Village Farms International, Inc.

Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended

September 30, 2011 and 2010

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying un-audited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Village Farms International, Inc.
Consolidated Statement of Financial Position
(In thousands of United States dollars, unaudited)

	September 30, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	$4,917	$9,734
Trade receivables	14,056	8,131
Other receivables	270	510
Inventories (note 7)	5,839	10,714
Assets held for sale (note 6)	407	407
Income taxes receivable	213	775
Prepaids and deposits	1,153	801
Biological asset (note 8)	5,598	5,223
Total current assets	32,453	36,295
Non-current assets		
Property, plant and equipment (note 9)	82,343	62,972
Deferred tax asset (note 16)	429	2,967
Intangible assets (note 10)	1,223	1,301
Other assets	1,322	1,125
Total assets	$117,770	$104,660
LIABILITIES		
Current liabilities		
Trade payables	$7,463	$6,280
Accrued liabilities	5,330	3,470
Income taxes payable	8	24
Current maturities of long-term debt (note 11)	3,209	3,260
Current portion of obligations under capital leases (note 13)	-	264
Total current liabilities	16,010	13,298
Non-current liabilities		
Long-term debt (note 11)	55,207	48,208
Derivatives (note 12)	1,680	2,340
Obligations under capital leases (note 13)	-	14
Deferred tax liability (note 16)	3,662	4,569
Total liabilities	76,559	68,429
SHAREHOLDERS' EQUITY		
Share capital (note 21)	24,850	24,850
Contributed surplus	223	75
Accumulated other comprehensive income	55	55
Retained earnings	16,083	11,251
Total shareholders' equity	41,211	36,231
Total liabilities and shareholders' equity	$117,770	$104,660

Approved by the Board of Directors

/s/ John P. Henry, Director

/s/ Christopher C. Woodward, Director

The accompanying notes are integral part of these condensed consolidated interim financial statements

Village Farms International, Inc.
Consolidated Statement of Changes in Shareholders' Equity
For the Nine Months Ended September 30, 2011 and September 30, 2010
(In thousands of United States dollars, except for shares outstanding, unaudited)

	Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at January 1, 2010	13,440,345	$24,850	$ -	$7,000	$55	$31,905
Share-based compensation (note 23)			56			56
Net income and comprehensive income for the period ended September 30, 2010				3,250		3,250
Balance at September 30, 2010	13,440,345	24,850	56	10,250	55	35,211
Balance at January 1, 2011	19,433,394	24,850	75	11,251	55	36,231
Share-based compensation (note 23)			148			148
Net income and comprehensive income for the period ended September 30, 2011				4,832		4,832
Balance at September 30, 2011	19,433,394	$24,850	$223	$16,083	$55	$41,211

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

Village Farms International, Inc.

Consolidated Statement of Income and Comprehensive Income
For the Three and Nine Months Ended
(In thousands of United States dollars, except per share data, unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	**2010**	**2011**	**2010**
	(note 1)	(note 1)	(note 1)	(note 1)
Net sales	$43,715	$35,487	$129,705	$113,065
Cost of sales	(37,255)	(33,492)	(108,586)	(94,582)
Change in biological asset (note 8)	(2,170)	1,055	(2,271)	(2,787)
Selling, general and administrative expenses	(3,984)	(3,418)	(11,008)	(9,606)
Income (loss) from operations	306	(368)	7,840	6,090
Interest expense	750	701	2,217	2,114
Interest income	(3)	(2)	(15)	(36)
Foreign exchange (gain) loss	49	(100)	12	45
Amortization of intangible assets (note 10)	26	26	78	78
(Gain) loss on derivatives (note 12)	(271)	117	(660)	536
Other income, net	(41)	(1,070)	(308)	(1,379)
(Gain) loss on disposal/sale of assets	-	-	(14)	330
Income (loss) before income taxes	(204)	(40)	6,530	4,402
Provision for (recovery of) income taxes (note 16)	14	(171)	1,698	1,152
Net income (loss) and comprehensive income (loss)	($218)	$131	$4,832	$3,250
Basic earnings (loss) per share	($0.01)	$0.00	$0.12	$0.08
Diluted earnings (loss) per share	($0.01)	$0.00	$0.12	$0.08

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

Village Farms International, Inc.
Consolidated Statement of Cash Flow
For the Three and Nine Months Ended
(In thousands of United States dollars, unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(note 1)	(note 1)	(note 1)	(note 1)
Cash flows from operating activities:				
Net income (loss)	($218)	$131	$4,832	$3,250
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	1,453	1,457	4,364	4,314
(Gain) loss on sale of assets	-	-	(14)	330
(Gain) loss on derivatives (note 12)	(271)	117	(660)	536
Foreign exchange (gain) loss	(49)	(100)	(12)	45
Share based compensation (note 23)	89	20	148	56
Deferred income taxes	2	866	1,630	(135)
Change in biological asset (note 8)	2,170	(1,055)	2,271	2,787
Changes in non-cash working capital items (note 17)	4,141	2,252	(218)	2,826
Net cash (used in) provided by operating activities	7,317	3,688	12,341	14,009
Cash flows from investing activities:				
Purchases of property, plant and equipment	(16,066)	(516)	(23,680)	(1,863)
Proceeds from sale of property, plant and equipment	-	146	37	234
Other	(45)	2	(197)	(59)
Net cash used in investing activities	(16,111)	(368)	(23,840)	(1,688)
Cash flows from financing activities:				
Payments on long-term debt	(49,838)	(815)	(51,468)	(2,449)
Issuances of long term debt	58,416	-	58,416	-
Payments on obligations under capital leases	(65)	(60)	(278)	(202)
Net cash used in financing activities	8,513	(875)	6,670	(2,651)
Effect of exchange rate changes on cash and cash equivalents	49	100	12	(45)
Net (decrease) increase in cash and cash equivalents	(232)	2,545	(4,817)	9,625
Cash and cash equivalents beginning of period	5,149	9,691	9,734	2,611
Cash and cash equivalents end of period	$4,917	$12,236	$4,917	$12,236
Supplemental cash flow information:				
Interest paid	$820	$717	$2,247	$1,810
Income taxes paid	$11	$12	$59	$360

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

1 NATURE OF OPERATIONS

Village Farms International, Inc. ("VFF" and, together with its subsidiaries, the "Company") is incorporated under the *Canada Business Corporation Act* ("CBCA"). VFF's principal operating subsidiaries at September 30, 2011 are Village Farms Canada Limited Partnership ("VFCLP"), Village Farms, L.P. ("VFLP") and Village Farms DR SLR ("VFDR"). The address of the registered office of VFF is 4700 80th Street, Delta, British Columbia, Canada V4K 3N3.

The Company, through its subsidiaries VFCLP and VFLP, owns and operates sophisticated, highly intensive agricultural greenhouse facilities in British Columbia and Texas, where it produces, markets and sells premium-quality tomatoes, bell peppers and cucumbers. The Company also markets and sells third party produce through its subsidiaries.

2 BASIS OF PRESENTATION AND ADOPTION OF IFRS

These condensed consolidated interim financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of condensed consolidated interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting and IFRS 1, First-time adoption of IFRS. The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the company's consolidated interim financial statements for the three and six months ended June 30, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Company's reported equity as at September 30, 2010 and comprehensive income for the three and nine months ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the company's consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of November 11, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in a restatement of these condensed consolidated interim financial statements, including the transition adjustments recognized on the change-over to IFRS.

The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010, and the company's interim financial statements for the periods ended March 31, 2011 and June 30, 2011 prepared in accordance with IFRS applicable to interim financial statements.

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value; and
- biological assets are measured at fair value less costs to sell.

Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in United States Dollars ("U.S. Dollars"), which is the Company's functional currency. All financial information presented in U.S. Dollars has been rounded to the nearest thousand.

3 SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY

The significant accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's interim financial statements for the three and six months ended June 30, 2011.

Significant Accounting Judgments and Estimation Uncertainties

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty are consistent with the Company's interim financial statements for the three and six months ended June 30, 2011 and are expected to be the same as those to be applied in the first annual IFRS financial statements.

4 CHANGES IN ACCOUNTING POLICIES

Future Accounting Changes

International Financial Reporting Standard 9, Financial Instruments (“IFRS 9”)

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement,* except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

International Financial Reporting Standards 10 – Consolidation (“IFRS 10”)

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation-Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

International Financial Reporting Standards 11 – Joint Arrangements (“IFRS 11”)

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS supersedes IAS 31, *Interest in Joint Ventures*, and SIC-13, *Jointly Controlled Entities-Non-monetary Contributions by Ventures*.

International Financial Reporting Standards 12 – Disclosure of Interests in Other Entities ("IFRS 12")

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

International Financial Reporting Standards 13 – Fair Value Measurement ("IFRS 13")

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

These standards are required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of these standards or determined whether it will adopt these standards early.

5 TRANSITION TO IFRS

The effect of the Company's transition to IFRS, described in note 2, is summarized in this note as follows:

(i) Transition Elections

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

Deemed cost of property, plant and equipment

In accordance with IFRS transition provisions, the Company elected to hold property, plant and equipment at its historical value and not elect to restate to current fair market value.

(ii) Reconciliation of the statements of financial position, income and comprehensive income as previously reported under Canadian GAAP to IFRS.

(in thousands of United States dollars, except per share amounts and unless otherwise noted, unaudited)

		December 31, 2010			September 30, 2010		
	Note 5(iii)	Canadian GAAP	Adjustments	IFRS	Canadian GAAP	Adjustments	IFRS
Assets							
Current assets:							
Cash and cash equivalents		$9,734		$9,734	$12,236		$12,236
Trade receivables		8,131		8,131	9,956		9,956
Other receivables		510		510	558		558
Inventories	a	12,810	(2,096)	10,714	11,382	(3,602)	7,780
Assets held for sale		407		407	407		407
Income taxes receivable		775		775	-		-
Prepaids and deposits		801		801	705		705
Biological asset	a	-	5,223	5,223	-	5,960	5,960
Total current assets		33,168	3,127	36,295	35,244	2,358	37,602
Non-current assets:							
Property, plant and equipment		62,972		62,972	63,488		63,488
Deferred tax asset	b	2,967		2,967	3,216	(451)	2,765
Intangible assets		1,301		1,301	1,327		1,327
Other assets		1,125		1,125	936		936
Total assets		$101,533	$3,127	$104,660	$104,211	$1,907	$106,118
Liabilities							
Current liabilities:							
Trade AP and accrued liabilities	b	$9,774	($24)	$9,750	$12,182	($18)	$12,164
Income taxes payable	b	-	24	24	-	18	18
Current maturities of l/t debt		3,260		3,260	3,260		3,260
Current portion of capital leases		264		264	301		301
Total current liabilities		13,298	-	13,298	15,743	-	15,743
Non-current liabilities							
Long-term debt		48,208		48,208	49,023		49,023
Derivatives		2,340		2,340	2,628		2,628
Obligations under capital leases		14		14	42		42
Deferred tax liability	b	3,474	1,095	4,569	3,210	261	3,471
Total liabilities		67,334	1,095	68,429	70,646	261	70,907
Shareholders' equity:							
Share capital		24,850		24,850	24,850		24,850
Contributed surplus	c	40	35	75	30	26	56
Accumulated other comp income		55		55	55		55
Retained earnings	d	9,254	1,997	11,251	8,630	1,620	10,250
Total shareholders' equity		34,199	2,032	36,231	33,565	1,646	35,211
Total liabilities and equity		$101,533	$3,127	$104,660	$104,211	$1,907	$106,118

	Note	Three months ended September 30, 2010 Canadian GAAP	Adj	IFRS	Nine months ended September 30, 2010 Canadian GAAP	Adj	IFRS
Net sales		$35,487		$35,487	$113,065		$113,065
Cost of sales		(33,492)		(33,492)	(94,582)		(94,582)
Change in biological asset	**a**	-	1,055	1,055	-	(2,787)	(2,787)
Selling, general and administrative expenses	**c**	(3,409)	(9)	(3,418)	(9,580)	(26)	(9,606)
Income (loss) from operations		(1,414)	1,046	(368)	8,903	(2,813)	6,090
Interest expense, net		699		699	2,078		2,078
Foreign exchange loss		(100)		(100)	45		45
Amortization of intangible assets		26		26	78		78
Loss on derivatives		117		117	536		536
Other (income)		(1,070)		(1,070)	(1,379)		(1,379)
Loss on disposal of asset		-		-	330		330
Earnings before income taxes		(1,086)	1,046	(40)	7,215	(2,813)	4,402
Provision (recovery) of income taxes	**b**	(534)	363	(171)	2,241	(1,089)	1,152
Net income and comprehensive income		(552)	683	131	4,974	(1,724)	3,250
Earnings per share - basic		$ (0.01)	$ 0.01	$ (0.00)	$ 0.13	$ (0.05)	$ 0.08
Number of shares outstanding - basic		38,707,345		38,707,345	38,707,345		38,707,345
Earnings per share - diluted		$ (0.01)	$ 0.01	$ (0.00)	$ 0.13	$ (0.05)	$ 0.08
Number of shares outstanding - diluted		39,057,344		39,057,344	39,057,344		39,057,344

Explanatory Notes

(a) Biological asset and produce inventory

In applying IAS 41, *Agriculture*, the Company recognizes a biological asset arising from the produce on the vines as of the reporting date. The produce on the vine is measured as the fair value of the expected sales price less costs to sell and finishing costs.

(b) Income and future income taxes

The Company evaluated the impact of IAS 12 *Income Tax* on its reported results and took into consideration the change in future income taxes caused by the reporting of both share based compensation expense and the biological assets. The changes in the statement of financial position, income and comprehensive income and shareholders' equity reflect the application of IAS 12 and IAS 41.

The re-classification between income taxes payable and trade payable reflects the requirements of IAS 12 to separately disclose state taxes payable.

(in thousands of United States dollars, except per share amounts and unless otherwise noted, unaudited)

(c) Share-based compensation and contributed surplus

In applying IFRS 2, *Share-Based Payments,* to the transition period, a restatement of stock compensation expense was required of approximately $35 for the year ended December 31, 2010, $9 for the three months ended September 30, 2010 and $26 or the nine months ended September 30, 2010. This amount is recorded in both retained earnings and contributed surplus.

(d) Retained earnings Reconciliation

The following is a summary of the transition adjustments to the Company's retained earnings from GAAP to IFRS.

	Note	Dec 31, 2010	Sep 30, 2010
Retained earnings as reported under Canadian GAAP		$ 9,254	$ 8,630
IFRS adjustments increase (decrease):			
Change in fair value of biological asset	**a**	5,223	5,960
Change in inventories	**a**	(2,096)	(3,602)
Provision for income tax	**b**	(1,095)	(712)
Share-based compensation	**c**	(35)	(26)
Retained earnings as reported under IFRS		$ 11,251	$ 10,250

(e) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company.

6 ASSETS HELD FOR SALE

The Company has classified its Buffalo, New York warehouse as an asset held for sale; the Company no longer operates it as a distribution centre and has listed the property for sale. This asset is no longer being amortized.

7 INVENTORIES

	September 30, 2011	December 31, 2010
Deferred crop costs	$9,990	$12,358
Purchased produce inventory	591	452
Biological asset adjustment (note 5(a) and note 8)	(4,742)	(2,096)
	$5,839	$10,714

The cost of inventories recognized as expense and included in cost of sales for the three months ended September 30, 2011 amounted to $30,650 (September 30, 2010 - $27,441) and $90,618 for the nine months ended September 30, 2011 (September 30, 2010 - $80,113).

The adjustment to our deferred crop costs is a result of reclassifying the component of deferred crop costs that relate to the biological asset component on the statement of financial position.

(in thousands of United States dollars, except per share amounts and unless otherwise noted, unaudited)

8 BIOLOGICAL ASSET

The following table summarizes the Statement of Financial Position value of the biological asset:

	September 30, 2011	December 31, 2010	September 30, 2010
Estimated sales value of biological asset	$11,943	$8,517	$11,119
Less:			
Estimated remaining costs relating to the biological asset	5,723	2,714	4,497
Estimated selling cost	622	580	662
Fair value of biological asset	5,598	5,223	5,960
Less: actual costs	4,742	2,096	3,602
Increase in fair value of biological asset	856	3,127	2,358
Fair value over cost of harvested and sold biological asset	3,127	5,145	5,145
Change in biological asset for nine months ended September 30,	($2,271)	($2,018)	($2,787)
Change in biological asset for six months ended June 30,	($101)		($3,842)
Change in biological asset for three months ended September 30,	($2,170)		$1,055

(in thousands of United States dollars, except per share amounts and unless otherwise noted, unaudited)

9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Land $	Leasehold and land improve-ments $	Green-house building $	Green-house equip. $	Machinery and Equip. $	Construction in process $	Total $
Year ended December 31, 2010							
Opening net book value	5,117	870	40,116	18,594	1,584	318	66,599
Additions	-	-	179	1,369	990	591	3,129
Moved to asset held for sale	(67)	-	(340)	-	-	-	(407)
Placed in service						(318)	(318)
Disposals, net	-	-	-	(340)	-	-	(340)
Depreciation for the year	-	(163)	(2,943)	(1,886)	(699)	-	(5,691)
Closing net book value	5,050	707	37,012	17,737	1,875	591	62,972
At December 31, 2010							
Cost	5,050	2,033	57,280	28,989	3,603	591	97,546
Accumulated depreciation	-	(1,326)	(20,268)	(11,252)	(1,728)	-	(34,574)
Net book value	5,050	707	37,012	17,737	1,875	591	62,972
Nine months ended September 30, 2011							
Opening net book value	5,050	707	37,012	17,737	1,875	591	62,972
Additions	-	-	70	961	131	23,161	24,323
Placed in service	-	-	-	-	-	(642)	(642)
Disposals, net	(22)	-	-	-	-	-	(22)
Depreciation for the period	-	(121)	(2,164)	(1,428)	(575)	-	(4,288)
Closing net book value	5,028	586	34,918	17,270	1,431	23,110	82,343
At September 30, 2011							
Cost	5,028	2,033	57,350	29,949	3,734	23,110	121,204
Accumulated depreciation	-	(1,447)	(22,432)	(12,679)	(2,303)	-	(38,861)
Net book value	5,028	586	34,918	17,270	1,431	23,110	82,343

Depreciation related to the greenhouse facilities and equipment is expensed in cost of sales.

(in thousands of United States dollars, except per share amounts and unless otherwise noted, unaudited)

10 INTANGIBLE ASSETS

VFCLP has an agreement with the operator of a cogeneration facility to purchase thermal energy required for one of VFCLP's greenhouses. The contract expires on July 31, 2023. VFCLP also has a right of first refusal with respect to any excess methane gas conveyed to the cogeneration plant from an adjacent landfill. The estimated fair value of the contract was recorded as an intangible asset and is being amortized on a straight-line basis over the life of the contract.

Year ended December 31, 2010	
Opening book value	1,404
Amortization for the year	(103)
Closing net book value	1,301
At December 31, 2010	
Cost	1,735
Accumulated amortization	(434)
Net book value	1,301
Nine months ended September 30, 2011	
Opening book value	1,301
Amortization for the period	(78)
Closing net book value	1,223
At September 30, 2011	
Cost	1,735
Accumulated amortization	(512)
Net book value	1,223

11 DEBT

As at September 30, 2011 and December 31, 2010, long term debt consists of the following:

	September 30, 2011	December 31, 2010
Long-term debt:		
Opening balance	$51,468	$54,732
Repayments of non-revolving loans	(51,468)	(3,264)
Funding from Term 1 Loan	49,500	-
Funding from Term 2 Loan	8,916	-
Closing balance	58,416	51,468
Current portion	3,209	3,260
Non-current portion	55,207	48,208
	$58,416	$51,468

Credit Facilities:

On September 30, 2011 the Company signed an agreement for new Term Loan funding with its existing creditors (the "Credit Facilities"). As part of the agreement, all prior debt was repaid prior to the issuance of new Term Loan funding. The details of the new Credit Facilities are as follows:

- Revolving variable rate Operating Loan of up to CA$15,000 with a term of 364 days (the "Operating Loan");
- Non-revolving variable rate term loan with a balance of $49,500 with a maturity date on September 30, 2014 ("Term Loan 1");
- Non-revolving variable rate term loan with a balance of $8,916 with a maturity date on September 30, 2014 ("Term Loan 2"); and
- Foreign exchange contracts facility for the purchase and/or sale of U.S. funds (the "FX Facility").

(in thousands of United States dollars, except per share amounts and unless otherwise noted, unaudited)

The Operating Loan is subject to margin requirements stipulated by the bank; no amount was drawn on this facility at September 30, 2011 (December 31, 2010 – nil).

Term Loan 1 was fully drawn as at September 30, 2011. The outstanding balance of Term Loan 1 is repayable by way of monthly installments of principal and interest based on an amortization over a period of 17 years, with the balance and any accrued interest to be paid in full on September 30, 2014. Monthly principal payments on Term Loan 1 are $243. As at September 30, 2011 borrowings under the Term Loan 1 agreement are subject to LIBOR plus 3.25% (effective rate of 3.49% as at September 30, 2011 (December 30, 2010 - 2.625%)).

Term Loan 2 has a maximum draw of up to $28,000. The outstanding balance as at September 30, 2011 is $8,916 currently with interest only payments up to December 31, 2011 afterwards by way of monthly installments of principal and interest based on an amortization over a period of 20 years, with the balance and any accrued interest to be paid in full on September 30, 2014. Monthly payments on Term Loan 2 are interest only until December 31, 2011. As at September 30, 2011 borrowings under the Term 2 Loan agreement are subject to LIBOR plus 3.25% (effective rate of 3.49% as at September 30, 2011 (December 31, 2010 - 2.625%)).

Interest payable on funds borrowed under the credit facilities are calculated by way of one or more of Canadian Prime Rate borrowings, U.S. Base Rate borrowings, LIBOR, Credit Instrument Borrowings or Bankers Acceptances Borrowings. Currently, the Company is using LIBOR for all borrowings.

Accrued interest payable on the credit facilities and loans as at September 30, 2011 was $12 (December 31, 2010 - $13) and these amounts are included in accrued liabilities in the statement of financial position. The Company has entered into a fixed for floating rate interest rate swap as described in Note 12 effectively fixing its interest rate on the Term Loans at 6.32%. The borrowings are subject to certain positive and negative covenants. As at September 30, 2011 and December 31, 2010 the Company was in compliance with all covenants on all of its Credit Facilities.

As security for the borrowings, the Company has provided, among other things, promissory notes, a first mortgage on the greenhouse properties, and general security agreements over its assets. The Company has provided full recourse guarantees and has granted security therein. The carrying value of the assets and securities pledged as collateral as at September 30, 2011 was $117,444 (December 31, 2010 - $104,660).

12 DERIVATIVES

As at September 30, 2011, the Company has two fixed for floating interest rate swap agreements, effective through January 25, 2013, in the notional amount of $39,700 in order to reduce the interest rate variability on its credit facilities. The Company has effectively fixed its interest expense on approximately 80% of the Term Loan 1 at 6.694%. The Company recognized a gain of $271 for the three months ended September 30, 2011 (September 30, 2010 – a loss of $117) and a gain of $660 for the nine months ended September 30, 2011 (September 30, 2010 - a loss of $536), which represented the mark-to-market adjustment of the interest rate swap agreements. The Company could not designate the swap agreements as a hedge for accounting purposes. The fair value of the interest rate swap agreements as at September 30, 2011 was a liability of $1,680 (December 31, 2010 – $2,340). The interest rate swap agreements remaining at September 30, 2011 are as follows:

Term	Amount	Interest Rate
January 25, 2008 - January 28, 2012	1,200	6.75%
January 25, 2008 - January 28, 2013	38,500	6.95%

The interest rates in the above table include a 3.25% premium to LIBOR which will be adjusted downward upon satisfying certain ratio targets.

(in thousands of United States dollars, except per share amounts and unless otherwise noted, unaudited)

13 LEASE COMMITMENTS

Obligations Under Capital Leases

The Company made payments of $66 during the three months ended September 30, 2011 (September 30, 2010 - $73) and $284 for the nine months ended September 30, 2011 (September 30, 2010 - $217). Interest paid on capital leases amounted to $1 during the three months ended September 30, 2011 (September 30, 2010 - $7) and $6 for the nine months ended September 30, 2011 (September 30, 2010 - $26). As at September 30, 2011 all capital lease arrangements have been settled with no balances owing.

Operating Leases

As at September 30, 2011, the Company has entered into certain operating lease commitments for land, office space and equipment through 2022. The future minimum lease payments as at September 30, 2011 are as follows:

	September 30, 2011
Remaining for 2011	$326
2012	1,376
2013	1,494
2014	1,069
2015	680
Thereafter	1,960
	$6,905

14 FINANCIAL INSTRUMENTS

The following table summarizes the carrying and fair value of the Company's financial instruments:

	September 30, 2011	December 31, 2010
Cash and cash equivalents	4,917	9,734
Trade receivables	14,056	8,131
Other receivables	1,644	2,094
Other financial liabilities	71,217	61,520
Derivatives	1,680	2,340

Interest income and other gains and losses from held-for-trading and held-to-maturity financial assets are recognized in interest expense and selling, general and administrative expenses. Interest income, expense and gains and losses from loans, receivables and other financial liabilities are recognized in interest expense, loss on derivatives and other income. The following table summarizes interest income and expense for the three and nine months ended September 30, 2011 and 2010:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Interest income from held-for-trading assets	$3	$2	$15	$36
Interest expense from other financial liabilities	750	701	2,217	2,114

The following tables illustrate the classification of the Company's financial instruments within the fair value hierarchy:

	Financial assets at fair value – September 30, 2011			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Interest swap agreements	-	1,680	-	1,680
	-	1,680	-	1,680

(in thousands of United States dollars, except per share amounts and unless otherwise noted, unaudited)

	Financial assets at fair value – December 31, 2010			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Interest swap agreements	-	2,340	-	2,340
	-	2,340	-	2,340

Management of financial risks

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of some of these risks as at September 30, 2011. The Company uses derivative financial instruments only for risk management purposes, not for generating trading profit.

i) Credit risk

Credit risk is the risk that the Company will incur a loss due to the failure by its customers or other parties to meet their contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and trade receivables.

The Company limits its exposure to credit risk by placing its cash and cash equivalents with high credit quality financial institutions.

The Company's trade receivables have no customer that represents more than 10%, of the balance of trade receivables as at September 30, 2011. The Company believes that its trade receivables risk is limited due to the high credit quality of its customers and the protection afforded to the Company by the *Perishable Agricultural Commodities Act* (the "PACA") for its sales in the United States, which represent approximately 80% of the Company's sales. The PACA protection gives a claim filed under the PACA, first lien on all PACA assets (which includes cash and trade receivables). The PACA fosters trading practices in the marketing of fresh and frozen fruits and vegetables in interstate and foreign commerce. It prohibits unfair and fraudulent practices and provides a means of enforcing contracts. Historical write-offs have represented less than 1% of sales. The maximum amount of credit risk exposure is limited to the carrying amount of the balances on the financial statements.

Given the current economic environment, trade receivables for each customer at quarter end were evaluated for collectability and an allowance for doubtful accounts has been estimated. A general provision is also taken based on the Company's historic exposure to bad debts based on revenue. At September 30, 2011, the allowance for doubtful accounts balance was $254 (December 31, 2010 - $254). In addition, the Company recorded a bad debt expense of $nil during the three and nine months ended September 30, 2011 (three and nine months ended September 30, 2010 – $nil).

At September 30, 2011, 91.9% (December 31, 2010 – 88.6%) of trade receivables were outstanding less than 30 days, 7.5% (December 31, 2010 – 10.5%) were outstanding for between 30 and 90 days and the remaining 0.6% (December 31, 2010 – 0.9%) were outstanding for more than 90 days. Trade receivables are considered past due based on the contract terms agreed to with a customer. As noted above, aged receivables that are past due are not considered impaired unless customer specific information indicates otherwise.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk on its long-term debt, for which the interest rates charged fluctuate based on the LIBOR rate. Interest is compounded daily at LIBOR plus 3.25% for the credit facilities. The Company has limited its interest rate risk by entering into interest rate swap agreements for the Term Loans (note 12).

The Company is exposed to interest rate risk on its long-term debt for which interest rates charged and the value of the related interest rate swap agreements fluctuate. If interest rates had been 50 basis points higher (lower), the net income during the three months ended September 30, 2011 would have been higher (lower) by $37; this represents a $50 gain on derivatives partially offset by $13 in additional interest expense (September 30, 2010 - $33, $50 gain on derivatives offset by $17 in additional interest expense). The net income for the nine months ended September 30, 2011 would have been higher (lower) by $109; this represents a $149 gain on derivatives partially offset by $40 in additional interest expense (September 30, 2010 - $98, $149 gain on derivatives offset by $51 in additional interest expense)

(in thousands of United States dollars, except per share amounts and unless otherwise noted, unaudited)

iii) Foreign exchange risk

At September 30, 2011, the Canadian/U.S. foreign exchange rate was CA$1.00 = US$0.9540 (December 31, 2010 - $1.0054). Assuming that all other variables remain constant, an increase of $0.10 in the Canadian dollar would have the following impact on the ending balances of certain Statement of Financial Position items at September 30, 2011 and December 31, 2010, with the net foreign exchange gain or loss directly impacting net earnings for the period.

	September 30, 2011	December 31, 2010
Financial assets		
Cash and cash equivalents	$39	$121
Trade accounts receivable	437	121
Financial liabilities		
Accounts payable and accrued liabilities	(438)	(156)
Obligations under capital leases	-	(28)
Net foreign exchange gain (loss)	$38	$58

iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities as at September 30, 2011:

Financial liabilities	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**More than 5 years**
Long-term debt	$58,416	$3,209	$6,418	$6,418	$42,371
Trade payables	7,463	7,463	-	-	-
Accrued liabilities	5,338	5,338	-	-	-
Total	$71,217	$16,010	$6,418	$6,418	$42,371

It is the Company's intention to meet these obligations through the collection of current accounts receivable and cash. If the current resources and cash generated from operations are insufficient to satisfy its obligations, the Company may seek to issue additional equity or to arrange debt or other financing. In addition, the Company has available a line of credit of CA$15,000.

v) Fair values

The carrying amount of short-term financial instruments, less provisions for impairment if applicable, is consistent with the fair value of such instruments. The Company's debt bears a variable interest rate and therefore its carrying value approximates its fair value. The fair value of derivatives is equal to its carrying value and is determined based on published interest rates and contractual terms of the interest rate swap agreements.

15 RELATED PARTY TRANSACTIONS AND BALANCES

Included in other assets is a $378 promissory note from an employee of the Company in connection with a relocation at the request of the Company. The note is secured by real property. It is a partially non-interest bearing note to be paid from the proceeds of the sale of the real property that secures the note. The $378 represents the amount the Company advanced on this employee's behalf in connection with the cost of relocation.

(in thousands of United States dollars, except per share amounts and unless otherwise noted, unaudited)

16 DEFERRED TAXES

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the year ended December 31, 2010 was 26% and for the three and nine months ended September 30, 2011 was 26%.

17 CHANGES IN NON-CASH WORKING CAPITAL

	For the three months ended Sept 30,		For the nine months ended Sept 30,	
	2011	2010	2011	2010
Trade receivables	($2,222)	$2,883	($5,925)	($1,741)
Inventories	691	(917)	2,229	566
Other current assets	(89)	(80)	802	(200)
Prepaids and deposits	(849)	420	(352)	204
Trade payables and accrued liabilities	(1,672)	(54)	3,028	3,997
	$4,141	$2,252	($218)	$2,826

18 GEOGRAPHIC INFORMATION

The Company operates in one segment, where it produces, markets and sells premium quality tomatoes, bell peppers and cucumbers, with its primary operations in the United States and Canada. Net sales by the countries in which its customers are located is as follows:

	For the three months ended Sept 30,		For the nine months ended Sept 30,	
	2011	2010	2011	2010
Net Sales				
United States	$31,243	$27,144	$102,077	$92,422
Canada	12,472	8,343	27,628	20,643
	$43,715	$35,487	$129,705	$113,065

The Company's property, plant and equipment are located as follows:

Property, plant and equipment	September 30, 2011	December 31, 2010
United States	$40,503	$20,312
Canada	41,644	42,660
Dominican Republic	196	-
	$82,343	$62,972

19 SEASONALITY

The Company's financial results for any individual quarter are not necessarily indicative of results to be expected for the full year. Interim period revenues and earnings are typically sensitive to regional and local weather, market conditions and in particular, to cyclical variations in the growing cycle. Typically, the first quarter and fourth quarters are the strongest as market supply of produce is constrained. The second and third quarters are generally weaker as produce pricing tends to decline with the growing cycle of the field produce coming to harvest.

20 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company receives notice of potential legal proceedings or is named as a defendant in legal proceedings. Management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

The Company has entered into an agreement for a greenhouse expansion project in Monahans Texas, the estimated cost of the project is $43.2 million dollars with an expected completion by the end of fiscal 2011. As at September 30, 2011 the company has spent $20,826 toward the completion of this project.

(in thousands of United States dollars, except per share amounts and unless otherwise noted, unaudited)

21 SHARE CAPITAL AND EQUITY

(i) Conversion of special shares to common shares:

During the fiscal year ended December 31, 2010, 5,993,049 special shares were converted to common shares as a result of the exchange rights of the PPS's into common shares, resulting in 19,433,394 common shares and 19,273,951 special shares outstanding as at September 30, 2011 and December 31, 2010.

VFF is authorized to issue an unlimited number of common shares, special shares and preferred shares, issuable in series.

(ii) Common shares:

The common shares entitle the holders thereof to one vote per share at all shareholder meetings of VFF (subject to certain exceptions). The holders of the common shares are entitled to receive any dividend declared by VFF on the common shares.

Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of VFF, the holders of the common shares are entitled to receive, pro rata, the remaining property or assets of VFF upon its dissolution, liquidation or winding-up.

(iii) Preferred shares:

The preferred shares may be issued in one or more series, with such rights and conditions as may be determined by resolution of the directors of VFF who shall determine the designation, rights, privileges, conditions and restrictions to be attached to the preferred shares of such series. There are no voting rights attached to the preferred shares except as prescribed by law. In the event of the liquidation, dissolution or winding-up of VFF, or any other distribution of assets of VFF among its shareholders for the purpose of winding-up its affairs, the holders of the preferred shares of each series are entitled to receive, among other things, with priority over the common shares and any other shares ranking junior to the preferred shares of VFF, an amount equal to any cumulative dividends, whether or not declared, or declared thereon but unpaid and no more. The preferred shares for each series are also entitled to such other preferences over the common shares and any other shares ranking junior to the preferred shares as may be determined as to their respective series authorized to be issued. The preferred shares of each series shall be on a parity basis with the preferred shares of every other series with respect to payment of dividends and return of capital. There are no preferred shares currently issued and outstanding.

(iv) Special shares:

Special Shares were issued to VF U.S. Holdings Inc. (“U.S. Holdings”) for the benefit of the holders of the Participating Preferred Shares (“PPSs”) of U.S. Holdings. The special shares entitle the holder to exercise voting and other rights as a shareholder of VFF as though the holder held the number of shares that would be owned by the holders of the PPSs assuming the exercise in full of the PPS Exchange Rights; provided that in no event shall the votes attached to the Special shares exceed 45% of the votes otherwise attached to the common shares and the special shares of VFF then outstanding.

The following is a summary of share capital:

	The VFF Common Shares	
	# of Shares	Amount
Share capital – January 1, 2010	13,440,345	$24,850
Issuances or conversions	-	-
Share capital – September 30, 2010	13,440,345	$24,850
Conversion of special shares into common shares	5,993,049	-
Share capital – December 31, 2010 and September 30, 2011	19,433,394	$24,850

(in thousands of United States dollars, except per share amounts and unless otherwise noted, unaudited)

	The VFF Special Shares	
	# of Shares	Amount
Share capital – January 1, 2010	25,267,000	$-
Issuances or conversions	-	-
Share capital – September 30, 2010	25,267,000	$-
Conversion of special shares into common shares	(5,993,049)	-
Share capital – December 31, 2010 and September 30, 2011	19,273,951	$-

22 CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard its assets and maintain a competitive cost structure, continue as a going concern and provide returns to its shareholders. In addition, the Company works with all relevant stakeholders to ensure the safety of its operations and employees and remain in compliance with all environmental regulations.

The Company's main objectives when managing capital are:

- to structure repayment obligations in line with the expected lives of the Company's principal revenue generating assets;
- to ensure the Company has access to capital to fund contractual obligations as they become due and to ensure adequate cash levels to withstand the impact of unfavorable economic conditions;
- to maintain the Company's credit ratings to facilitate access to capital markets at competitive interest rates; and
- to ensure the Company has the ability to obtain its growth initiatives.

The Company's capital comprises net debt and equity:

	September 30, 2011	December 31, 2010
Total bank debt	$58,416	$51,468
Less cash and cash equivalents	(4,917)	(9,734)
Net debt	53,499	41,734
Total equity	41,211	36,231
	$94,710	$77,965

23 SHARE-BASED COMPENSATION PLAN

In December 2009, the Company introduced a new share-based compensation plan. The maximum number of common shares that can be issued upon the exercise of options granted is equal to 10% of the aggregate number of common shares issued and outstanding from time to time. The maximum period during which an option may be exercised is 10 years from the date of the grant. 665,000 options at a weighted average exercise price of $1.24 were granted in the three and nine months ended September 30, 2011. ((nil for the three months ended September 30, 2010) and 349,999 options at a weighted average exercise price of $0.70 were granted in the nine months ended September 30, 2010). Options vest at a rate of 33% per year, beginning one year following the grant date of the options. Share-based compensation expense for the three months ended September 30, 2011 of $89 (September 30, 2010 - $20) and $148 for the nine months ended September 30, 2011 (September 30, 2010 - $56) was recorded in selling, general and administrative expenses and the corresponding amount credited to contributed surplus.

The following presents the assumptions used to establish the fair value assigned to the options issued using the Black-Scholes valuation model:

	2011
Expected volatility	53.2%
Dividend	$nil
Risk-free interest rate	2.53%
Expected life	6.5 years
Fair value	$0.367

(in thousands of United States dollars, except per share amounts and unless otherwise noted, unaudited)

The following table summarizes stock options, granted during the period. There were no forfeitures of stock options for the three and nine months ended September 30, 2011.

	Nine Months Ended September 30,			
	2011		2010	
	Stock options	Weighted average exercise price	Stock options	Weighted average exercise price
Beginning of period	349,999	CA$0.70	-	-
Granted	665,000	CA$1.24	349,999	CA$0.70
End of period	1,014,999	CA$1.05	349,999	CA$0.70

The following table summarizes stock options outstanding and granted as at September 30, 2011:

Exercise price	Number outstanding	Remaining contractual life (years)	Number of exercisable options
CA$0.70	349,999	8.2	nil
CA$1.24	665,000	9.6	nil
	1,014,999		