operations and the existing credit facilities will provide Viterra with sufficient financial resources to fund its working capital requirements, planned capital expenditure programs, integration and restructuring costs, and its debt servicing requirements. This belief is predicated upon the Company’s expectations of future commodity and crop input prices, and the expected turnover of inventory and accounts receivable components of working capital. (See “Forward Looking Information”, below).

#### 6.4 Debt Ratings

	Corporate Rating	Senior Unsecured Notes	Bank Bridge Facility	Bank Debt	Trend
Standard & Poor’s	BB	BB	n/a	BBB-	Stable
Dominion Bond Rating Service Limited	n/a	BB (High)	BB (High)	n/a	Positive

Following the completion of the acquisition of AU, on July 18, 2007, the Dominion Bond Rating Services (“DBRS”) upgraded its rating on the Senior Unsecured Notes of the Company to BB (High) from B (high) with a Positive trend. DBRS also applied a BB (High) rating to the Company’s new Bank Bridge Credit Facility, also with a Positive Trend.

On July 19, 2007, Standard & Poor’s raised the Company’s ratings, including the long-term corporate credit rating from B+ to BB. At the same time, all ratings on the Company were removed from Credit Watch with positive implications, where they were placed on April 16, 2007.

#### 6.5 Contractual Obligations

Contractual Obligations (in thousands) Unaudited	Principal Payments Due by Period				
	Total	1 Year	1 to 3 Years	4 to 5 Years	5 Years
<b>Balance Sheet Obligations</b>					
Short-term debt <sup>2</sup>	\$ 790,610	\$ 790,610	\$ -	\$ -	\$ -
Long-term debt	114,122	4,179	5,459	2,951	101,533
Other long-term obligations	62,582	3,734	31,071	6,208	21,569
	<b>967,314</b>	<b>798,523</b>	<b>36,530</b>	<b>9,159</b>	<b>123,102</b>
<b>Other Contractual Obligations</b>					
Operating leases	58,846	17,671	26,299	14,876	-
Purchase obligations <sup>1</sup>	1,006,452	972,263	32,314	1,875	-
	<b>1,065,298</b>	<b>989,934</b>	<b>58,613</b>	<b>16,751</b>	<b>-</b>
<b>Total Contractual Obligations</b>	<b>\$ 2,032,612</b>	<b>\$ 1,788,457</b>	<b>\$ 95,143</b>	<b>\$ 25,910</b>	<b>\$ 123,102</b>

<sup>1</sup> Substantially all of the purchase obligations represent contractual commitments to purchase commodities and products for resale.

<sup>2</sup> Subsequent to quarter-end, \$200 million was refinanced with the 2007-1 Notes due on August 1, 2017. In addition, \$255 million of proceeds received on the divestitures was applied to reduce the outstanding debt.

## **6.6 Investing Activities**

Capital expenditures for the twelve months ended July 31, 2007, were \$119.0 million, an increase of \$89 million over the \$30.0 million reported in the same period of the prior year. Included in capital expenditures for the current period are capital expenditures of \$85 million for the acquisition of the 50% ownership interest in Cascadia terminal from Cargill, together with incremental expenditures of \$2.9 million for AU for the June and July periods. Capital expenditures for the Company also include the upgrading of dust cleaning systems at its Vancouver port terminal and the expansion of Can-Oat Milling's Portage la Prairie plant completed in March 2007.

On an annualized basis, Viterra expects consolidated capital expenditures of approximately \$60 million and these are expected to be funded by cash flow provided by operations.

## **6.7 Off-Balance Sheet Arrangements**

### **6.7.1 Pension Plans**

The Company, excluding its subsidiaries and affiliates, contributes to three defined contribution plans of which one is a multi-employer plan. The Company's total contribution expense, including the subsidiaries' and proportionate share of joint ventures' defined contribution plans for the respective three and twelve-month periods ended July 31, 2007 is \$900,000 and \$4.0 million (2006 - \$900,000 and \$3.8 million).

Note 9 of the Consolidated Financial Statements for July 31, 2007 describes in detail the Company's pension plan obligations.

### **6.7.2 Agricore United Financial and Unifeed Financial**

AU Financial provides unsecured working capital financing, through a Canadian Schedule I chartered bank, for producers to purchase the Company's fertilizer, crop protection products and seed. Outstanding credit of \$382.7 million at July 31, 2007 advanced through AU Financial increased from \$376.0 million at the same date last year, due to a slight increase in credit sales. About 87% of outstanding credit is related to AU Financial's highest credit rating categories, a percentage consistent with the same time last year. The Company indemnifies the bank for 50% of future losses under AU Financial to a maximum limit of 5% of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the size of the underlying portfolio.

Unifeed Financial provides secured working capital financing through a Canadian Schedule I chartered bank for livestock producers to purchase feeder cattle, feeder hogs and related feed inputs under terms that do not require payment until the livestock is sold. The customer base for Unifeed Financial tends to be smaller with individually larger average credit balances than AU Financial. Unifeed Financial approved \$89.0 million (2006 - \$65.0 million) in credit applications of which customers had drawn \$47.1 million (2006 - \$41.3 million) at July 31, 2007. The increase in credit compared to the prior year reflects the transition of customers from other credit programs previously provided by the Company as well as growth in the portfolio. The Company has indemnified the bank for aggregate credit losses of up to \$10.6 million based on the first 20% to 33% of new credit issued on an individual account as well as for credit losses, shared on an equal basis, of up to 5% of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the credit rating of underlying accounts and the aggregate credit outstanding.

### 6.7.3 Securitization Arrangement

Through AU, the Company had a securitization agreement with an independent trust which permitted the Company to sell, on an unlimited basis, an undivided co-ownership interest in its right to receive reimbursements of amounts advanced to producers arising from the delivery of grains that are held in accordance with an agency contract between the Company and the CWB. This program was terminated effective August 10, 2007, and replaced with the financing arrangements discussed above.

### 6.8 Outstanding Share Data

The market capitalization of the Company's 204 million issued and outstanding shares at September 4, 2007 was \$2.3 billion or \$11.43 per share. The issued and outstanding shares at September 4, 2007, together with securities convertible into common shares are summarized in the following table:

<i>As at September 4, 2007</i>	
<i>(Unaudited)</i>	
Issued and outstanding Common Shares	204,156,350
Securities convertible into Common Shares:	
Stock Options	80,327
	<u>204,236,677</u>

## 7. OTHER MATTERS

### 7.1 Critical Accounting Estimates

At July 31, 2007, the Company had consolidated loss carry-forwards of \$339.9 million, which includes about \$153.1 million in AU, after giving effect to the losses applied in the current period on the tax gain attributable to the asset divestitures. The Company expects to use these losses prior to their expiry date, and as such, does not expect to pay current taxes until 2010. Accordingly, a future tax asset of \$101.0 million has been recorded in respect of the Company's unutilized losses.

Management regularly assesses the Company's ability to realize net future income tax assets based on all relevant information available and has concluded that it is more likely than not that these loss carry-forwards can be fully utilized prior to expiry. In making its assessment, management considered, among other things, historical and projected future earnings (see "Forward-Looking Information" below). If the Company's future earnings do not materialize to the extent required to permit the full realization of these loss carry-forwards, the Company would record an appropriate valuation allowance in the period when such a determination is made. This would result in a decrease to reported earnings and an increase to the Company's effective tax rate in that period.

As described in more detail in Section 8. 'Restructuring and Integration Matters', the Company has also recorded an amount of \$586.0 million in respect of goodwill and intangible assets at July 31, 2007. The Company expects this estimate to decline once the valuation of the fair market values of the assets and liabilities assumed on the acquisition of AU is completed. Any adjustment to goodwill will be largely offset by an increase in property, plant and equipment.

## **8. RESTRUCTURING AND INTEGRATION MATTERS**

As described in Note 4 of the Consolidated Financial Statements, on May 29, 2007, the Company acquired effective control of AU. On June 15, 2007, the Company acquired all remaining Limited Voting Common Shares under a court approved Plan of Arrangement and AU became a wholly-owned subsidiary of the Company. On the same date, the Board of Directors of Saskatchewan Wheat Pool become the Board of Directors for AU.

The total net cash consideration of \$1.3 billion paid for the AU shares was financed by the Company by issuing 113,905,586 common shares for net proceeds of \$882.8 million, and \$330 million of borrowings under the Bridge Credit Facility (see Section 6), with the balance funded by cash, short-term investments, other short-term borrowings and proceeds received on the sale of certain asset divestitures. Viterra's total issued and outstanding shares after the transaction were 204,156,350.

The acquisition was accounted for using the purchase method, with the results of the operations of AU included in the Company's consolidated financial statements commencing May 29, 2007. According to these rules, the purchase consideration must be allocated to adjust the carrying value of the assets acquired and liabilities assumed to their estimated fair values as at the effective date of the purchase. Excess consideration not allocable to the assets and liabilities is reflected as goodwill. As the acquisition has recently been completed, the preliminary purchase price allocation between property, plant and equipment, intangibles, future taxes, goodwill and other balance sheet components will be finalized in a subsequent period.

Concurrent with the acquisition of AU, the Company entered into agreements to sell its Vancouver port terminal to Cargill, as well as to sell certain assets acquired from AU to Cargill and JRI for proceeds of \$70 million and \$255 million, respectively. The Company also acquired Cargill's 50% interest in the Cascadia Terminal Partnership. With the sale of its Vancouver port terminal, the Company dissolved its joint venture, Pacific Gateway Terminals Limited, without penalty, effective June 29, 2007 and recognized a gain on the sale of this facility of \$32.6 million. No accounting gain was reported on the disposition of the AU assets sold to Cargill and JRI as the value of these assets had been written up to fair value at the purchase date based on the purchase method of accounting described above.

As noted in the table below, integration of the two companies is well underway with the new operational model, financing (see Section 6) and management decisions already in place. To that end, the Company commenced its re-branding campaign and with the launch of Viterra, the new operating name on August 30, 2007, marketing activities are now being aligned to fit with the revised operating model and vision of the combined entity.

<b>Restructuring &amp; Integration Plan - Key Milestones</b>					
<b>Objective</b>	<b>Fiscal 2007 Target</b>	<b>Achieved</b>	<b>Objective</b>	<b>Fiscal 2008 Target</b>	<b>Achieved</b>
Appoint senior executive and management team	Q4 2007	✓	Complete Agri-Products system conversion	Q1 2008	
Develop Operating Model for the Company	Q4 2007	✓	Harmonize advertising and marketing programs	Q1 2008	
Refine Synergy analysis and targets	Q4 2007	✓	Complete plan for Agri-Products retail footprint and harmonize pricing and product line decisions	Q1 2008	
Complete divestiture of assets to JRI/Cargill	Q4 2007	✓	Complete accounting and finance system conversion	Q2 2008	
Complete re-financing of Bridge Facility <sup>1</sup>	Q4 2007	✓	Review of pension and benefits for the combined company and recommendations thereon	Q2 2008	
Develop detailed implementation plans	Q4 2007	✓	Implement HR & payroll system conversion	Q2 2008	
Re-branding and launch of new name	Q5 2007	✓	Complete Grain system conversion	Q3 2008	
Develop and implement new human resource policy policies and procedures	Q5 2007		Finalize Grain end-state network	Q3 2008	
Complete legal amalgamation of the Company with AU	Q5 2007				

<sup>1</sup> Bridge facility only partially refinanced to date, with the remaining balance of \$241 million to be refinanced with Long-term debt.

Shareholders should benefit from estimated gross synergies of approximately \$92 million, with the full annualized benefit to be delivered in fiscal 2009. These synergies will primarily be generated through efficiency measurements over the next 12 to 18 months and detailed implementation plans have been finalized to achieve these targeted synergies. With these implementation plans, the Company has revised its breakdown of gross synergy targets between its main business segments, with about \$54 million to be achieved in the Grain Handling and Marketing segment, \$14 million through the Agri-products segment and the remaining \$24 million to be realized in the Corporate segment.

Integration costs expensed for the year-to-date were \$9.0 million. These costs relate primarily to severance, consulting and advisory fees and other integration costs incurred directly by the Company. Integration costs, including severance, termination fees, and debt repayment penalties incurred by or related to AU have been accrued on the balance sheet as part of the acquisition price of the AU shares in accordance with the purchase method of accounting noted above, with a corresponding increase in goodwill and intangibles. On a pre-tax basis, estimated total integration costs for both entities are about \$265 million, of which about \$173 million has already been expended, with an additional \$54 million accrued in the latest quarter. These costs will be financed with the divestiture proceeds of \$70 million received from Cargill and from cash flow from operations.

## **9. NON-GAAP FINANCIAL MEASURES**

EBITDA (earnings from continuing operations before interest, taxes, depreciation and amortization, integration costs, gains or losses on asset disposals, and pension settlement provisions) and EBIT (earnings from continuing operations before interest, taxes, integration costs, gains or losses on asset disposals, and pension settlement provisions) are non-GAAP measures. Those items excluded in the determination of EBITDA and EBIT represent items that are non-cash in nature, income taxes, financing charges or are otherwise not considered to be in the ordinary course of business. These measures are intended to provide further insight with respect to Viterra's financial results and to supplement its information on earnings (losses) as determined in accordance with GAAP.

EBITDA is used by management to assess the cash generated by continuing operations and EBIT is a measure of earnings from continuing operations prior to financing costs and taxes. Both measures also provide important management information concerning business segment performance since the Company does not allocate financing charges, income taxes or other excluded items to these individual segments.

Funded debt is provided to assist investors and is used by management in assessing the Company's liquidity position and to monitor how much debt the Company has after taking into account its liquid assets such as cash and cash equivalents. Such measures should not be used in isolation of or as a substitute for current liabilities, short-term debt, or long-term debt as a measure of the Company's indebtedness.

Cash flow prior to working capital changes is the cash from or used in operating activities excluding non-cash working capital changes and cash from discontinued operations. Viterro uses cash flow prior to working capital changes as a financial measure for the evaluation of liquidity. Management believes that excluding the seasonal swings of non-cash working capital and the extraordinary nature of discontinued operations assists management's evaluation of long-term liquidity.

Free cash flow is cash flow prior to working capital changes less capital expenditures, net of proceeds. Free cash flow is used by management to assess liquidity and financial strength. This measurement is also useful as an indicator of the Company's ability to service its debt, meet other payment obligations and make strategic investments. Readers should be aware that free cash flow does not represent residual cash flow available for discretionary expenditures.

These non-GAAP measures should not be considered in isolation from or as a substitute for GAAP measures such as (i) net earnings (loss), as an indicator of the Company's profitability and operating performance or (ii) cash flow from or used in continuing operations, as a measure of the Company's ability to generate cash. Such measures do not have any standardized meanings prescribed by Canadian generally accepted accounting principles (GAAP) and are therefore unlikely to be comparable to similar measures presented by other corporations.

Reconciliations of each of these terms are provided in the table below.

	Twelve Months		Better (Worse)
	2007	2006	
	(Unaudited)	(Audited)	
Gross profit and net revenues from services	\$ 459,800	\$ 260,155	\$ 199,645
Operating, general and administrative expenses	(257,789)	(182,270)	(75,519)
<b>EBITDA</b>	<b>\$ 202,011</b>	<b>\$ 77,885</b>	<b>\$ 124,126</b>
Depreciation and amortization	(38,110)	(27,727)	(10,383)
<b>EBIT</b>	<b>\$ 163,901</b>	<b>\$ 50,158</b>	<b>\$ 113,743</b>
Net earnings	\$ 107,997	\$ (6,844)	\$ 114,841
Depreciation and amortization	38,110	27,727	10,383
Non-cash financing expenses	1,964	11,761	(9,797)
Provision for pension settlement	5,000	15,000	(10,000)
Post employment benefit	738	(3,334)	4,072
Future income tax provision	47,227	12,595	34,632
Gain on disposal of assets	(32,806)	(3,272)	(29,534)
Other items	1,354	116	1,238
<b>Cash flow prior to working capital changes</b>	<b>\$ 169,584</b>	<b>\$ 53,749</b>	<b>\$ 115,835</b>
Property, plant and equipment expenditures	(119,038)	(29,985)	(89,053)
Proceeds on sale of property, plant and equipment	433,161	3,739	429,422
<b>Free Cash Flow</b>	<b>\$ 483,707</b>	<b>\$ 27,503</b>	<b>\$ 456,204</b>
Current Assets	\$ 1,458,572	\$ 390,418	\$ 1,068,154
Current Liabilities	1,311,177	171,033	1,140,144
<b>Current Ratio (Current Assets/Current Liabilities)</b>	<b>1.11</b>	<b>2.28</b>	<b>(1.17 pt)</b>
Short-term borrowings (Note 6)	\$ 790,610	\$ -	\$ 790,610
Members' demand loans	36,445	18,965	17,480
[A] Long-term debt due within one year	4,179	8,890	(4,711)
[A] Long-term Debt (Note 7)	109,944	101,917	8,027
[B] Total Debt	\$ 941,178	\$ 129,772	\$ 811,406
Cash and short-term investments	\$ 123,547	109,963	13,584
Bank indebtedness	(18,735)	(13,238)	(5,497)
[C] Cash and cash equivalents	\$ 104,812	\$ 96,725	\$ 8,087
<b>Funded Debt, net of cash and cash equivalents</b>	<b>\$ 836,366</b>	<b>\$ 33,047</b>	<b>\$ 803,319</b>
[D] Total Equity	\$ 1,470,285	\$ 461,430	\$ 1,008,855
[E] Total Debt & Equity [B + D]	\$ 2,411,463	\$ 591,202	\$ 1,820,261
<b>Total Debt to Equity [B]/[E]</b>	<b>39.0%</b>	<b>22.0%</b>	<b>17.0 pt</b>
<b>Long Term Debt to Equity [A]/[E]</b>	<b>4.7%</b>	<b>18.7%</b>	<b>(14.0 pt)</b>

## 10. FORWARD-LOOKING INFORMATION

Certain statements in this Management's Discussion and Analysis are forward-looking statements and reflect Viterra's expectations regarding future results of operations, financial condition and achievements. All statements that address activities, events or developments that Viterra or its management expects or anticipates will or may occur in the future, including such things as growth of its business and operations, competitive strengths, strategic initiatives, planned capital expenditures, plans and references to future operations and results, critical accounting estimates and expectations regarding future capital resources and liquidity of the Company and such matters, are forward-looking statements. In addition, the words "believes", "intends", "anticipates", "expects", "estimates", "plans", "likely", "will", "may", "could", "should", "would", "outlook", "forecast", "objective", "continue" (or the negative thereof) and words of similar import may indicate forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements of Viterra to be materially

different from any future results, performance and achievements expressed or implied by those forward-looking statements. A number of factors could cause actual results to differ materially from expectations including, but not limited to, those factors discussed under the heading "Risk Factors" in Saskatchewan Wheat Pool's 2006 Annual Information Form and in Saskatchewan Wheat Pool's 2006 Annual Report under the heading "Risk Management" in the Management's Discussion and Analysis; integration risk associated with the merger of Saskatchewan Wheat Pool and Agricore United; weather conditions; crop production and crop quality in Western Canada; world agricultural commodity prices and markets; producers' decisions regarding total seeded acreage, crop selection, and utilization levels of farm inputs such as fertilizers and pesticides; Viterra's dependence on key personnel; any labour disruptions; the Company's financial leverage and funding requirements; continued availability of credit facilities; credit risk in respect of customers of Viterra; foreign exchange risk and counter party risks in connection with foreign exchange and commodity hedging programs; changes in the grain handling and agri-products competitive environments, including pricing pressures; Canadian grain export levels; changes in government policy and transportation deregulation; international trade matters; and global political and economic conditions, including grain subsidy actions and tariffs of the United States and the European Union; disease and other livestock industry risks, competitive developments in connection with Viterra's grain handling, agri-products, agri-food processing, livestock and other operations; and environmental risks and unanticipated expenditures relating to environmental or other matters.

All of the forward-looking statements in the Management's Discussion and Analysis are qualified by these cautionary statements and the other cautionary statements and factors contained herein and there can be no assurance that the developments or results anticipated by Viterra and its management will be realized or, even if substantially realized, that they will have the expected consequences for, or effects on, the Company. Although Viterra believes the assumptions inherent in forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document. In addition to other assumptions identified, assumptions have been made regarding, among other things: western Canadian crop production and quality for the 2007 and subsequent crop years; the volume and quality of grain held on farm by producer customers; movement and sales of Board grains by the Canadian Wheat Board; demand for and supply of non-Board grains; the ability to maintain existing customer contracts and relationships; agricultural commodity prices; natural gas prices; general financial conditions for western Canadian agricultural producers; demand for seed grain, fertilizer, chemicals and other Agri-products by Viterra's customers; market share of grain deliveries and Agri-products sales that will be achieved by Viterra; ability of the railways to ship grain to port facilities for export without labour or other service disruptions; extent of customer defaults in connection with credit provided by Viterra, its subsidiaries or Farm Credit Canada in connection with Agri-products purchases; demand for oat and malt barley products and market share of sales of these products that will be achieved by Viterra's subsidiaries; the cyclical nature of hog prices; the impact of competition; environmental and reclamation costs; the ability to obtain and maintain existing financing on acceptable terms; and currency, exchange and interest rates. Viterra disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as otherwise required by applicable law.

## **11. ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Management's Discussion and Analysis relating to the fourth quarter ended July 31, 2007, should be read in conjunction with Saskatchewan Wheat Pool's Management's Discussion and Analysis for its year ended July 31, 2006, which is included at pages 30 to 68 of Saskatchewan Wheat Pool's 2006 Annual Report. Additional information relating to

Viterra, including the most recent Annual Information Form filed by Saskatchewan Wheat Pool, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and Viterra's website [www.viterra.ca](http://www.viterra.ca).



Mayo Schmidt  
President and Chief Executive Officer

September 6, 2007



David Carefoot  
Chief Financial Officer

Viterra  
2625 Victoria Avenue  
Regina, Saskatchewan S4T 7T9  
<http://www.viterra.ca>



## CONSOLIDATED BALANCE SHEETS

(in thousands)

AS AT	July 31, 2007 (unaudited)	July 31, 2006 (audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 50,871	\$ 5,071
Cash in trust	635	508
Short-term investments	72,676	104,892
Accounts receivable (Note 5)	646,046	123,176
Inventories	592,525	142,925
Prepaid expenses and deposits	31,389	13,074
Future income taxes	64,430	772
	1,458,572	390,418
<b>Investments</b>	24,807	4,904
<b>Property, Plant and Equipment</b>	812,578	255,552
<b>Other Long-Term Assets</b>	56,148	20,605
<b>Goodwill and Intangible Assets (Note 4)</b>	586,014	-
<b>Future Income Taxes</b>	85,257	102,551
	\$ 3,023,376	\$ 774,030
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Bank indebtedness	\$ 18,735	\$ 13,238
Short-term borrowings (Note 6)	790,610	-
Members' demand loans	36,445	18,965
Accounts payable and accrued liabilities	461,208	129,940
Long-term debt due within one year	4,179	8,890
	1,311,177	171,033
<b>Long-Term Debt (Note 7)</b>	109,944	101,917
<b>Other Long-Term Liabilities (Note 9)</b>	62,582	37,616
<b>Future Income Taxes</b>	69,388	2,034
	1,553,091	312,600
<b>Shareholders' Equity</b>		
Share capital (Note 8)	1,422,843	502,760
Contributed surplus	323	308
Retained earnings (deficit)	47,062	(41,638)
Currency translation	57	-
	1,470,285	461,430
	\$ 3,023,376	\$ 774,030

Commitments, contingencies and guarantees (Note 12)



**CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (DEFICIT)**  
(in thousands)

<b>FOR THE PERIOD ENDED</b>	<b>Three Months Ended July 31, 2007</b>	<b>Three Months Ended July 31, 2006</b>	<b>Twelve Months Ended July 31, 2007</b>	<b>Twelve Months Ended July 31, 2006</b>
	(unaudited)	(unaudited)	(unaudited)	(audited)
Sales and other operating revenues	\$ 1,400,183	\$ 601,085	\$ 2,589,908	\$ 1,575,656
Cost of sales	(1,129,702)	(502,480)	(2,130,108)	(1,315,501)
Gross profit and net revenues from services	270,481	98,605	459,800	260,155
Operating, general and administrative expenses	(120,821)	(45,720)	(257,789)	(182,270)
	149,660	52,885	202,011	77,885
Depreciation and amortization	(15,763)	(7,073)	(38,110)	(27,727)
	133,897	45,812	163,901	50,158
Gain on disposal of assets	32,609	677	32,806	3,272
Integration expenses (Note 4)	(8,234)	-	(8,952)	-
Provision for pension settlement (Note 9b)	-	(15,000)	(5,000)	(15,000)
Financing expenses (Note 10)	(14,813)	(2,434)	(22,027)	(30,953)
	143,459	29,055	160,728	7,477
Provision for corporate taxes				
Current	(5,427)	(833)	(5,504)	(1,726)
Future	(42,019)	(14,811)	(47,227)	(12,595)
Earnings (loss) from continuing operations	96,013	13,411	107,997	(6,844)
Net recovery from discontinued operations	-	81	-	7,375
Net earnings	96,013	13,492	107,997	531
Retained earnings (deficit), beginning of period	(23,794)	(65,756)	(41,638)	(58,487)
Future income taxes - adjustment to valuation allowance	-	10,808	5,860	17,999
Future income taxes - share costs	12,108	19	12,108	830
Share costs (Note 8a)	(37,265)	(201)	(37,265)	(2,511)
Retained earnings (deficit), end of period	\$ 47,062	\$ (41,638)	\$ 47,062	\$ (41,638)
Basic and diluted earnings (loss) per share (Note 3)				
From continuing operations	\$ 0.57	\$ 0.15	\$ 0.98	\$ (0.08)
Net earnings	\$ 0.57	\$ 0.15	\$ 0.98	\$ 0.01



**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

<b>FOR THE PERIOD ENDED</b>	<b>Three Months Ended July 31, 2007</b>	<b>Three Months Ended July 31, 2006</b>	<b>Twelve Months Ended July 31, 2007</b>	<b>Twelve Months Ended July 31, 2006</b>
	(unaudited)	(unaudited)	(unaudited)	(audited)
<b>Cash From (Used in) Operating Activities</b>				
Earnings (loss) from continuing operations	\$ 96,013	\$ 13,411	\$ 107,997	\$ (6,844)
Adjustments for items not involving cash and/or continuing operations				
Depreciation and amortization	15,763	7,073	38,110	27,727
Future income tax provision	42,019	14,811	47,227	12,595
Provision for pension settlement (Note 9b)	-	15,000	5,000	15,000
Post employment benefits (Notes 9a and c)	53	(4,734)	738	(3,334)
Non-cash financing expenses (Note 10)	491	491	1,964	11,761
Gain on disposal of assets	(32,609)	(677)	(32,806)	(3,272)
Other items	626	(877)	1,354	116
Adjustments for items not involving cash and/or continuing operations	26,343	31,087	61,587	60,593
	122,356	44,498	169,584	53,749
Changes in non-cash working capital items				
Accounts receivable	(170,885)	(16,548)	(211,914)	15
Inventories	249,859	129,144	98,865	(25,509)
Accounts payable and accrued liabilities	(442,866)	(131,390)	(274,339)	(2,429)
Prepaid expenses and deposits	62,492	50,231	8,955	7,663
Changes in non-cash working capital - continuing operations	(301,400)	31,437	(378,433)	(20,260)
Cash from (used in) operating activities - continuing operations	(179,044)	75,935	(208,849)	33,489
Cash from discontinued operations	-	8,554	-	17,509
Cash from (used in) operating activities	(179,044)	84,489	(208,849)	50,998
<b>Cash From (Used in) Financing Activities</b>				
Proceeds from long-term debt	-	-	-	100,000
Repayment of long-term debt	(366,901)	(151,308)	(371,684)	(153,653)
Proceeds from (repayment of) short-term borrowings	706,414	-	730,111	(392)
Repayment of other long-term liabilities, net	(988)	(733)	(1,274)	(972)
Repayment of members' demand loans	(2,606)	(1,345)	(2,869)	(2,511)
Increase in share capital	920,083	13,025	920,083	63,275
Equity cost	(37,265)	(361)	(37,291)	(3,070)
Debt refinancing cost	(1,963)	(224)	(1,989)	(2,808)
Cash from (used in) financing activities	1,216,774	(140,946)	1,235,087	(131)
<b>Cash From (Used in) Investing Activities</b>				
Property, plant and equipment expenditures	(92,618)	(17,885)	(119,038)	(29,985)
Proceeds on sale of property, plant and equipment	432,935	775	433,161	3,739
Business acquisitions (Note 4)	(1,315,676)	-	(1,331,520)	-
Decrease (increase) in cash in trust	(357)	116	(127)	263
Decrease in investments	119	506	306	363
Decrease (increase) in other long-term assets	789	(107)	(933)	(1,800)
Cash used in investing activities	(974,808)	(16,595)	(1,018,151)	(27,420)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	62,922	(73,052)	8,087	23,447
<b>Cash and Cash Equivalents, Beginning of Period</b>	41,890	169,777	96,725	73,278
<b>Cash and Cash Equivalents, End of Period</b>	\$ 104,812	\$ 96,725	\$ 104,812	\$ 96,725
Cash and cash equivalents consist of:				
Cash	\$ 50,871	\$ 5,071	\$ 50,871	\$ 5,071
Short-term investments	72,676	104,892	72,676	104,892
Bank indebtedness	(18,735)	(13,238)	(18,735)	(13,238)
	\$ 104,812	\$ 96,725	\$ 104,812	\$ 96,725
Supplemental disclosure of cash paid during the period from continuing operations:				
Interest paid	\$ (12,461)	\$ (4,645)	\$ (24,320)	\$ (19,538)
Income taxes recovered (paid), net	\$ (3,488)	\$ 273	\$ (3,368)	\$ (1,676)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2007 (unaudited) - in thousands of Canadian dollars, except as noted

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### 1. NATURE OF BUSINESS

Saskatchewan Wheat Pool Inc., doing business as Viterra, (the “Company”) is a publicly traded, vertically integrated Canadian agri-business. Business operations include five reporting segments: Grain Handling and Marketing, Agri-products, Agri-food Processing, Livestock Services and Financial Products.

On July 30, 2007, the Company announced a change in year-end from July 31 to October 31, commencing with the 2007 fiscal year. Accordingly, the Company will have a 15 month fiscal year ending October 31, 2007 and a 12 month fiscal year ending October 31, 2008.

The Grain Handling and Marketing segment includes 104 high throughput terminals and thirteen specialty crop cleaning and handling facilities strategically located in the prime agricultural growing regions of Western Canada, and two specialty crop cleaning and handling facilities in the United States of America (“U.S.”). This segment also includes six wholly-owned port terminal facilities located in Vancouver, British Columbia and Thunder Bay, Ontario, and an ownership interest in an export facility in Prince Rupert, British Columbia. Activity in this segment consists of the collection of grain through the Company’s primary elevator system, shipping to inland or port terminals, cleaning of grain to meet regulatory specifications, and sales to domestic or export markets. Earnings in the Grain Handling and Marketing segment are volume driven and are derived primarily from tariffs charged to producers for elevation and cleaning of Canadian Wheat Board (“CWB”) grains and from the sales of non-Board grains. Revenue is also derived through grain handling, blending, drying, storage and other ancillary services, as well as the sale of by-products.

The Agri-products segment includes an ownership interest in a fertilizer manufacturer, ownership of a fertilizer distributor and a retail network of 276 locations throughout Western Canada. Agri-products sales lines include fertilizer, crop protection products, seed and seed treatments, and equipment.

The Agri-food Processing segment includes the manufacture and marketing of value-added products associated with oats and malt barley for domestic and export markets.

The Livestock Services segment formulates and manufactures feed products at seven feed mills and two pre-mix facilities across Western Canada and at three feed mill locations in Texas and New Mexico in the U.S.

The Financial Products segment acts as an agent for a Canadian Schedule I chartered bank and provides unsecured trade credit to agricultural customers and secured loans to livestock producers.

Weather conditions are the primary risk in the agri-business industry. Grain volumes, grain quality, the volume and mix of crop inputs sold and ultimately, the financial performance of the Company are highly dependent upon weather conditions throughout the crop production cycle.

The Company's earnings follow the seasonal pattern of prairie grain production. Activity peaks in the spring as new crops are sown and in the fall as mature crops are harvested. The volume of grain shipments are relatively stable through the quarters, but can be influenced by destination customer demand, the CWB export program, and producers' marketing decisions. Sales of the Company's Agri-products peak in May through July, corresponding with the growing season, supplemented by additional crop nutrient sales in the late fall. Although relatively steady throughout the year, sales in the Livestock Services segment tend to peak during the winter months as feed consumption increases. In the Agri-food processing business, earnings are more fluid with continuous demand for products throughout each quarter. Financial Products agency fees follow the related pattern of sales of the underlying activity in the Agri-products and Livestock Services segments.

## **2. ACCOUNTING POLICIES**

The unaudited interim consolidated financial statements ("interim financial statements") include the accounts of Saskatchewan Wheat Pool Inc., its subsidiaries and affiliated companies and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The interim financial statements are based upon accounting policies consistent with those used and described in the annual financial statements, except for foreign currency translation and goodwill and intangible assets as the Company did not have foreign subsidiaries or goodwill and intangible assets at July 31, 2006. These interim financial statements do not include disclosures normally provided in annual financial statements and should be read in conjunction with the Company's fiscal 2006 Annual Report.

### **a) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Management believes that the estimates are reasonable, however, actual results could differ as confirming events occur.

### **b) Principles of Consolidation**

The interim financial statements include the accounts of the Company, its subsidiaries and its proportionate share of the accounts of its joint ventures. The Company's interest in its joint ventures is recognized using the proportionate consolidation method at rates that approximate either the Company's ownership interest in, or the volume of business with, the respective joint venture.



<b>Subsidiaries</b>	<b>Ownership Interest</b>
Agricore United ("AU") and its wholly-owned subsidiaries	100%
XCAN Far East Ltd. ("XCAN") <sup>(1)</sup>	
Agricore United Holdings Inc. <sup>(2)</sup> , and its wholly-owned subsidiaries	
Demeter (1993) Inc. ("Demeter") <sup>(2)</sup>	
Unifeed Hi-Pro Inc. <sup>(2)</sup>	
Unifeed Inc. <sup>(2)</sup>	
Pacific Elevator Limited	
Western Pool Terminals Ltd.	
Canadian Pool Agencies Ltd. <sup>(3)</sup>	100%
Can-Oat Milling	100%
Cascadia Terminal Partnership <sup>(4)</sup>	100%
Pool Insurance Company <sup>(3)</sup>	100%
Western Co-operative Fertilizers Limited ("Westco") <sup>(3)</sup>	100%

<b>Joint Ventures</b>	<b>Ownership Interest</b>
Alberta Industrial Mustard Company Limited	50%
CMI Terminal Joint Venture	50%
Gardiner Dam Terminal Joint Venture	50%
Prairie Malt Limited	42.4%

(1) A Japanese Corporation

(2) A U.S. Corporation

(3) Prior to May 29 the Company owned the following Joint Venture interest in these companies:

-Canadian Pool Agencies Ltd. – 33%

-Pool Insurance Company – 50%

-Western Co-operative Fertilizers Limited – 43%

(4) AU owns 50% of this partnership and the remainder was purchased by the Company in June 2007

**c) Foreign Currency Translation**

The Company's wholly-owned U.S. subsidiaries represent self-sustaining operations, and the respective accounts have been translated into Canadian dollars using the current rate method. Monetary and non-monetary assets and liabilities are translated at the period-end exchange rate while revenues and expenses are translated at the rate of exchange prevailing at the transaction date. Exchange gains and losses arising from the translation of the financial statements are deferred and included in a currency translation account within shareholders' equity.

The Company's other foreign wholly-owned subsidiary represents an integrated operation, and the respective accounts have been translated into Canadian dollars using the temporal method. Monetary assets and liabilities are translated at the period-end exchange rate while non-monetary assets, liabilities, revenues and expenses are translated at the rate of exchange prevailing at the transaction date. Exchange gains and losses arising from the translation of the financial statements are reflected in earnings during the period in which they occur.

**d) Goodwill and Intangible Assets**

Goodwill represents the excess of the purchase price over the fair values assigned to identifiable net assets acquired. The Company will assess annually whether



there has been an impairment in the carrying value of goodwill and intangible assets based on the fair value of the related business operations. Should the carrying amount of the goodwill and the intangible assets exceed fair values, an impairment loss would be recognized at that time.

### 3. EARNINGS PER SHARE

	Three Months Ended July 31		Twelve Months Ended July 31	
	2007	2006	2007	2006
Net earnings	\$ 96,013	\$13,492	\$107,997	\$ 531
Less: Net earnings (loss) from continuing operations	96,013	13,411	107,997	(6,844)
Net recovery from discontinued operations	\$ -	\$ 81	\$ -	\$ 7,375
<hr/>				
Denominator for basic earnings per share amounts:				
Weighted average number of shares outstanding	169,489	89,969	110,223	84,343
Basic earnings (loss) per share:				
Continuing operations	\$ 0.57	\$ 0.15	\$ 0.98	\$ (0.08)
Discontinued operations	\$ -	\$ -	\$ -	\$ 0.09
Net earnings per share	\$ 0.57	\$ 0.15	\$ 0.98	\$ 0.01
<hr/>				
Denominator for diluted earnings per share amounts:				
Weighted average number of shares outstanding	169,493	89,969	110,226	84,343
Diluted earnings (loss) per share:				
Continuing operations	\$ 0.57	\$ 0.15	\$ 0.98	\$ (0.08)
Discontinued operations	\$ -	\$ -	\$ -	\$ 0.09
Net earnings per share	\$ 0.57	\$ 0.15	\$ 0.98	\$ 0.01

Diluted earnings per share is calculated based on the weighted average number of shares issued and outstanding during the period. The denominator is (1) increased by the total of the additional common shares that would have been issued assuming exercise of all stock options with exercise prices at or below the average market price of shares for the period; and (2) decreased by the number of shares that the Company could have repurchased if it had used the assumed proceeds from the exercise of stock options to repurchase them on the open market at the average share price for the period.

For periods in which there was a loss applicable to common shares, stock options with exercise prices at or below the average market price for the year were excluded from the calculation of diluted net earnings per share, as inclusion of these securities would have been anti-dilutive to the net earnings per share.



#### 4. BUSINESS ACQUISITION

On May 29, 2007, the Company acquired effective control of AU, a Canadian agri-business. On June 15, 2007, the Company acquired all of the remaining Limited Voting Common Shares under a court approved Plan of Arrangement and AU became a wholly-owned subsidiary of the Company. The results of the operations of AU are included in the Company's consolidated financial statements commencing May 29, 2007.

The total purchase price of \$1,272.1 million consists of \$1,233.9 million paid for the AU common shares, \$27.1 million for the AU preferred shares (comprised of \$14.6 million paid by the Company and \$12.5 million redeemed by AU, including accrued dividends) and transaction costs paid by the Company. The total purchase price was financed by the Company issuing 113,905,586 common shares for proceeds of \$882.8 million, net of share issue costs of \$37.3 million (Note 8), borrowings of \$330 million under a Bridge Credit Facility (Note 6) and the remainder by cash or cash equivalents and other short-term borrowings.

The acquisition has been accounted for using the purchase method, whereby the purchase consideration was allocated to the estimated fair values of the assets acquired and liabilities assumed at the effective date of the purchase. The following table summarizes the preliminary fair value of assets acquired and liabilities assumed:

Net assets acquired:	
Current assets	\$ 926,472
Property, plant and equipment	843,289
Goodwill and intangible assets	586,014
Other long-term assets	55,400
Future income tax assets, net	42,485
Current liabilities	(778,971)
Term debt (all current)	(375,730)
Other long-term liabilities	(26,877)
Total purchase price	1,272,082
Less: Bank indebtedness (cash) acquired, net <sup>1</sup>	59,438
Cash consideration, including bank indebtedness assumed	\$ 1,331,520

<sup>1</sup> Cash is comprised of cash and short-term investments less bank indebtedness.

Acquisition costs incurred or accrued in the above purchase price allocation are comprised of \$62.5 million of employee related costs (primarily relocation and severance), professional fees of \$36.1 million, change in control expenses related to the repayment of AU debt of \$41 million, a break-fee paid to James Richardson International ("JRI") of \$35 million and \$11.9 million of other related costs, offset by \$6.2 million in interest on subscription receipts funds held in escrow. Of these amounts, \$54 million remained outstanding and unpaid at July 31, 2007 and are included in the current liabilities in the table above.



For the period ended July 31, 2007 the Company had expensed \$9 million of incremental non-recurring costs related to its own costs arising from the integration of AU and the consolidation of operations. The Company's plan for the integration of AU and the consolidation of operations consists of further costs, of either a capital or operating nature, related to re-financing activities, employees, information technology hardware and software, signage and branding and other integration related activities. The Company plans to complete the integration of AU and the consolidation of operations over the next 12 to 18 months.

As a result of the acquisition, the Company reinstated \$25.2 million of its own pre-existing future income tax assets that had previously been subject to a valuation allowance and recognized \$8.7 million of capital losses that had previously not been recognized. This amount has been included in net future income tax assets in the preliminary purchase price allocation offset by a reduction in goodwill.

AU, its subsidiaries and other entities in which it owns an interest, are parties to various financing and operating contracts, some of which may provide a right of termination or other remedy in favour of third parties upon occurrence of a change of control. Due to the extent of such arrangements and the uncertainty whether these provisions will be exercised, the occurrence of the confirming events is not determinable.

As the acquisition has recently been completed, the preliminary purchase price allocation between goodwill and intangible assets, property, plant and equipment, other long-term assets, current liabilities, other long-term liabilities and net future income tax assets will be finalized in a subsequent period.

The value of AU's interest in the Cascadia Terminal Partnership was adjusted to fair value based on the market value of the acquisition by the Company of the remaining 50% from Cargill. The remaining retained assets were largely valued based on AU's carrying value, pending the results of valuation studies which are expected to be finalized in a subsequent period.

#### **ASSET DISPOSITIONS**

Concurrent with the acquisition of AU, the Company entered into an agreement to sell its Vancouver port terminal to Cargill Limited ("Cargill") and acquired Cargill's 50% interest in the Cascadia Terminal Partnership, resulting in a gain on disposal of assets of \$32.6 million. The Company also sold certain assets acquired from AU to Cargill and JRI for proceeds of \$70 million and \$255 million, respectively, plus amounts related to working capital and other closing adjustments. The proceeds of disposition on the asset sale to JRI were used to reduce the Company's Bridge Credit Facility (Note 13) and the proceeds of disposition on the asset sale to Cargill, as well as the working capital and other closing adjustments related to both the Cargill and JRI asset dispositions, were used to reduce other short-term borrowings. With the sale of its Vancouver port terminal, the Company dissolved Pacific Gateway Terminals Limited, a joint venture with JRI, without penalty effective June 29, 2007.



## 5. ACCOUNTS RECEIVABLE

### SUBSIDIARY SECURITIZATION AGREEMENT

Under a securitization agreement with an independent trust, a wholly-owned subsidiary of the Company can sell on an unlimited basis an undivided co-ownership interest in its right to receive reimbursements of amounts advanced to producers arising from the delivery of grains that are held in accordance with the grain handling contract between AU and the CWB. AU receives proceeds equal to the fair value of the assets sold and retains rights to future cash flows arising from future performance of grain handling on behalf of the CWB after the investors in the trust have received the return for which they contracted. The trust has limited recourse to AU's future grain handling receipts and no recourse to AU's other assets. AU is responsible for fulfilling its obligations under the grain handling agreement entered into with the CWB and retains servicing responsibilities in respect of CWB grain.

At July 31, 2007, grain held for the account of the CWB by AU is reported net of securitized amounts of \$37.9 million. The table below summarizes certain cash flows related to the transfer of receivables during the period:

Proceeds from new securitizations	\$ 40,000
Proceeds from collections reinvested (not reinvested)	(2,140)
Securitized amount	\$ 37,860

The net cost of these transactions is included in Financing expenses in the Consolidated Statements of Earnings and Retained Earnings (Deficit).

The securitization agreement with an independent trust was terminated on August 10, 2007 (Note 13).

## 6. SHORT-TERM BORROWINGS

### BRIDGE FACILITY

On May 28, 2007, the Company entered into a \$750 million non-revolving Bridge Credit Facility ("Bridge Facility"), with a syndicate of financial institutions expiring May 27, 2008 and bearing interest at prime plus 1.5% increasing to 1.75% after November 24, 2007 and 2.25% after February 22, 2008. The Bridge Facility is secured by a first charge on property, plant and equipment and a second charge on accounts receivable and inventory. The Company drew \$330 million to fund the balance of the acquisition price for AU shares and \$362 million to fund the repayment of outstanding long-term debt held by AU inclusive of pre-payment penalties (Note 7). As at July 31, 2007, \$692 million remained outstanding.

### Subsidiary Short-Term Borrowings

AU's \$525 million revolving Facility bearing interest at interest rates between prime and prime plus 0.9% with a syndicate of banks was replaced on August 10, 2007 with a revolving Credit Facility (Note 13b).



The Company's wholly-owned Japanese subsidiary, XCAN, increased its U.S. \$15 million revolving credit facility to U.S. \$16 million on June 21, 2007. This facility bears interest at 0.75% per annum over London Interbank Offered Rate and matures on February 29, 2008. The revolving credit facility is secured by a stand-by Letter of Credit and a guarantee from the Company (Note 12). In addition, this subsidiary has a Japanese Yen ("JPY") 2 billion credit facility, secured by a guarantee from the Company (Note 12), and a JPY 100 million credit facility, both at local short-term market rates with no fixed expiry date.

The Company's wholly-owned U.S. subsidiary, Demeter, has a U.S. \$8.5 million revolving credit facility renewable annually until April 30, 2011 and bearing interest at U.S. prime, secured by a guarantee from the Company (Note 12).

## **7. LONG-TERM DEBT**

On June 29, 2007, the Company paid \$362 million to settle substantially all of the outstanding long-term debt held by AU inclusive of pre-payment penalties of \$33.6 million. The pre-payment penalties are related to AU change in control provisions and have been included in the preliminary purchase price allocation as an adjustment to the fair value of the long-term debt and a corresponding increase in goodwill.

### **Series 2006-1 Notes**

The Company has certain optional redemption rights with respect to the Series 2006-1 Notes issued April 6, 2006, bearing interest at 8% and due April 8, 2013. Prior to April 8, 2009, the Company may redeem up to 35% of the aggregate principal amount of the Series 2006-1 Notes at a redemption price of 108% of their principal amount, plus accrued and unpaid interest, to the redemption date, with the net proceeds received by the Company from one or more public equity offerings. Prior to April 8, 2009, the Company may redeem all or part of the Series 2006-1 Notes at a redemption price equal to 100% of the principal amount thereof, plus the Applicable Redemption Premium (as defined in the first supplemental trust indenture between the Company and CIBC Mellon Trust Company dated March 30, 2006) and accrued and unpaid interest to the redemption date. On or after April 8, 2009 and prior to maturity, the Company may redeem all or part of the Series 2006-1 Notes at the following redemption prices (expressed as percentages of the principal amount at maturity), plus accrued and unpaid interest to the redemption date, if redeemed during the 12-month period commencing April 8 in the applicable year: 2009 at 104%, 2010 at 102%, 2011 at 101% and 2012 at 100%. The unsecured Series 2006-1 Notes rank *pari passu* with the Bridge Facility (Note 6), which includes a first charge on the Company's property, plant and equipment.

### **Subsidiary and Joint Venture Long-term Debt**

The Company's wholly-owned U.S. subsidiary, Demeter, has a U.S. \$2.5 million term facility at a floating rate of U.S. prime plus 0.5% per annum repayable in monthly installments of U.S. \$30,000, with the balance due on maturity at April 30, 2011 secured by a guarantee from the Company (Note 12).

Long-term debt of \$3.5 million held by joint ventures is repayable within five years.



## 8. SHARE CAPITAL

- a) **Common Voting Shares**  
 Authorized  
 Unlimited Common Voting Shares

The following table summarizes the Common Voting Shares for the twelve-month periods ended July 31, 2007 and July 31, 2006.

	<b>Common Voting Shares</b>	
	<b>Number<sup>1</sup></b>	<b>Amount</b>
Balance, July 31, 2005	81,834,137	\$ 439,485
Share issuance	8,416,627	63,275
Balance, July 31, 2006	90,250,764	502,760
Share issuance	113,905,586	920,083
Balance, July 31, 2007	204,156,350	\$1,422,843

<sup>1</sup>Number of shares are not shown in thousands

### Issuance

The acquisition of the Limited Voting Common Shares of AU (Note 4) was substantially funded by net proceeds from four subscription receipt offerings, comprised of three public market bought deals and a private placement, generating gross proceeds of \$920.1 million. The following table summarizes the subscription receipt offerings and proceeds:

<b>Subscription Receipt</b>	<b>Close Date</b>	<b>Number of Receipts<sup>1</sup></b>	<b>Gross Proceeds</b>	<b>Underwriter Fees &amp; Other Costs</b>	<b>Net Proceeds</b>
Private Placement	February 15, 2007	15,753,086	\$125,048	\$ (2,697)	\$ 122,351
First Public Offering	February 15, 2007	14,202,500	115,040	(5,572)	109,468
Second Public Offering	April 19, 2007	39,100,000	316,710	(13,597)	303,113
Third Public Offering	May 3, 2007	44,850,000	363,285	(15,399)	347,886
<b>Total</b>		<b>113,905,586</b>	<b>\$920,083</b>	<b>\$ (37,265)</b>	<b>\$ 882,818</b>

<sup>1</sup> Number of receipts are not in thousands.

The 113,905,586 subscription receipts were exchanged into an equivalent number of common shares of the Company upon the take-up by the Company of the AU Limited Voting and Common Shares on May 29, 2007. In accordance with the capital nature of these transactions, underwriter fees and other costs of \$25.2 million, net of taxes, were reflected as a charge to retained earnings in shareholders' equity.

**b) Management Stock Option Plan**

During fiscal 2004, this plan became inactive. Options previously granted under the Management Stock Option Plan were approved by the Board of Directors. To date, 187,475 shares have been allocated to the plan. Under this plan, options are exercisable in increments over a maximum of 10 years beginning on the first anniversary date of the option grant. Options granted under this plan primarily vest at a rate of 25% per year commencing on the first anniversary date of the grant.

The expense related to stock options is based on the fair value of options vested in the period, and is determined by the Black-Scholes option pricing model with the following assumptions: risk free rate 4.4% to 4.85%, dividend yield 0%, a volatility factor of the expected market price of the Company's shares of 100%, and a weighted average expected option life of five years. For the twelve-month periods ended July 31, 2007 and July 31, 2006, a negligible amount was expensed as stock-based compensation related to stock options.

Of the 81,634 outstanding stock options at July 31, 2007, 13% have an exercise price of \$6.50 or less; the remainder have an exercise price at, or greater than, \$31.00. Of the options exercisable at July 31, 2007, 10% have an exercise price of \$6.50 or less; the remainder have an exercise price at, or greater than, \$31.00. At July 31, 2007, the Company's shares closed at \$11.35.

**9. POST EMPLOYMENT BENEFITS**

- a) The Company's net benefit cost related to defined benefit pension plans and retiring allowances for the respective three and twelve-month periods ended July 31, 2007 is \$0.4 million and \$1.1 million (2006 - \$4.7 million recovery and \$3.3 million recovery), excluding the plans of its wholly-owned subsidiary AU.
- b) The Company, not including subsidiaries and affiliates, contributes to three defined contribution plans of which one is a multi-employer plan. The Company's total contribution expense, including the subsidiaries' and proportionate share of joint ventures' defined contribution plans for the respective three and twelve-month periods ended July 31, 2007 is \$0.9 million and \$4.0 million (2006 - \$0.9 million and \$3.8 million).

One of the plans that the Company contributes to is the Saskatchewan Wheat Pool/Grain Services Union Pension Plan, a closed negotiated cost plan that provides defined benefits on the basis of fixed contributions, that are negotiated between the Company and the Grain Services Union (GSU), to approximately 1,400 former employees and 600 active employees. Since the cost is negotiated, the Company accounts for this Plan as a defined contribution plan; however, it must be valued for regulatory purposes as a defined benefit plan. The Plan is administered by a board of trustees (the "Trustees"), three of whom are appointed by the Company and three of whom are appointed by the GSU. The Trustees



have limited powers to amend the Plan without agreement of the GSU and the Company.

On September 22, 2005, the Office of the Superintendent of Financial Institutions (OSFI) expressed concern about the solvency of the Plan and based on its own financial tests ordered that transfers from the Plan made by members exercising portability rights be restricted to 80% of the accrued value of their benefits. The remaining portion would be paid out over the following five-year period, assuming the Plan does not wind-up.

A formal actuarial valuation on the Plan as at December 31, 2005 was filed with OSFI in June 2006. The report indicated a solvency deficiency of \$38.8 million and a going concern surplus of \$7.9 million. Pension regulations require the solvency deficiency as at December 31, 2005 to be addressed over a five-year period through equal quarterly installments plus interest. With a \$38.8 million solvency deficiency, additional contributions (deficiency payments) of approximately \$2.2 million per quarter would be required over a five-year period or until termination of the Plan.

The Plan cannot be wound up or amended to address the solvency issue without the agreement of the Company and the GSU. In written correspondence in March and April 2006, OSFI indicated it was the duty of the GSU and the Company to act in good faith to restore the solvency of the Plan and pointed out that the Pension Benefits Standards Act does not provide for different funding requirements for a closed negotiated cost plan that provides defined benefits, and that accordingly in respect of such plans, OSFI's view is that the employer is responsible for making special and normal cost payments to the pension fund. On October 18, 2006, the Company advised OSFI that the GSU had rejected the Company's final offer to fund 50% of the deficiency up to a maximum of \$20 million.

On October 26, 2006, OSFI notified the Company of its intention to direct the Company to make deficiency payments as they fall due and all overdue payments, subject to receiving written submissions by November 14, 2006. The Company filed its submissions on November 3, 2006, taking the position that it is in compliance with all of its funding obligations in respect of the Plan, that it is not responsible for ongoing deficiency payments, and that in the absence of an agreement with the GSU to amend the Plan to bring it into compliance with the provisions of applicable pension legislation (requiring the Plan to provide for funding in accordance with prescribed tests and standards for solvency), the Plan should be terminated.

On November 20, 2006, after reviewing further submissions from the Company and the GSU, OSFI issued a Direction requiring the Company to make payments of deficiency arrears of \$6.8 million before November 30, 2006 and ongoing quarterly installments relating to the solvency deficiency of approximately \$2.2

million as they fall due thereafter. OSFI and the Company are discussing terms on which OSFI's November 20, 2006 Direction may be stayed pending the outcome of the legal proceedings. The Company is seeking judicial review of the Direction and an order to terminate the Plan in the Federal Court of Canada. The Company's position is that it is in compliance with all of its funding obligations in respect of the Plan, that it is not responsible for deficiency payments while the Plan remains ongoing, and that in the absence of an agreement with the GSU to amend the Plan to bring it into compliance with applicable pension legislation (which requires Plan terms to provide for funding in accordance with prescribed tests and standards for solvency) the Plan should be terminated.

In fiscal 2006, the Company recorded a charge of \$15 million in connection with potential obligations with respect to the Plan. In the second quarter of fiscal 2007, management recorded an additional charge of \$5 million to reflect the Company's best estimate of the minimum cost to the Company of resolving the dispute. While it is uncertain as to the manner in which this matter will be ultimately resolved, in the opinion of management, it is likely that the minimum cost to the Company will be \$20 million. There is a continuing risk that the Company may ultimately be held responsible for an increase in contributions beyond this \$20 million provision.

A formal actuarial report on the Plan as at December 31, 2006 was filed with OSFI in August 2007. The report indicates a solvency deficiency of \$23.3 million and a going concern surplus of \$17.5 million. Based on the December 31, 2006 valuation, the quarterly installment relating to the solvency deficiency would be reduced from \$2.2 million to \$1 million a quarter commencing in 2007 or until the termination of the plan.

- c) The Company's wholly-owned subsidiary, AU, maintains several defined benefit and one defined contribution pension plan for employees and is also a sponsor of a multi-employer defined benefit pension plan. AU accrues the cost of all future benefits in the year in which the employee services are rendered, based on actuarial valuations, with the exception of its foreign wholly-owned subsidiary, XCAN, which determines its obligation based on the amount that would be required to be paid under the plan if all eligible employees and directors voluntarily terminated their employment as of the balance sheet date. The multi-employer defined benefit pension plan is accounted for as a defined contribution plan.

Additionally, AU provides other post-employment benefits, largely in respect of extended health and dental plans and life insurance, to eligible employees upon retirement. As at July 31, 2007, AU has a provision for \$12.1 million related to these other post-employment benefits.



AU's net benefit cost related to defined benefit pension plans and employee future benefits is a \$0.3 million recovery and its contribution expense related to defined contribution plans is \$1.1 million for the period ended July 31, 2007.

## 10. FINANCING EXPENSES

	Three Months Ended July 31		Twelve Months Ended July 31	
	2007	2006	2007	2006
Interest on:				
Long-term debt	\$ 4,630	\$ 2,528	\$ 10,921	\$ 17,170
Short-term debt	5,628	(290)	6,992	332
Bridge financing expenses	4,950	-	4,950	-
Securitization expenses	430	-	430	-
Amortization of deferred financing costs	491	491	1,964	1,690
Interest accretion	-	-	-	1,862
Expenses associated with the redemption of the Senior Subordinated Notes	-	-	-	11,209
CWB carrying charge recovery	(1,316)	(295)	(3,230)	(1,310)
	\$ 14,813	\$ 2,434	\$ 22,027	\$ 30,953

## 11. SEGMENTED INFORMATION

	Three Months Ended July 31		Twelve Months Ended July 31	
	2007	2006	2007	2006
Sales and Other Operating Revenues				
Grain Handling and Marketing	\$ 707,523	\$ 230,715	\$ 1,573,229	\$ 927,580
Agri-products	588,343	340,027	810,613	538,984
Agri-food Processing	44,142	32,164	153,938	122,253
Livestock Services	73,430	-	73,430	-
Financial Products	2,248	-	2,248	-
	1,415,686	602,906	2,613,458	1,588,817
Less: Intersegment Sales	(15,503)	(1,821)	(23,550)	(13,161)
	\$ 1,400,183	\$ 601,085	\$ 2,589,908	\$ 1,575,656

Intersegment Sales				
Grain Handling and Marketing	\$ (15,752)	\$ (1,813)	\$ (23,764)	\$ (12,984)
Agri-food Processing	249	(8)	214	(177)
	\$ (15,503)	\$ (1,821)	(23,550)	\$ (13,161)

Gross Profit and Net Revenues from Services				
Grain Handling and Marketing	\$ 108,342	\$ 45,113	\$ 240,354	\$ 159,022
Agri-products	142,923	48,014	183,227	77,104
Agri-food Processing	6,157	5,478	23,160	24,029
Livestock Services	10,841	-	10,841	-
Financial Products	2,218	-	2,218	-
	\$ 270,481	\$ 98,605	\$ 459,800	\$ 260,155



	Three Months Ended July 31		Twelve Months Ended July 31	
	2007	2006	2007	2006
<b>Operating, General and Administrative Expenses</b>				
Grain Handling and Marketing	\$ (50,603)	\$ (22,030)	\$ (131,120)	\$ (101,813)
Agri-products	(41,842)	(16,909)	(76,284)	(51,358)
Agri-food Processing	(2,901)	(1,394)	(7,885)	(5,691)
Livestock Services	(7,914)	-	(7,914)	-
Financial Products	(1,539)	-	(1,539)	-
Corporate	(16,022)	(5,387)	(33,047)	(23,408)
	<b>\$ (120,821)</b>	<b>\$ (45,720)</b>	<b>\$ (257,789)</b>	<b>\$ (182,270)</b>

<b>EBITDA<sup>(1)</sup></b>				
Grain Handling and Marketing	\$ 57,739	\$ 23,083	\$ 109,234	\$ 57,209
Agri-products	101,081	31,105	106,943	25,746
Agri-food Processing	3,256	4,084	15,275	18,338
Livestock Services	2,927	-	2,927	-
Financial Products	679	-	679	-
Corporate	(16,022)	(5,387)	(33,047)	(23,408)
	<b>\$ 149,660</b>	<b>\$ 52,885</b>	<b>\$ 202,011</b>	<b>\$ 77,885</b>

(1) EBITDA – Earnings from continuing operations before interest, taxes, depreciation and amortization, gain on disposal of assets, integration expenses and provision for pension settlement

<b>Depreciation and Amortization</b>				
Grain Handling and Marketing	\$ (7,294)	\$ (2,936)	\$ (16,914)	\$ (11,579)
Agri-products	(5,218)	(2,870)	(13,556)	(11,017)
Agri-food Processing	(1,557)	(1,267)	(5,946)	(5,131)
Livestock Services	(1,058)	-	(1,058)	-
Financial Products	(100)	-	(100)	-
Corporate	(536)	-	(536)	-
	<b>\$ (15,763)</b>	<b>\$ (7,073)</b>	<b>\$ (38,110)</b>	<b>\$ (27,727)</b>

<b>EBIT<sup>(2)</sup></b>				
Grain Handling and Marketing	\$ 50,445	\$ 20,147	\$ 92,320	\$ 45,630
Agri-products	95,863	28,235	93,387	14,729
Agri-food Processing	1,699	2,817	9,329	13,207
Livestock Services	1,869	-	1,869	-
Financial Products	579	-	579	-
Corporate	(16,558)	(5,387)	(33,583)	(23,408)
	<b>\$ 133,897</b>	<b>\$ 45,812</b>	<b>\$ 163,901</b>	<b>\$ 50,158</b>

(2) EBIT – earnings from continuing operations before interest, taxes, gain on disposal of assets, integration expenses and provision for pension settlement

As the acquisition of AU (Note 4) has recently been completed, segmented information for total assets will be provided at year-end when the purchase price allocation is expected to be completed.

## 12. COMMITMENTS, CONTINGENCIES AND GUARANTEES

### a) Letters of Credit

At July 31, 2007, the Company had outstanding letters of credit and similar instruments of \$95.0 million related to operating an agri-business (July 31, 2006 - \$35.1 million). The terms range in duration and expire at various dates from August 20, 2007 to January 31, 2009. The amounts vary depending on underlying



business activity or the specific agreements in place with the third parties. These instruments effectively reduce the amount of cash that can be drawn on the revolving credit facility.

**b) Loan Loss Provision**

Under the terms of an agreement, a financial institution provides credit for the purchase of crop inputs to certain customers of the Company in the Agri-products segment. Loans are stratified based on program years. Producer loans are generally due to this financial institution on January 31 following the program year. Loans under the program are secured by a general security agreement granted by the customer covering the crop and farm assets.

The Company collects loan payments from producer customers in trust for this financial institution and forwards collections the next business day.

Under the agreement, the Company has agreed to reimburse this financial institution for loan losses in excess of a reserve (see the table below). Reimbursement amounts are payable to this financial institution at the end of December or eleven months following the due date of the producers' loan. When the Company remits payments for delinquent accounts to the financial institution with respect to this program, the delinquent account is assigned to the Company and the Company is then to collect the amounts payable by the customer. Subsequent collections of these delinquent accounts are to the benefit of the Company. The Company expects that loan losses will not differ significantly from those provided for in these financial statements.

	Producer Due Date - January 31	Company Reimbursement Date - December 31	July 31	
			2007	2006
			Producer Balance Outstanding	Producer Balance Outstanding
2005 loan program	2006	2006	\$ -	\$ 6,047
2006 loan program	2007	2007	1,768	182,315
2007 loan program	2008	2008	194,778	-
			\$ 196,546	\$ 188,362

	July 31	
	2007	2006
Total Company provision, net of loan loss share	\$ 1,706	\$ 3,251
Portion receivable/(due) within one year	241	(969)
Long-term portion, net of loan loss share	\$ 1,947	\$ 2,282

**c) Indemnification of Accounts Receivable**

Agricore United Financial –AU has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide credit for qualifying agricultural producers to purchase crop inputs. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. AU indemnifies



the bank for 50% of future losses to a maximum of five percent of the aggregate qualified portfolio balance. AU's aggregate indemnity will vary at any given time with the size of the underlying portfolio. As at July 31, 2007, AU has provided \$5.5 million for actual and expected future losses.

Unifeed Financial - AU has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide loans to customers to purchase feeder cattle and feeder hogs, as well as related feed inputs, with terms that do not require payment until the livestock is sold. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. AU indemnifies the bank for credit losses based on the first 20% to 33% of new credit issued on an individual account, dependant on the account's underlying credit rating, with losses in excess of these amounts shared on an equal basis with the bank up to 5% on the aggregate qualified portfolio balance. AU's aggregate indemnity will vary at any given time with the credit rating of the underlying accounts and the aggregate credit outstanding. As at July 31, 2007, AU has provided \$443,000 for actual and expected future losses.

**d) Loan Guarantees**

AU is contingently liable under several guarantees given to third-party lenders who have provided long-term financing to certain independent hog producers. As at July 31, 2007, the current outstanding balance of these guarantees is \$3.1 million. These guarantees diminish as the underlying loans are repaid and expire between 2009 and 2014.

AU is contingently liable under three guarantees given to three third-party lenders who have provided certain financing facilities to its wholly-owned foreign subsidiaries. As at July 31, 2007, the maximum amount of the guarantees are U.S. \$150,000 and JPY 2 billion, and U.S. \$11 million or approximately \$29.8 million in aggregate.

**e) Other Contingencies**

Funding of the Saskatchewan Wheat Pool/Grain Services Union Pension Plan (Note 9b).

**13. SUBSEQUENT EVENTS**

**a) Long-Term Debt**

On August 1, 2007, the Company completed the offering for \$200 million in Senior Unsecured Notes ("Series 2007-1 Notes") bearing interest at 8.5% and maturing August 1, 2017. The Company has certain optional redemption rights with respect to the Series 2007-1 Notes. Prior to August 1, 2012, the Company may redeem up to 35% of the aggregate principal amount of the Series 2007-1 Notes at a redemption price of 108.5% of their principal amount, plus accrued and unpaid interest, to the redemption date, with the net proceeds received by the Company from one or more public equity offerings. Prior to August 1, 2012, the Company may redeem all or part of the Series 2007-1 Notes at a redemption price



equal to 100% of the principal amount thereof, plus the Applicable Redemption Premium (as defined in the Second Supplemental Trust Indenture between the Company and CIBC Mellon Trust Company dated August 1, 2007) and accrued and unpaid interest to the redemption date. On or after August 1, 2012 and prior to maturity, the Company may redeem all or part of the Series 2007-1 Notes at the following redemption prices (expressed as percentages of the principal amount at maturity), plus accrued and unpaid interest to the redemption date, if redeemed during the 12-month period commencing August 1 in the applicable year: 2012 at 104.25%, 2013 at 103.1875%, 2014 at 102.125%, 2015 at 101.0625% and 2016 at 100%. The Unsecured Series 2007-1 Notes rank *pari passu* with the Unsecured Series 2006-1 Notes and the Bridge Facility which includes a first charge on the Company's property, plant and equipment. The Company used the net proceeds to repay a portion of the short-term borrowings outstanding under its Bridge Facility.

**b) Revolving Credit Facility**

On August 10, 2007, the Company entered into a \$600 million senior secured revolving credit facility with a syndicate of financial institutions. The facility is secured by a first charge on accounts receivable and inventory and a second charge on property, plant and equipment. The Company may draw on the facility at an interest rate of Banker's Acceptance plus 0.9% to 1.5% subject to the Company's fixed charge ratio, or by using alternate advance instruments at corresponding rates. The facility expires on August 10, 2010, and may be extended at the option of the Company for an additional two years. The facility replaces the Company's existing \$250 million senior secured revolving credit facility and AU's \$525 million revolving credit facility. Concurrent with the Company entering into the senior secured revolving credit facility, AU terminated its securitization agreement with an independent trust (Note 5) and repurchased, for \$40.3 million, the co-ownership interest in its right to receive reimbursement of amounts advanced to producers arising from the delivery of grains that are held in accordance with an agency contract between AU and the CWB.

**c) Bridge Facility**

Concurrent with the settlement of AU's \$525 million revolving credit facility \$255 million of the proceeds related to the JRI asset disposition (Note 4) held in escrow were used by the Company to reduce the amount owing under the Bridge Facility (Note 6).

**d) Sale of WCE Holdings Inc. Common Shares**

On August 28, 2007, Intercontinental Exchange Inc. ("ICE") and WCE Holdings Inc., the parent company of Winnipeg Commodity Exchange Inc., announced the closing of ICE's acquisition of WCE Holdings Inc. Based on the purchase price for the transaction of \$77.59 per WCE Holdings Inc. common share, the Company expects to record a pre-tax gain of approximately \$4.7 million in the quarter ending October 31, 2007.



#### **14. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform to current period presentation.