Village Farms International, Inc.

Condensed Consolidated Interim Financial Statements
Three and Nine Months Ended
September 30, 2014 and 2013
(Unaudited)

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 unaudited condensed consolidated 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.
Condensed Consolidated Interim Statements of Financial Position
(In thousands of United States dollars)

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 7,240	$ 18,668
Trade receivables	9,131	7,109
Other receivables	1,013	325
Inventories (note 5)	10,718	10,630
Income taxes receivable	36	36
Prepaid expenses and deposits	468	168
Biological asset (note 6)	6,631	3,732
Total current assets	35,237	40,668
Non-current assets		
Property, plant and equipment (note 8)	102,539	96,709
Intangible assets	913	991
Other assets (note 9)	1,625	1,537
Total assets	$ 140,314	$ 139,905
LIABILITIES		
Current liabilities		
Trade payables	$ 10,648	$ 7,063
Accrued liabilities	4,515	3,225
Income taxes payable	-	917
Operating loan (note 10)	1,000	-
Current maturities of long-term debt (note 10)	4,362	4,168
Current maturities of capital lease obligations	26	25
Total current liabilities	20,551	15,398
Non-current liabilities		
Long-term debt (note 10)	50,101	50,692
Long-term maturities of capital lease obligations	41	61
Deferred tax liability	10,118	11,970
Deferred compensation	778	684
Total liabilities	81,589	78,805
SHAREHOLDERS' EQUITY		
Share capital	24,850	24,850
Contributed surplus	958	749
Accumulated other comprehensive income	(102)	55
Retained earnings	33,019	35,446
Total shareholders' equity	58,725	61,100
Total liabilities and shareholders' equity	$ 140,314	$ 139,905

Subsequent Events (note 19)

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

Village Farms International, Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the Nine Months Ended September 30, 2014 and 2013

(In thousands of United States dollars, except for shares outstanding, unaudited)

	Number of Common Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity
Balance at January 1, 2013	19,433,394	$ 24,850	$ 588	$ 55	$ 24,958	$ 50,451
Conversion of special shares to common shares	9,886,949	-	-	-	-	-
Share-based compensation (note 18)	-	-	119	-	-	119
Net income and comprehensive income for the period ended September 30, 2013	-	-	-	-	11,813	11,813
Balance at September 30, 2013	29,320,343	24,850	707	55	36,771	$ 62,383
Balance at January 1, 2014	38,707,345	24,850	749	55	35,446	61,100
Share-based compensation (note 18)	-	-	209	-	-	209
Cumulative translation adjustment	-	-	-	(157)	-	(157)
Net income and comprehensive income for the period ended September 30, 2014	-	-	-	-	(2,427)	(2,427)
Balance at September 30, 2014	38,707,345	$ 24,850	$ 958	$ (102)	$ 33,019	$ 58,725

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

Village Farms International, Inc.
Condensed Consolidated Interim Statements 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, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Net sales (note 15)	$ 36,578	$ 39,645	$ 101,849	$ 105,897
Cost of sales (note 12)	(35,010)	(33,669)	(93,526)	(91,496)
Insurance proceeds, net (note 7)	-	10,722	-	15,943
Provision for property and equipment damaged	-	(601)	-	(601)
Change in biological asset (note 6)	556	(1,059)	499	(336)
Selling, general and administrative expenses (note 12)	(3,580)	(3,142)	(10,035)	(9,808)
Income from operations	(1,456)	11,896	(1,213)	19,599
Interest expense, net	581	759	1,905	2,848
Foreign exchange loss/(gain)	72	17	67	(40)
Amortization of intangible assets	26	26	78	78
Gain on derivatives	-	-	-	(106)
Other (income)/expense, net	(1)	13	(24)	(53)
Loss/(gain) on sale of assets	227	-	228	(3)
Income before income taxes	(2,361)	11,081	(3,467)	16,875
(Recovery of) provision for income taxes	(708)	3,324	(1,040)	5,062
Net (loss) income from operations	$ (1,653)	$ 7,757	$ (2,427)	$ 11,813
Basic (loss) earnings per share (note 16)	$ (0.04)	$ 0.20	$ (0.06)	$ 0.31
Diluted (loss) earnings per share (note 16)	$ (0.04)	$ 0.20	$ (0.06)	$ 0.30
Other comprehensive income (loss):				
Foreign currency translation adjustment	(157)	-	(157)	-
Comprehensive (loss) income	$ (1,810)	$ 7,757	$ (2,584)	$ 11,813

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

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

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Cash flows from operating activities:				
Net (loss) income	$ (1,653)	$ 7,757	$ (2,427)	$ 11,813
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Depreciation and amortization	2,027	1,820	5,763	5,487
Loss/(gain) on disposal of assets	227	-	228	(3)
Provision for property and equipment damaged	-	51	-	51
Gain on derivatives	-	-	-	(106)
Foreign exchange loss/(gain)	72	17	67	(40)
Net interest expense	583	803	1,983	2,691
Share-based compensation	70	28	209	119
Deferred income taxes	(782)	2,978	(1,852)	4,707
Change in biological asset	(556)	1,059	(499)	336
Changes in non-cash working capital items (note 14)	6,878	6,411	(1,673)	(588)
Net cash provided by operating activities	6,866	20,924	1,799	24,467
Cash flows from investing activities:				
Purchases of property, plant and equipment	(1,183)	(439)	(7,300)	(1,404)
Property, plant and equipment acquired in business combination	(4,150)	-	(4,150)	-
Other assets acquired in business combination	(265)	-	(265)	-
Proceeds from sale of property, plant, and equipment, net	3	-	4	19
Other non-current assets and liabilities, net	(97)	60	(10)	(614)
Net cash used in investing activities	(5,692)	(379)	(11,721)	(1,999)
Cash flows from financing activities:				
(Payments on)/Proceeds from operating loan, net	(3,000)	-	1,000	-
Proceeds/(Payments) on long-term debt, net	1,647	(1,042)	(437)	(1,699)
Interest paid on long-term debt, net	(583)	(805)	(1,983)	(2,691)
Payments on capital lease obligation	(6)	(6)	(19)	(17)
Net cash used in financing activities	(1,942)	(1,853)	(1,439)	(4,407)
Effect of exchange rate changes on cash and cash equivalents	(72)	(17)	(67)	40
Net increase (decrease) in cash and cash equivalents	(840)	18,675	(11,428)	18,101
Cash and cash equivalents, beginning of period	8,080	2,227	18,668	2,801
Cash and cash equivalents, end of period	$ 7,240	$ 20,902	$ 7,240	$ 20,902
Supplemental cash flow information:				
Income taxes paid/(refunded)	$ (68)	$ 333	$ 1,396	$ 342
Purchases of fixed assets by use of Accounts Payable	$ 334	$ -	$ 334	$ -

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

1 NATURE OF OPERATIONS

Village Farms International, Inc. ("VFF" the parent company and, together with its subsidiaries, the "Company") is incorporated under the *Canada Business Corporations Act*. VFF's principal operating subsidiaries at September 30, 2014 are Village Farms Canada Limited Partnership ("VFCLP"), Village Farms, L.P. ("VFLP"), VF Clean Energy, Inc ("VFCE"), 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 is publicly traded and is listed on the Toronto Stock Exchange under the symbol VFF.

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. The Company, through its subsidiary VFCE, owns and operates a 7.5 MW power plant that generates electricity.

2 BASIS OF PRESENTATION

Statement of Compliance

The Company's unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statement disclosures, and should be read in conjunction with the Company's audited annual Consolidated Financial Statements for the year ended December 31, 2013, which were prepared in accordance with IFRS.

Basis of Presentation

The condensed consolidated interim financial statements are prepared on a going concern basis. The accounting policies have been applied consistently in all material respects. These condensed consolidated interim financial statements have been prepared by applying the same accounting policies, assessments of estimates and judgments, and methods of computation as compared with the most recent annual consolidated financial statements.

Basis of Measurement

The condensed consolidated interim financial statements ("interim financial statements") have been prepared on the historical cost basis except for the following material items in the condensed consolidated interim statements of financial position ("interim statements of financial position") and in the condensed consolidated interim statements of income and comprehensive income ("interim statements of income and comprehensive income"):

- Derivative financial instruments are measured at fair value;
- Available-for-sale financial assets are measured at fair value; and
- Biological assets are measured at fair value less costs to sell.

Functional and Presentation Currency

These interim financial statements are presented in United States dollars ("U.S. dollars"), which is the Company's primary functional currency. VFCE's functional currency is in Canadian dollars and conversion to U.S. dollars is performed in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*. All financial information presented in U.S. dollars has been rounded to the nearest thousand.

3 CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following new and revised standards, along with any consequential amendments as at January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

- The Company assessed its consolidation conclusion and determined that the adoption of IFRS 10, *Consolidated Financial Statements*, did not result in any changes in the consolidation status of any of its subsidiaries.
- The Company adopted IFRS 13, *Fair Value Measurement*, on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments.
- The Company adopted the amendments to IAS 1, *Presentation of Financial Statements*. These amendments required the Company to group other comprehensive income items by those that may be recycled through net income and those that will not be recycled through net income. These changes did not result in adjustments to other comprehensive income.
- The Company adopted IFRS 11, *Joint Arrangements*, which redefined joint operations and joint ventures with a focus on the rights and obligations of an arrangement, rather than its legal form. The adoption of IFRS 11 did not have an impact on the Company’s consolidated financial statements.
- The Company adopted the amended IAS 19R, *Employee Benefits,* which changed the recognition and measurement of defined benefit pension expense and termination benefits and enhanced the disclosure of all employee benefits. The adoption of IAS 19R did not result in any changes in the accounting of employee benefits.

Accounting Standards Issued and Not Applied

In May 2011, the IASB issued IFRS 9, *Financial Instruments*, which addresses classification and measurement of financial assets and financial liabilities, and replaces the multiple category and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*. The required adoption date for IFRS 9 has been extended to annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 is not expected to have a material impact on amounts recorded in the Company's consolidated financial statements.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which replaces IAS 18, *Revenue*, and IAS 11, *Construction Contracts*, and the related Interpretations on revenue recognition. IFRS 15 establishes the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts, and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. IFRS 15 is not expected to have a material impact on amounts recorded in the Company's consolidated financial statements.

Further details of new accounting standards and potential impact on the Company can be found in the Company’s Consolidated Financial Statements for the year ended December 31, 2013.

4 ACQUISITION

On July 17, 2014, the Company acquired all of the outstanding shares of Maxim Power (B.C.), which has been renamed VF Clean Energy, Inc (“VFCE”). The aggregate purchase price totaled approximately CAD $5.2 million, which included a working capital closing adjustment of CAD $0.7 million. The primary business of VFCE is power generation and the Company will continue generating power under an existing long term power purchase agreement with BC Hydro as well as focus on improving the sustainability profile of the Company’s greenhouse operations in Delta, B.C.

The acquisition is accounted for under the provisions of IFRS 3, *Business Combinations*, using the acquisition method. The Company accounts for its investment in VFCE as a subsidiary and consolidates the financial position and results of the Company. The Company has not yet completed its determination of the fair value of the assets acquired and expects to finalize the purchase accounting by the end of the year. The Company expects to identify certain tangible assets in addition to certain intangible assets related to the power purchase agreement.

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

5 INVENTORIES

	September 30, 2014	December 31, 2013
Deferred crop costs	$14,799	$12,200
Purchased produce inventory	320	528
Biological asset adjustment (note 6)	(4,498)	(2,098)
Energy spare parts inventory	97	-
	$10,718	$10,630

The cost of inventories recognized as expense and included in cost of sales amounted to $28,759 for the three months ended September 30, 2014 (2013 - $27,270) and $77,929 for the nine months ended September 30, 2014 (2013 - $75,554). The biological asset adjustment reclassifies actual costs incurred for the biological asset from inventories to biological asset on the interim statements of financial position.

6 BIOLOGICAL ASSET

Information about the biological asset presented on the interim statements of financial position and in the interim statements of income and comprehensive income is as follows:

	September 30, 2014	December 31, 2013	September 30, 2013
Estimated sales value - biological asset	$12,697	$6,363	$12,483
Less			
Estimated remaining costs to complete	5,329	2,216	5,132
Estimated selling costs	737	415	735
Fair value of biological asset less costs to sell	6,631	3,732	6,616
Less actual costs (note 5)	4,498	2,098	4,096
Increase in fair value of biological asset over cost	2,133	1,634	2,520
Fair value over cost of harvested and sold biological asset – beginning of year	1,634	2,856	2,856
Change in biological asset	$499	($1,222)	($336)
Change in biological asset six months ended June 30	($57)		$723
Change in biological asset three months ended September 30	$556		($1,059)

7 HAIL DAMAGE/INSURANCE PROCEEDS

On May 31, 2012, the Company suffered a hail storm that closed three of the Texas facilities. The Company was insured and as at September 30, 2013, $15,943 was received for business interruption and property damage, net of fees. The insurance claim was settled and complete in September 2013. The Company received $15,658 from its insurance carrier for business interruption and $1,074 for property damage in 2013. Fees incurred associated with the recoveries for the year ended December 31, 2013 totaled $784, resulting in net proceeds of $15,948 for 2013. The Company's cumulative total received in 2012 and 2013 from its insurance carrier was $49,264, less total fees incurred of $2,085, resulting in total net proceeds of $47,179.

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

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Land	Leasehold and land improve-ments	Buildings	Machinery and Equipment	Construction in process	Total
At December 31, 2013						
Cost	$5,027	$3,471	$73,205	$55,347	$4,451	$141,501
Accumulated depreciation	-	(1,707)	(21,870)	(21,215)	-	(44,792)
Net book value	$5,027	$1,764	$51,335	$34,132	$4,451	$96,709
Nine months ended September 30, 2014						
Opening net book value	$5,027	$1,764	$51,335	$34,132	$4,451	$96,709
Additions	-	-	-	-	7,634	7,634
Placed in service	-	-	6,424	3,184	(9,608)	-
Acquired in business combination	-	-	580	3,570	-	4,150
Disposals	-	(11)	(159)	(204)	-	(374)
Accum deprec on disposal	-	4	47	156	-	207
Depreciation expense	-	(112)	(2,636)	(2,937)	-	(5,685)
Foreign currency translation adjustment	-	-	(14)	(88)	-	(102)
Closing net book value	$5,027	$1,645	$55,577	$37,813	$2,477	$102,539
At September 30, 2014						
Cost	5,027	3,460	80,036	61,809	2,477	152,809
Accumulated depreciation	-	(1,815)	(24,459)	(23,996)	-	(50,270)
Net book value	$5,027	$1,645	$55,577	$37,813	$2,477	$102,539

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

9 OTHER ASSETS

The following table summarizes the components of other assets:

	September 30, 2014	December 31, 2013
Patronage stock	$437	$437
Note receivable	316	325
Security deposits	107	116
Cash surrender value - insurance	732	649
Other	33	10
Total	$1,625	$1,537

10 DEBT

	September 30, 2014	December 31, 2013
Long-term debt:		
Opening balance	$55,569	$58,310
Proceeds from Credit Facilities	2,689	58,000
Repayment of debt	(3,126)	(60,741)
Closing balance	$55,132	$55,569

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

Current portion	$4,362	$4,168
Non-current portion	50,770	51,401
Less: Unamortized deferred transaction costs	(669)	(709)
	$54,463	$54,860

Credit Facilities

On March 28, 2013, the Company entered into an agreement for new Term Loan financing with an existing Canadian creditor (the "Credit Facilities"). As part of the agreement, all prior term debt was repaid upon issuance of the new term loan financing. The non-revolving variable rate term loan has a maturity date of April 1, 2018 ("FCC Loan") and a balance of $52,443 as at September 30, 2014. The outstanding balance is repayable by way of monthly installments of principal and interest based on an amortization period of 14 years, with the balance and any accrued interest to be paid in full on April 1, 2018. Monthly principal payments are $347. As at September 30, 2014, borrowings under the FCC Loan agreement are subject to an interest rate of 3.7463% (December 31, 2013 – 5.2378%). The Company's interest rate on the FCC Loan is determined based on the Company's Debt to EBITDA ratio and the applicable LIBOR rate.

On September 26, 2014, the Company's subsidiary VFCE entered into a new loan agreement with its existing Canadian creditor. The non-revolving fixed rate loan of CAD $3.0 million has a maturity date of June 2023, fixed interest rate of 4.98%, and monthly payments of CAD $36 beginning January 2015. As at September 30, 2014, the balance was USD $2,689.

In addition, the Company entered into a new line of credit agreement with a new creditor on August 30, 2013. The revolving operating loan of up to CA$10,000 is at variable interest rates with a maturity date on August 30, 2016 (the "Operating Loan"). The Operating Loan is subject to margin requirements stipulated by the bank. As at September 30, 2014, $1,000 was drawn on this facility (December 31, 2013 – $nil), which is available to a maximum of CA$10,000, less an outstanding letter of credit totaling $845.

The borrowings are subject to certain positive and negative covenants. As at September 30, 2014, the Company was in compliance with all covenants on its Credit Facilities with the exception of one of its Operating Loan covenants. The Company received a waiver for its Fixed Charge covenant through December 31, 2014. As at December 31, 2013, the Company was in compliance with all covenants on its Credit Facilities.

Accrued interest payable on the Credit Facilities and loans as at September 30, 2014 was $152 (December 31, 2013 – $229) and these amounts are included in accrued liabilities in the interim statements of financial position.

As security for the FCC Loan, the Company has provided promissory notes, a first mortgage on the greenhouse properties, and general security agreements over its assets. In addition, 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, 2014 was $140,314 (December 31, 2013 – $139,905).

Transaction costs incurred in connection with these financing activities are deferred and amortized over the terms of the related financing agreement. Total deferred financing costs, net of accumulated amortization, are netted against long-term debt on the interim statements of financial position, and total $669 as at September 30, 2014 (December 31, 2013 – $709).

11 FINANCIAL INSTRUMENTS

The following table summarizes the carrying value, which approximates the fair value, of the Company's financial instruments:

	September 30, 2014	December 31, 2013
Cash and cash equivalents	$7,240	$18,668
Trade receivables	$9,131	$7,109
Other receivables	$1,802	$1,123
Other financial liabilities	$71,471	$66,835

Interest income and expense are recognized in the interim statements of income and comprehensive income. The following table summarizes interest income and expense:

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Interest income from held-for-trading assets	$-	$2	$1	$3
Interest expense from other financial liabilities	$581	$761	$1,906	$2,851

The Company classifies financial assets and liabilities that are recognized on the interim statements of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The hierarchy levels are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Management of Financial Risks

The Company, through its financial assets and liabilities, is exposed to various risks. The following information provides a measurement of some of these risks as at September 30, 2014.

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, trade receivables and other receivables.

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

The Company had three customers that represented more than 10% of the balance of trade receivables, representing 13.2%, 10.7%, and 10.0% as at September 30, 2014 (2013 – three customers, 12.8%, 12.4%, and 10.0%). 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 annual sales. The PACA protection gives a claim filed under the PACA first lien on all PACA assets (which include 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 one-half of 1% of sales. The maximum amount of credit risk exposure is limited to the carrying amount of the balances on the interim financial statements.

Trade receivables for each customer were evaluated for collectability and an allowance for doubtful accounts has been estimated. At September 30, 2014, the allowance for doubtful accounts balance was $50 (December 31, 2013 – $50). The Company has not recorded a bad debt expense during the three and nine months ended September 30, 2014 (2013 – $nil).

At September 30, 2014, 92.3% (December 31, 2013 – 89.9%) of trade receivables were outstanding less than 30 days, 7.1% (December 31, 2013 – 9.3%) were outstanding for between 30 and 90 days and the remaining 0.6% (December 31, 2013 – 0.8%) were outstanding for more than 90 days. Trade receivables are considered past due based on the contract terms agreed to with a customer. 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 90-day LIBOR rate. If interest rates had been 50 basis points higher (lower), the net income during the nine months ended September 30, 2014 would have been higher (lower) by ($270). This represents $270 in increased interest expense (2013 – $287).

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

iii) Foreign exchange risk

At September 30, 2014, the Canadian/U.S. foreign exchange rate was CA$1.00 = US$0.8962 (December 31, 2013 – US$0.9349). 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, 2014 and December 31, 2013 with the net foreign exchange gain or loss directly impacting net income for the period.

	September 30, 2014	December 31, 2013
Financial assets		
Cash and cash equivalents	$295	$165
Trade receivables	292	76
Financial liabilities		
Trade payables and accrued liabilities	(313)	(223)
Loan payable	(300)	-
Net foreign exchange (loss)/gain	($26)	$ 18

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, 2014:

Financial liabilities	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**More than 5 years**
Long-term debt, net of fees	$54,463	$4,362	$8,890	$39,979	$1,232
Operating loan	1,000	1,000	-	-	-
Trade payables	10,648	10,648	-	-	-
Accrued liabilities	4,515	4,515	-	-	-
Obligations under capital lease	67	26	41	-	-
Other liabilities	778	-	778	-	-
Total	$71,471	$20,551	$9,709	$39,979	$1,232

It is the Company's intention to meet these obligations through the collection of current accounts receivable and cash from sales. 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 an operating loan of up to CA$10,000, less an outstanding balance of $1,000 and an outstanding letter of credit totaling $845.

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. There were no derivatives held at September 30, 2014 (December 31, 2013 - $nil).

12 EXPENSES BY NATURE

The following tables outline the Company's significant expenses by nature:

Cost of sales	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Purchased produce	$5,766	$5,558	$19,258	$15,151
Raw materials and consumables used	12,629	12,324	29,822	32,178
Depreciation and amortization	1,953	1,732	5,528	5,206
Transportation and storage	5,288	5,535	13,986	14,550
Employee compensation and benefits	9,374	8,520	24,932	24,411
	$35,010	$33,669	$93,526	$91,496

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

Selling, general and administrative	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Employee compensation and benefits	$1,917	$1,939	$5,741	$5,843
Marketing	90	83	287	306
Professional services	824	507	1,620	800
Office expenses	459	492	1,432	1,487
Other	290	121	955	1,372
	$3,580	$3,142	$10,035	$9,808

Employee compensation and benefits	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Salaries and other employee benefits	$11,221	$10,431	$30,464	$30,135
Share-based payments	70	28	209	119
	$11,291	$10,459	$30,673	$30,254

13 DEFERRED INCOME 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 nine months ended September 30, 2014 was 30% and the nine months ended September 30, 2013 was 30%.

14 CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Trade receivables	$4,033	$4,341	($1,790)	($2,692)
Inventories	(852)	1,052	(42)	5,066
Inventories reclassified to biological asset	1,810	636	(2,400)	(2,195)
Other receivables	(404)	(134)	(688)	432
Prepaid expenses and deposits	190	46	(300)	(333)
Trade payables	1,344	325	3,174	(1,952)
Accrued liabilities and taxes payable	757	145	373	1,086
	$6,878	$6,411	($1,673)	($588)

15 SEGMENT AND GEOGRAPHIC INFORMATION

On July 17, 2014, the Company acquired VFCE (note 4), which adds a second reporting segment to the Company's business. The Company's two reporting segments include the Agriculture business and the Energy business. The Agriculture business produces, markets, and sells the product group which consists of premium quality tomatoes, bell peppers and cucumbers. The Energy business produces power that it sells per a long term contract to its one customer.

The Company's primary operations are in the United States and Canada. Net sales by the countries in which its customers are located are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Net Sales				
Agriculture-U.S.	$29,075	$30,281	$84,627	$85,200
Agriculture - Canada	6,987	9,364	16,690	20,647
Agriculture - Other	-	-	16	50
Energy - Canada	516	-	516	-
	$36,578	$39,645	$101,849	$105,897

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

The Company's property, plant and equipment, net of accumulated depreciation, are located as follows:

	September 30,2014	December 31,2013
Agriculture – U.S.	$ 61,147	$ 57,863
Agriculture - Canada	37,402	38,408
Agriculture - Dominican Republic	-	438
Energy - Canada	3,990	-
	$ 102,539	$ 96,709

16 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Company by the weighted average number of common shares in issue during the period excluding common shares purchased by the Company and held as treasury shares.

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Net income/(loss) attributable to shareholders	($1,653)	$7,757	($2,427)	$11,813
Weighted average number of common shares and special shares outstanding (thousands)	38,707	38,707	38,707	38,707
Basic earnings/(loss) per share	($0.04)	$0.20	($0.06)	$0.31

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company's share options are potentially dilutive to common shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. If the dilutive effect is less than zero, then issuance is anti-dilutive and is excluded from the diluted earnings per share calculation.

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Net income/(loss) attributable to shareholders	($1,653)	$7,757	($2,427)	$11,813
Weighted average number of common shares and special shares outstanding (thousands)	38,707	38,707	38,707	38,707
Adjustment for:				
Share options (thousands)	211	86	352	72
Weighted average number of common shares and special shares outstanding for diluted earnings per share (thousands)	38,918	38,793	39,059	38,779
Diluted earnings/(loss) per share	($0.04)	$0.20	($0.06)	$0.30

17 CAPITAL DISCLOSURES

The Company's capital comprises of net debt and equity:

	September 30, 2014	December 31, 2013
Total bank debt	$56,132	$55,569
Less cash and cash equivalents	(7,240)	(18,668)
Net debt	48,892	36,901
Total equity	58,725	61,100
	$107,617	$98,001

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

It is the Company's intention to meet its obligations through the collection of current accounts receivable and cash. As at September 30, 2014, the Company has an available operating loan up to CA$10,000, less $1,000 drawn on the loan and $845 outstanding on the letter of credit (December 31, 2013 - $nil was outstanding on the operating loan, and $1,645 was utilized on a letter of credit). As at September 30, 2014, the operating loan borrowing base was $6,301 based on a percentage of the Company's outstanding accounts receivable less the current advance and issued letter of credit. 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.

18 SHARE-BASED COMPENSATION PLAN

The Company has a 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 term during which an option may be exercised is 10 years from the date of the grant. 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, 2014 of $70 (2013 - $28) and for the nine months ended September 30, 2014 of $209 (2013 - $119) was recorded in selling, general and administrative expenses and the corresponding amount credited to contributed surplus.

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

	March 2014	September 2013	March 2013	2012
Expected volatility	57.0%	56.4%	46.4%	54.5%
Dividend	$nil	$nil	$nil	$nil
Risk-free interest rate	1.52%	1.52%	2.04%	2.14%
Expected life	6.5 years	6.5 years	6.5 years	6.5 years
Fair value	$0.822	$0.606	$0.410	$0.694

Expected volatility was based on three years of historical data.

The following table summarizes stock options granted during the period. There were 25,000 forfeitures of stock options for the nine months ended September 30, 2014.

	Nine months Ended September 30,			
	2014		2013	
	Stock options	Weighted average exercise price	Stock options	Weighted average exercise price
Beginning of period	1,454,999	CA$1.06	1,164,999	CA$1.08
Granted	410,000	CA$1.48	100,000	CA$0.85
Granted	-	-	240,000	CA$1.10
Forfeitures	(25,000)	CA$1.48	(16,667)	CA$1.24
End of period	1,839,999	CA$1.15	1,488,332	CA$1.07

The following table summarizes stock options outstanding and granted as at September 30, 2014:

Exercise price	Number outstanding	Remaining contractual life (years)	Number of exercisable options
CA$0.70	349,999	5.3	349,999
CA$1.24	615,000	6.6	615,000
CA$1.27	150,000	7.5	100,000
CA$0.85	100,000	8.5	33,333
CA$1.10	240,000	9.0	80,000
CA$1.48	385,000	9.5	Nil
	1,839,999		

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

No options were exercised in the nine months ended September 30, 2014 and 2013. Share options outstanding at the end of the period have the following expiry dates and exercise prices:

	Exercise price in CA$ per share	September 30, 2014	December 31, 2013
Expiry date - January 13, 2020	0.70	349,999	349,999
Expiry date - May 20, 2021	1.24	615,000	615,000
Expiry date - March 13, 2022	1.27	150,000	150,000
Expiry date - March 13, 2023	0.85	100,000	100,000
Expiry date - September 26, 2023	1.10	240,000	240,000
Expiry date - March 18, 2024	1.48	385,000	-
		1,839,999	1,454,999

19 SUBSEQUENT EVENTS

On October 3, 2014, the Company sold ownership of Village Farms DR, SLR to an unrelated third party in exchange for a waiver of termination fees on a remaining lease obligation.